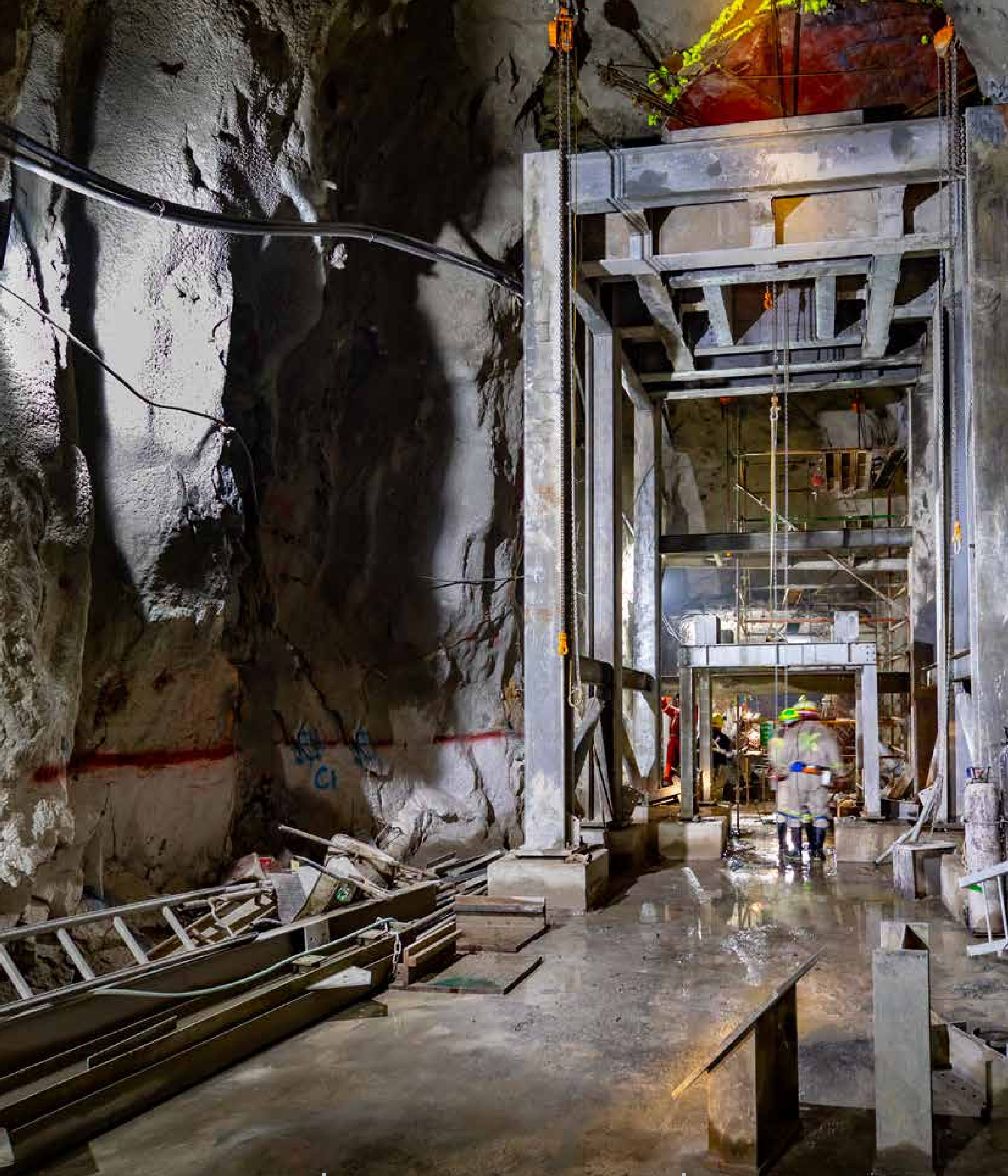
ROYAL BAFOKENG PLATINUM

MORE THAN MINING

ANNUAL FINANCIAL STATEMENTS 2018



OUR VISION
To seek and deliver
the good from mining

OUR MISSION
To leave a lasting legacy of sustainable
benefits for our stakeholders

OUR PURPOSE
To create economic value
for all our stakeholders

CONTENTS

Royal Bafokeng Platinum (RBPlat) is a black-owned and controlled, mid-tier platinum group metals (PGMs) producer, listed on the JSE since November 2010.

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

The board of directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of the Royal Bafokeng Platinum Group. The financial statements presented on pages 14 to 85 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and IFRIC interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act 71 of 2008 of South Africa, and include amounts based on judgements and estimates made by management.

The board considered whether in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The board is satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Group at year-end.

The board has responsibility for ensuring that proper records are kept to enable the preparation of the financial statements in compliance with relevant legislation.

The going concern basis of accounting has been adopted in preparing the financial statements. The directors have no reason to believe that the Company and the Group will not be a going concern in the foreseeable future.

The annual financial statements were audited by PricewaterhouseCoopers Inc. who expressed an unqualified opinion thereon.

BOARD APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2018 are set out on pages 14 to 85. The preparation thereof was supervised by the Financial Director, Hanré Rossouw, and approved by the Board of Directors on 26 February 2019 and are signed on its behalf by:

KD Moroka SC
Chairman

SD Phiri
Chief Executive Officer

CERTIFICATE OF THE COMPANY SECRETARY

I, the undersigned, certify that to the best of my knowledge and in my capacity as the Company Secretary, the Company has lodged all such returns with the Companies Intellectual and Property Commission in compliance with the Companies Act 71 of 2008.

All the filed required returns and notices are true, correct and up to date.

LC Jooste
Company Secretary

26 February 2019

AUDIT AND RISK COMMITTEE REPORT

This report is provided by RBPlat's independent Audit and Risk Committee for the financial year ended 31 December 2018.

The committee has discharged its:
> responsibilities as mandated by the Board
> statutory duties in compliance with the Companies Act 71 of 2008 and the JSE Listings Requirements
> governance role and responsibilities by applying the principles relevant to our committee, as set out in the King Code on Corporate Governance 2016 (King IV™*).

The committee's terms of reference (available on the Company's website, www.bafokengplatinum.co.za), are aligned with the legislation, regulations and code set out above.

COMPOSITION, MEETINGS AND COMMITTEE ASSESSMENT

The Committee's membership, which comprises four independent non-executive directors, was subject to change during the year under review. Committee member Robin Mills resigned on 10 April 2018 and Linda de Beer, who has chaired the committee since its inception in June 2010, resigned on 6 August 2018. Following Linda's resignation, Louisa Stephens was appointed as Chair of the committee. In October 2018, two new members joined the committee: Peter Ledger, an existing Board member and new Board member Zanele Matlala. To confirm, at year-end the four independent non-executive members of the committee were:
> Louisa Stephens (Chair)
> Peter Ledger
> Zanele Matlala
> Mark Moffett

Brief profiles of the committee members are available on pages 18 and 21 of the 2018 integrated report and the Company's website.

The committee met on five occasions during the year. Members' attendance at these scheduled meetings is also available on pages 18 to 20 of the 2018 integrated report.

Key members of RBPlat's management attend meetings of the committee by invitation. During the year closed sessions were held for committee members only, as well as with internal audit, external audit, risk and finance.

Due to the changes in membership an annual assessment of the performance of the committees overall, the Chair and its individual members did not take place this year. Instead a review of the composition, diversity and skills of the Board and its committee was conducted with the aim of using the results to assess the composition of the Board and its committees, as well as the training needs of our new directors. A comprehensive assessment will take place in 2019.

EXECUTION OF FUNCTIONS

The committee executed its role with specific reference to the following key areas of responsibility:
> Performing its statutory duties as prescribed by the Companies Act, with specific reference to the audit quality, auditor independence and financial policies and reporting concerns
> Considering the financial performance, financial position, cash flow and treasury status of the Company every quarter, including the solvency and liquidity of entities in the Group
> Overseeing, assessing and approving the internal and external audit functions with respect to appointment, work plans, quality of work executed, matters arising from the work performed and independence
> Considering the enterprise risk management framework and policy, including compliance matters, risk appetite and tolerances, as well as the risk profile of the Company, for recommendation to the Board for consideration and approval, as applicable
> Overseeing the governance of information technology within the Group
> Overseeing the combined assurance framework and plan, including the quality of and reporting by assurance services within the Company and assurance providers in order to ensure the integrity of information for internal and stakeholder decision-making, as well as the adequacy and effectiveness of internal controls
> Considering the skills and capacity of the finance function in general and the Financial Director in particular
> Recommending the interim and annual financial statements and the integrated report to the Board for approval

In addition to the work of the committee, the full Board also holds an annual integrated reporting workshop in January each year, to satisfy itself of the integrity of the integrated report.

Areas of specific focus for the committee during 2018 included:
> The committee reviewed and recommended both the approval of the Maseve transaction and the integration plan to the Board
> The acquisition of Rustenburg Platinum Mine Limited's (RPM's) remaining 33% share of BRPM. Reviewed the motivation for the transaction and the proposed financing terms for the approval of the Board
> Regularly we reviewed the ramp up progress of the project against an agreed set of commercial indicators for the purpose of determining when to stop capitalising pre-production expenditure. It was agreed that RBPlat will start expensing the expenditure and recognising the revenue generated by Styldrift Mine from January 2019

AUDIT AND RISK COMMITTEE REPORT CONTINUED

> An in depth review of the Employee Home Ownership Scheme in terms of governance structures and supply chain processes to ensure their management is in line with the Group's supply chain policies and processes, controls and assignment of duties
> Reviewing our relationship with external auditors PwC and the engagement partner with regard to the JSE changes to the process of appointing external auditors

ANNUAL CONFIRMATIONS

The principal matters attended to by the committee during the year included:

> ***Annual financial statements and integrated report***
  — The committee is satisfied that the Company's financial reporting procedures are operating appropriately
> ***Solvency and liquidity***
  — The committee reviewed quarterly assessments by management of the going concern premise of the Company before recommending to the Board that the Company and the Group will be a going concern in the foreseeable future
> ***Independence and reappointment of a suitable external auditor***
  — Reappointed PwC and Mr D Shango, who in the opinion of the committee is independent of the Company, as the external auditor for the financial year ended 31 December 2018. Determined the fees to be paid to the external auditor and the terms of engagement as well as the nature and extent of any non-audit services and related fees that the external auditor provided to the Company
> ***Evaluation of the expertise and adequacy of the Financial Director and the finance function***
  — Considered and satisfied itself of the appropriateness of the expertise and adequacy of resources within the Company's finance function and the Financial Director. Members of the Audit and Risk Committee participated in the interview and appointment process of the new Financial Director, Mr Hanré Rossouw, who joined the Company in October 2018
> ***Effectiveness of internal controls***
  — Using the Company's combined assurance model and the related assurance obtained from the various assurance providers in the three lines of defence as a basis, the committee recommended to the Board that it issue a statement as to the adequacy of the Company's internal control environment.
> ***Establishing an inhouse internal audit function***
  — RBPlat took a decision to establish an inhouse internal unit function following the retrenchment of the KPMG team that performed the RBPlat internal audit. As a result, the committee evaluated and agreed the new structure and implementation plan, and oversaw the transition thereof

COMMENTS ON KEY AUDIT MATTERS

Impairment assessment of long-lived assets

The committee assessed the methodology, assumptions and judgements applied by management as set out in Note 3 of the annual financial statements. Furthermore, the committee had the benefit of an independent external valuation from Snowden as part of the impairment assessment. In the context of significant enhancements to the underlying quality of the asset base and the improved market conditions, the committee is satisfied that the carrying value of assets are accurately reflected and that no impairment of long-lived assets is required.

ACQUISITION OF THE MASEVE OPERATIONS

In April 2018, RBPlat achieved financial closure of Phase I of the Maseve acquisition, which related to the acquisition of immovable property and the Maseve concentrator plant for the rand equivalent of US$58 million, as well as financial closure on Phase II of the Maseve transaction for the rand equivalent of US$12 million, which relates to the acquisition of 100% of the shares in Maseve and shareholder claims owing by Maseve, following the Department of Mineral Resources' (DMR) approval of the section 11 transfer to RBPlat. The committee is satisfied with the accounting treatment of this acquisition with details reflected in Note 28 of the financial statements.

Louisa Stephens
Chairman of the Audit and Risk Committee

26 February 2019

DIRECTORS' REPORT FOR THE GROUP AND COMPANY

PRINCIPAL ACTIVITIES AND PROFILE

RBPlat was incorporated in July 2008 by Royal Bafokeng Holdings (RBH), the investment arm of the Royal Bafokeng Nation (RBN). When the Bafokeng Rasimone Platinum Mine Joint Venture (BRPM JV) between RBH and Anglo American Platinum Limited was restructured in 2009, operational control of the joint venture vested in RBPlat. RBPlat, through the BRPM JV, operated BRPM and the Styldrift Mine, which achieved its target of ramping up to 150ktpm in the last quarter of 2018. RBPlat's significant reserves and resources can sustain operations for at least the next 60 years. During the year under review, RBPlat through its subsidiary RBR, acquired the 33% stake in the BRPM JV held by Rustenburg Platinum Mines effectively ensuring that RBPlat is the sole owner of the operations, previously under the BRPM JV.

RBPLAT SUBSIDIARY COMPANIES

The following companies are wholly owned subsidiaries of Royal Bafokeng Platinum Limited:

> Royal Bafokeng Resources Proprietary Limited (RBR)
> Royal Bafokeng Platinum Management Services Proprietary Limited (RBP MS)
> Bafokeng Rasimone Management Services Proprietary Limited (BRMS) (100% held indirectly via RBR)
> Royal Bafokeng Resources Properties (RF) Proprietary Limited (RBRP) (100% held indirectly via RBR)
> Maseve investments 11 Proprietary Limited (MI)

RESULTS AND DIVIDEND

The financial results of the Group and Company are set out on pages 14 to 85. These annual financial statements have been prepared using appropriate accounting policies, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and IFRIC interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council (FRSC) and the Companies Act 71 of 2008, the JSE Listings Requirements and include amounts based on judgements and estimates made by management. We do not intend declaring a dividend until Styldrift Mine is operating at a steady state subject to market conditions. Thereafter, a market-related dividend cover ratio is anticipated.

REVIEW OF THE BUSINESS, FUTURE DEVELOPMENTS AND POST-STATEMENT OF FINANCIAL POSITION EVENTS

The operating context on page 34 of our 2018 integrated report provides details of the Group's operating environment. The Group's operational performance for 2018 is discussed on pages 52 to 147 and information on our future outlook can be found throughout the 2018 integrated report. The financial capital section on pages 52 to 61 of the 2018 integrated report, together with these annual financial statements, provide a full description of our financial performance for the year.

GOING CONCERN

The directors believe that the Group and Company will continue as a going concern in the foreseeable future.

CORPORATE GOVERNANCE

A report on our corporate governance and our application of the principles of King IV is included in our 2018 integrated reporting as well as the Company's website http://www.bafokengplatinum.co.za/governance.php.

CREATING, SUSTAINING AND PROTECTING VALUE THROUGH OUR APPROACH TO ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG) FACTORS

Our integrated report for 2018 provides information on our ESG performance under the various capitals in the performance section of the report, which includes the Group's policies and performance regarding employee human rights, disabled employees, employee relations, benefits and remuneration and employee share schemes are provided on pages 84 to 98 of human capital and 148 to 158 of the remuneration review of our 2018 integrated report.

MATERIAL BORROWINGS

The Group concluded R3 billion in debt facilities agreements during 2018 which will predominantly be utilised to fund Styldrift expansionary capital expenditure. These facilities consist of a seven-year term debt facility of R750 million, five-year revolving credit facility of R1 750 million, and one-year general banking facility of R508 million. For material borrowings and facilities please refer to Note 14 of the annual financial statements on pages 33 and 34.

CONVERTIBLE BOND

Following the issue of 120 000 7% senior unsecured convertible bonds for R1.2 billion on 15 March 2017, three tranches of coupon interest payment have been made to date, in August 2017 and 2018 as well as March 2018. Further details regarding the convertible bonds are discloses in Note 20 of the annual financial statements on page 38.

MASEVE MINE ACQUISITION

The acquisition of Maseve Investment 11 Proprietary Limited (Maseve) and the Maseve plant was commissioned and is fully operational. Furthermore, all surface rights relating to the plant transaction have now been transferred into the name of RBR and RBR has settled the plant consideration and taken ownership of the plant assets.

The consideration in respect of the share transaction, comprising an aggregate of 4 871 335 RBPlat shares at an issue price of R31.74 per share, was issued to PTM (RSA) and Africa Wide Mineral Prospecting.

Post the implementation of the Maseve transaction, Africa Wide Mineral Prospecting and Exploration Proprietary Limited (Africa Wide), which held 17.1% of the shares in Maseve prior to the implementation of the share transaction, instituted legal proceedings against

DIRECTORS' REPORT FOR THE GROUP AND COMPANY CONTINUED

PTM, RBPlat and Maseve, in terms of which it seeks to have the Maseve transaction declared unlawful and invalid, or alternatively to be paid an increased amount for its Maseve shares, which it argues were undervalued.

On 20 September 2018 we advised security holders that PTM's legal advisers and senior counsel were of the view that the claim of Africa Wide was weak and that there are strong prospects of defending this matter.

ACQUISITION OF RUSTENBURG PLATINUM MINES LIMITED'S (RPM's) REMAINING 33% INTEREST IN THE BRPM JOINT VENTURE

RBPlat's wholly owned subsidiary, RBR entered into an agreement with RPM, a wholly owned subsidiary of Anglo American Platinum Limited, in terms of which RBR will, in a two-phased transaction, acquire RPM's 33% interest in the BRPM JV. All conditions precedent to phase I of the transaction have been fulfilled and accordingly with effect from 11 December 2018, the risks and rewards of ownership have passed to RBR in respect of the RPM participation interest, including full title in respect of all assets owned by RPM, the use of which it had contributed to the BRPM JV, other than RPM's 33% undivided interest in the mining rights attributable to the BRPM JV.

Phase II of the transaction, in terms of which RBR shall acquire full title in respect of RPM's 33% undivided interest in the mining rights attributable to the BRPM JV, which entails consolidating the 33% participation interest with the 67% held by RBR in the mining rights, remains subject to approval of the transaction by the Department of Mineral Resources in terms of section 11 of the Mineral and Petroleum Resources Development Act. The appointment of RPM nominees to the Board of RBPlat, Mr Gordon Leslie Smith and Mr Avischen Moodley, took effect from 2 January 2019.

DIRECTORATE

The directors for the year under review were:

Director	Position	First appointed	Standing for re-election and election	Elected or re-elected at the last AGM
Kgomotso Moroka	Chairman and independent non-executive director	1 June 2010	Yes	
Linda de Beer*	Independent non-executive director	1 June 2010		
Peter Ledger	Independent non-executive director	28 February 2018		
Zanele Matlala	Independent non-executive director	25 September 2018		Yes
Robin Mills**	Independent non-executive director	1 September 2010		
Mark Moffett	Independent non-executive director	22 September 2014		
Thoko Mokgosi-Mwantembe	Independent non-executive director	5 November 2014	Yes	
Obakeng Phetwe	Non-executive director	28 February 2018		
Steve Phiri	Executive director	1 April 2010		
Martin Prinsloo***	Executive director	1 March 2009		
Mike Rogers	Independent non-executive director	7 December 2009		
Hanré Rossouw	Executive director	1 October 2018		Yes
Louisa Stephens	Independent non-executive director	22 September 2014	Yes	
David Wilson	Non-executive director	29 May 2014		

* *Resigned 6 August 2018*

** *Resigned 10 April 2018*

*** *Resigned 10 August 2018*

DIRECTORS AND PRESCRIBED OFFICERS' DISCLOSURE OF INTERESTS IN CONTRACTS

During the period under review and at the time of signing off the 2018 integrated report, no contracts were entered into in which directors and prescribed officers of the Company had an interest and which would affect the business of the Group.

SERVICE CONTRACTS OF DIRECTORS AND PRESCRIBED OFFICERS

The Company have not entered into any contracts other than the normal employment service contracts with executive directors and other prescribed officers.

SPECIAL RESOLUTIONS

Details of the ordinary and special resolutions to be approved by shareholders at the next Annual General Meeting (AGM) are outlined in the notice of Annual General Meeting (pages 173 to 175 of the 2018 integrated report) and are also available online, (www.bafokengplatinum.co.za).

At the AGM held on 10 April 2018, the following special resolutions were tabled and adopted by shareholders:

- to increase the authorised share capital from 250 000 000 to 1 000 000 000 ordinary shares with no par value
- a special resolution to convert the ordinary shares of the Company from having a par value of R0.01 to having no par value
- following the adoption of these special resolutions the relevant amendments to the Company's Memorandum of Incorporation (MOI) were made and these amendments were approved by special resolution

> shareholders' approval was requested for a new two-year special resolution governing financial assistance to companies within the RBPlat Group which was adopted by shareholders as a special resolution
> the non-executive directors fees were also adopted by shareholders through a special resolution
> a special resolution was adopted authorising the general authority for the Company or any subsidiary to repurchase up to 5% in aggregate of the issued share capital of the Company.

The Company has not exercised the general authority previously granted to it by shareholders to buy back issued ordinary shares. Shareholders will be requested to renew this authority at the next AGM.

POWERS OF THE BOARD

Subject to RBPlat's MOI, South African legislation and to any directions given by means of a special resolution, the business of the Group is managed by the Board which may exercise all the powers of the Group. The MOI contains specific provisions concerning the power of RBPlat to borrow money and also the power to purchase its own shares. The Board has been authorised to allot and issue ordinary shares up to a maximum of 5% of the issued share capital of the Company for cash in terms of the ordinary resolution adopted by shareholders at the AGM on 10 April 2018.

These powers are exercised in terms of its MOI and resolutions passed at the AGM held on Tuesday, 10 April 2018. No shares have been issued under this authority in 2018. The Board has decided to seek renewal of this authority in accordance with best practice.

DIRECTORS' REMUNERATION

Details of directors' remuneration and related payments can be found in Note 36 of the notes to the annual financial statements on pages 57 to 63.

SHARE CAPITAL

Full details of the authorised and issued share capital of the Company are set out in Note 15 to the annual financial statements. As at 31 December 2018, there were 210 499 623 ordinary shares in issue at no par value. Treasury shares held by the Company are outlined in the notes to the annual financial statements on page 35.

MAJOR SHAREHOLDERS

The following shareholders were the registered holders of 5% or more of the issued ordinary shares in the Company at 31 December 2018:

Beneficial shareholders holding of 5% or more	Number of shares	%
Royal Bafokeng Platinum Holdings Proprietary Limited	101 333 105	48.14
Allan Gray Asset Management	24 008 275	11.41

DIRECTORS' INTERESTS IN ROYAL BAFOKENG PLATINUM LIMITED

	Number of shares			
	2018 beneficial		2017 beneficial	
	Direct	**Indirect**	Direct	Indirect
Steve Phiri*	**164 673**	**1 283 146**	131 619	886 868
Martin Prinsloo**	**114 441**	**679 221**	101 457	601 841
Total	**279 114**	**1 962 367**	233 076	1 488 709

** Executive director*
*** Martin resigned on 10 August 2018*

There has been no change to directors' interests since the year-end of the Company and the date of issuing of this report. MJL Prinsloo resigned on 10 August 2018.

SHARE DEALINGS

	Shares sold	Share price	Date
Martin Prinsloo	11 284	R24.001	10/4/2018
Share dealings by directors of a major subsidiary			
Neil Carr	10 591	R24.001	10/4/2018
KV Tlhabanelo	8 388	R24.001	10/4/2018
LC Jooste	5 993	R24.001	10/4/2018

The shares sold on 10 April 2018 were mainly to settle the tax obligation which arose due to the BSP scheme shares which vested on 1 April 2018.

DIRECTORS' REPORT FOR THE GROUP AND COMPANY CONTINUED

SIGNIFICANT AGREEMENTS

The amended BRPM JV Agreement, which was entered into on 12 August 2009 by the RBN, RBR and RPM and set out the terms and conditions on which the BRPM JV operated, fell away once all conditions precedent to phase I of RBR's acquisition of RPM's 33% interest in the BRPM JV were fulfilled on 11 December 2018. The risks and rewards of ownership have passed to RBPlat through its wholly owned subsidiary RBR in respect of the RPM participation interest, including full title in respect of all assets owned by RPM, the use of which it had contributed to the BRPM JV, other than RPM's 33% undivided interest in the mining rights attributable to the BRPM JV.

Phase II of the transaction in terms of which RBR shall acquire full title in respect of RPM's 33% undivided interest in the mining rights attributable to the BRPM JV, entails consolidating the 33% participation interest with the 67% RBR already holds in the mining right. This phase of the transaction is subject to approval by the Department of Mineral Resources in terms of section 11 of the Mineral and Petroleum Resources Development Act.

SERVICES AGREEMENT

As part of the BRPM JV restructuring, a services agreement was entered into between RBP MS, RBR and RPM on 9 September 2009 in terms of which RBP MS was appointed as operator of BRPM JV in place of Anglo Platinum Management Services Proprietary Limited (AMS) with effect from 4 January 2010. In terms of this agreement RBP MS was appointed to provide mining services as an independent contractor and as an agent of the joint venture parties. This agreement also fell away when all conditions precedent to phase I of RBR's acquisition of RPM's interest in the BRPM JV were fulfilled on 11 December 2018.

DISPOSAL OF CONCENTRATE AGREEMENT

The disposal of concentrate agreement previously regulated the terms on which RBR disposed of its share of the concentrate produced by the BRPM JV to RPM. The agreement provided for RBR's share of the concentrate produced by the BRPM JV to be sold to, and processed by RPM. RBR was responsible for delivery of the concentrate to RPM's smelting and refining facility situated at Rustenburg, the costs of which were borne by the BRPM JV. Risk and ownership passed to RPM once the concentrate left the gates of the concentrator plant.

The disposal of concentrate agreement was amended and the amendments became effective when all conditions precedent to phase I of RBR's acquisition of RPM's interest in the BRPM JV were fulfilled on 11 December 2018. In terms of the new agreement, risk and ownership passes to RPM upon delivery by RBR of the concentrate at the designated delivery point.

RBR is obliged to sell and RPM is obliged to purchase 50% of the concentrate of the BRPM JV (RBR's reserved concentrate) up until 11 August 2022, the optional termination date in terms of the disposal of concentrate agreement. Thereafter, while RBR retained the right to sell 50% of the BRPM JV concentrate (RBR's reserved concentrate) to RPM for the life of BRPM JV, it was also entitled to terminate the relationship on 11 August 2022 by giving written notice by no later than 11 August 2020. Provided that the deferred consideration remains outstanding, RPM has the right to extend RBR's termination date to 11 August 2023. Subsequent to 11 August 2022, RBR is also entitled to terminate the relationship by providing written notice two years prior to each fifth anniversary of 11 August 2022.

RPM may terminate its obligation to purchase and refine the additional 50% of the concentrate with effect from 11 August 2024 on two years' written notice to RBR, in which case the concentrate will need to be sent to a third-party refiner. In the event that RBR delivers a notice of termination to terminate the disposal by RBR of RBR reserved concentrate, RPM has the right to concurrently terminate the disposal by RBR to RPM of the additional 50%.

IMPALA PLATINUM ROYALTY AGREEMENTS

These agreements regulate the terms on which RBR and RPM disposed of their respective shares of the UG2 ore mined by Impala Platinum from its 6 and 8 shafts and the UG2 and Merensky ore mined from its 20 shaft. The Royalty agreements continue, however, there will no longer be any minority interest/revenue paid to RPM. RBR receives all revenue and profits as it now owns 100%. A royalty equivalent to 17.5% of gross PGM, gold, nickel and copper revenue will be paid for the UG2 and Merensky ore mined from the 20 shaft area. The 6 and 8 shaft royalty agreement was renegotiated in 2013 and is linked to market conditions and the profitability of the Impala Rustenburg operations. In terms of the amended royalty agreement for 6 and 8 shafts, Impala will pay the BRPM JV a royalty that is based upon a factor that is linked to the Impala Rustenburg operations' gross margin with a minimum of 5% and a maximum of 25% of gross PGM, gold, nickel and copper revenue. We anticipate earning royalties from the 6 shaft agreement up to 2024 and from the 20 shaft agreement for approximately 30 years.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ROYAL BAFOKENG PLATINUM LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Royal Bafokeng Platinum Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Royal Bafokeng Platinum Limited's consolidated and separate financial statements set out on pages 14 to 85 comprise:

- the consolidated statement of financial position and the company statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income and the company statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity and the company statement of changes in equity for the year then ended;
- the consolidated statement of cash flows and the company statement of cash flows for the year then ended;
- the notes to the consolidated annual financial statements, which include a summary of significant accounting policies; and
- the notes to the company annual financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). .

OUR AUDIT APPROACH

Overview

Overall Group materiality

- R36 million, which represents 1% of revenue

Group audit scope

- The Group comprises seven components of which six components subject to full scope audit procedures and one component was subject to specified procedures only.

Key audit matters

- Impairment assessment of long-lived assets; and
- Acquisition of the Maseve Operations.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	R36 million
How we determined it	We determined materiality by using 1% of consolidated revenue.
Rationale for the materiality benchmark applied	We have selected group revenue as our materiality benchmark because, in our view, it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. We chose 1% based on our professional judgement, after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ROYAL BAFOKENG PLATINUM LIMITED CONTINUED

for the year ended 31 December 2018

HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of seven subsidiaries. We performed full scope audits on six components due to their financial significance and specified procedures on significant account balances on one component.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms, operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the group financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matter
Impairment of assessment of long-lived assets *This key audit matter relates to the consolidated and separate financial statements* International Financial Reporting Standards ("IFRS") require the Group to assess long-lived assets for impairment when there are indicators of impairment. For the Group the long-lived assets are: Property, Plant and Equipment ("PPE") and Mineral Rights. For the Company the long-lived asset is: Investment in subsidiary. Details regarding these are disclosed in Note 3 and 4 to the consolidated annual financial statements and in Note 2 to the Company annual financial statements. Royal Bafokeng Platinum Limited acquired 33% of Bafokeng Rasimone Platinum Mine ("BRPM") from Rustenburg Platinum Mines (Pty) Ltd (a subsidiary of Anglo Platinum Limited) for less than its carrying amount. As indicated in note 3 (Property, Plant and Equipment), the impact of the acquisition of the 33% previously held by Rustenburg Platinum Mines, at below carrying amount, was identified by management as an indicator of impairment. This indicator also resulted in an impairment assessment at Company level for the investment in subsidiary. For the purpose of assessing impairment of long-lived assets, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units or CGUs). Management identified each of its operations as CGUs for the Group and the investment in subsidiary as a separate CGU at Company level. In performing the impairment assessment for CGUs, management used a combination of the valuation performed by an independent expert, discounted cash flow models and/or valuation of mineral resources beyond approved mine plans. The assumptions (inputs) which were used for cash flow forecasts and valuations of mineral resources beyond approved mine plans are based on future results and expected market and economic conditions. The key inputs in these forecasts and valuations are: production volumes, costs of production, capital expenditure, forecasts for metal prices, exchange rates, discount rates and the annual life-of-mine plans derived from the Reserve Declaration. We focused on this area due to the materiality of the carrying amount of the CGUs as well as the significant judgement involved in performing the impairment tests on both Group and Company levels.	We held discussions with management to obtain an understanding of management's process for identifying impairment indicators, as well as their conclusions reached. We further gained an understanding as to how impairments were considered by management across the CGUs as well as the methodologies and models used in determining the recoverable amount. We evaluated the design, implementation and operating effectiveness of internal controls over the review of the impairment and life-of-mine models, budgeting and forecasting process and determination of key assumptions (including the determination of the reserves and resources used within the valuations of the CGUs, resource multiples, post-tax real discount rates applied, commodity prices and exchange rates assumptions). In assessing the future cash flows, our audit procedures included: 1. We utilised our valuation expertise to test the accuracy of the model used by management by performing an independent recalculation and comparing the results of our calculation with management's calculations; 2. The significant assumptions used by management in their impairment assessment were subjected to the following audit procedures: – Long-term real platinum price of $1,172/ounce, palladium price of $1,019/ounce and rhodium price of $1,612/ounce and gold price $1,283/ounce at an exchange rate of R13.27/US$1 were tested with the assistance of our valuation expertise by benchmarking the price and exchange rate against analysts' forecasts. Based on the testing performed we found management's pricing assumptions to be within a reasonable range; – Long-term real discount rates were tested for reasonability by utilising our valuation expertise and independently calculating the discount rates, taking into account independently obtained data. While our discount rate is, itself, subjective, the discount rate adopted by management fell within an acceptable range from our independent calculation; – Production volumes as per the life of mine plan assumption were compared to reserves signed off by the Group's competent person and to existing production volumes and approved business plans; and – Life-of-mine plan operating and capital costs were compared to budgeted and actual costs for reasonableness. 3. In considering the accuracy of the value of in situ resources, we used our valuations expertise to independently calculate the resource multiple by benchmarking the valuation against comparable transactions. Based on the above work performed, we found management's value to be within a range of reasonable values.

Key audit matters	How our audit addressed the key audit matter
Acquisition of the Maseve Operations *Key audit matter relates to the consolidated financial statements* On 5 April 2018 and 26 April 2018 the Company announced that the conditions precedent in the surface assets acquisition and 100% acquisition of the Maseve Operations shareholding respectively, were met. Management concluded that the transactions were closely linked and should therefore be viewed as a single transaction. Determining whether a series of transactions is linked and whether they should be combined and viewed as a single arrangement is a matter of significant judgment and is based on specific facts and circumstances. Refer to note 28 to the consolidated annual financial statements for details of the acquisition. The fair value exercise was prepared by management in accordance with IFRS 3 Business Combinations (IFRS 3). The determination of the fair value of the assets and liabilities is complex and management has performed the following to determine the fair values: > a due diligence to identify all the assets acquired;and > engaged an external valuations expert to assist in determining the fair value of the assets acquired. Based on the results of the assessment performed by management a gain on bargain purchase of R118.3 million was recognised (refer to note 28 to the consolidated annual financial statements). The fair value measurement for the identifiable assets acquired, the liabilities assumed at their acquisition-date fair values and determination of gain on bargain purchase required significant judgement and resulted in this being an area of most significance to our audit.	We obtained an understanding of how management determined the consideration and the fair value of the assets and liabilities assumed. We assessed management's determination of the acquisition date of the transaction (the date management determined all conditions precedent to have been met) as 26 April 2018; and assessed management's determination that Phase 1 and Phase 2 were closely linked. We verified the accuracy of the consideration determined by management by performing an independent calculation of the non-cash components and agreeing the cash components and payments made to the relevant bank statements. We utilised our Mining Valuations expertise to test the completeness of the assets acquired by performing the procedures listed below. We assessed the reasonableness of the fair value determined by management and compared the results of our calculation with management's calculations. Testing of the significant assumptions used by management in the fair value determination included, among other, the following audit procedures: > Discussions with management to gain an understanding of the full scope of current asset registers; > Identifying and obtaining an understanding of the shaft and surface infrastructure currently constructed at Maseve Mine whilst conducting a site visit; > Obtaining all pertinent information such as drawings, sale agreement, Valuer's reports and technical reviews from management; > Compared the assets listed in the sale agreement against the Valuer's reports to identify any possible exclusions or over allowances; > Inspected assets during our site visit as well as drawings provided of assets and compared these assets to the list of assets on the Valuer's reports to identify any possible exclusions or over allowances; > Inspected the Valuer's reports' estimated fair value for a sample of listed items and assessed the reasonableness of such values; and > We tested management's valuation by selecting a sample of assets and comparing these to recent sales and offers. In order to assess the accuracy of management's recognised deferred tax asset and gain on bargain purchase, we independently calculated the deferred tax liability and gain on bargain purchase based on the assumptions described above, and compared it to management's recognised deferred tax liability and gain on bargain purchase. Based on the procedures performed, we found the values determined by management to be reasonable.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ROYAL BAFOKENG PLATINUM LIMITED CONTINUED

for the year ended 31 December 2018

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Royal Bafokeng Platinum Limited Annual Financial Statements for the year ended 31 December 2018 and the Royal Bafokeng Platinum Limited Integrated Report 2018, which includes the Directors' Report for the Group and Company, the Audit and Risk Committee Report and the Certificate of the Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

> Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

> Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

> Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

> Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

> Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Royal Bafokeng Platinum Limited for ten years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: TD Shango
Registered Auditor

4 Lisbon Lane
Waterfall City
Jukskei View
2090

4 March 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	Group 2018 R (million)	Group 2017 R (million)
ASSETS			
Non-current assets		**21 483.9**	18 448.3
Property, plant and equipment	3	**14 661.6**	11 912.2
Mineral rights	4	**5 647.7**	5 686.5
Environmental trust deposits and guarantee investments	6	**227.0**	164.7
Employee housing loan receivable	7	**611.4**	439.5
Employee housing benefit	8	**226.5**	163.2
Housing insurance investment	9	**39.9**	35.7
Deferred tax asset	19	**69.8**	46.5
Current assets		**4 026.7**	3 697.1
Employee housing benefit	8	**16.4**	11.8
Employee housing assets	10	**774.3**	579.3
Inventories	11	**130.2**	105.6
Trade and other receivables	12	**2 222.1**	1 667.1
Current tax receivable	13	**0.2**	0.2
Cash and cash equivalents	14	**883.5**	1 333.1
Total assets		**25 510.6**	22 145.4
EQUITY AND LIABILITIES			
Total equity		**15 729.0**	14 423.9
Share capital	15	**2.1**	1.9
Share premium	15	**10 061.0**	9 643.2
Retained earnings		**5 327.7**	701.5
Share-based payment reserve	16	**338.2**	240.8
Non-distributable reserve	18	**–**	82.5
Non-controlling interest		**–**	3 754.0
Non-current liabilities		**9 025.2**	5 837.7
Deferred tax liability	19	**3 195.9**	3 774.3
Convertible bond liability	20	**986.7**	932.4
PIC housing facility	21	**1 299.6**	975.0
Interest-bearing borrowings	22	**1 650.0**	–
RPM deferred consideration	23	**1 621.6**	–
Restoration, rehabilitation and other provisions	24	**271.4**	156.0
Current liabilities		**756.4**	1 883.8
Trade and other payables	26	**677.1**	544.9
Current tax payable	13	**13.4**	5.0
Current portion of interest-bearing liabilities	22	**65.9**	–
RPM payable	27	**–**	1 333.9
Total equity and liabilities		**25 510.6**	22 145.4

The notes on pages 18 to 74 form an integral part of these consolidated annual financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Notes	Group 2018 R (million)	Group 2017 R (million)
Revenue	29	3 627.1	3 498.5
Cost of sales	32	(3 317.2)	(3 186.5)
Gross profit		309.9	312.0
Other income	30	124.0	150.5
Administration expenses		(284.0)	(256.2)
Corporate office	32	(264.5)	(189.4)
Housing project	32	21.3	(17.8)
Restructuring costs	32	–	(49.0)
Maseve care and maintenance	32	(40.8)	–
Gain on bargain purchase	28	118.3	–
Impairment of non-financial assets and scrapping of assets		(26.3)	(864.3)
Finance income	31.1	100.9	137.4
Finance cost	31.2	(26.8)	(52.3)
Profit/(loss) before tax		316.0	(572.9)
Income tax expense	33	(60.5)	(84.1)
Current tax expense	33	(35.3)	(31.5)
Deferred tax expense	33	(25.2)	(52.6)
Net profit/(loss) for the year		255.5	(657.0)
Other comprehensive income		–	–
Total comprehensive income/(loss)		255.5	(657.0)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		155.6	(752.7)
Non-controlling interest		99.9	95.7
Basic earnings/(loss) per share (cents/share)	40	78.1	(390.6)
Diluted earnings/(loss) per share (cents/share)	40	73.3	(390.6)

The notes on pages 18 to 74 form an integral part of these consolidated annual financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Number of shares	Ordinary shares R (million)	Share premium R (million)	Share-based payment reserve R (million)	Non-distributable reserves R (million)	Retained earnings R (million)	Attributable to owners of the Company R (million)	Non-controlling interest R (million)	Total R (million)
2018									
Balance at 31 December 2017	192 868 841	1.9	9 643.2	240.8	82.5	701.5	10 669.9	3 754.0	14 423.9
Share-based payment charge	–	–	–	123.9	–	–	123.9	–	123.9
2015 BSP shares vested in April 2018	467 587	–	26.5	(26.5)	–	–	–	–	–
Issue of shares	14 663 158^	0.2	394.3	–	–	–	394.5	–	394.5
Costs relating to issue of shares capitalised	–	–	(3.0)	–	–	–	(3.0)	–	(3.0)
Total comprehensive profit	–	–	–	–	–	155.6	155.6	99.9	255.5
Transaction with non-controlling interest#	–	–	–	–	–	4 388.1	4 388.1	(3 853.9)	534.2
Transfer from non-distributable reserve**	–	–	–	–	(82.5)	82.5	–	–	–
Balance at 31 December 2018	**207 999 586***	**2.1**	**10 061.0**	**338.2**	**–**	**5 327.7**	**15 729.0**	**–**	**15 729.0**
2017									
Balance at 31 December 2016	192 277 990	1.9	9 400.8	216.2	82.5	1 454.2	11 155.6	3 658.3	14 813.9
Share-based payment charge	–	–	–	64.6	–	–	64.6	–	64.6
Convertible bonds – equity portion	–	–	202.4	–	–	–	202.4	–	202.4
2014 BSP shares vested in April 2017	590 851	–	40.0	(40.0)	–	–	–	–	–
Total comprehensive income	–	–	–	–	–	(752.7)	(752.7)	95.7	(657.0)
Balance at 31 December 2017	192 868 841	1.9	9 643.2	240.8	82.5	701.5	10 669.9	3 754.0	14 423.9

* *The number of shares is net of 2 500 037 (2017: 2 967 624) treasury shares relating to the Company's management share incentive scheme and the Mahube Employee Share Trust as shares held by these special purpose vehicles are eliminated on consolidation*
# *Refer to note 17 and note 19*
^ *4 871 335 shares were issued for the Maseve acquisition and 9 791 823 shares were issued as part of the initial consideration for the acquisition of the remaining 33% in BRPM JV*
** *Refer to note 18*

The notes on pages 18 to 74 form an integral part of these consolidated annual financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

		Group	
	Notes	2018 R (million)	2017 R (million)
Cash flows from operating activities			
Cash generated by operations	34	**581.1**	569.5
Interest paid		**(0.7)**	(42.8)
Interest received		**108.5**	114.7
Dividend received		**3.9**	2.1
Tax refund	13	**–**	2.4
Tax paid	13	**(26.9)**	(27.5)
Net cash flow generated by operating activities		**665.9**	618.4
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(3 510.9)**	(2 138.3)
Acquisition of Maseve net of cash	28	**(658.0)**	–
Deposit paid for Maseve acquisition	12	**–**	(41.4)
Styldrift on-reef development revenue receipts		**973.4**	451.1
Acquisition of employee housing assets	10	**(343.4)**	(493.9)
Employee housing loan receivable repayments	7	**2.4**	1.3
Acquisition of housing insurance investment	9	**(3.0)**	–
Increase in environmental trust deposits and investments	6	**(61.0)**	(9.8)
Net cash flow utilised by investing activities		**(3 600.5)**	(2 231.0)
Cash flows from financing activities			
Contributions from RPM		**768.3**	444.2
Drawdown of PIC housing facility	21	**384.5**	535.0
Repayment of PIC housing facility	21	**(80.0)**	(40.0)
Proceeds from interest-bearing borrowings	22	**2 015.0**	–
Transaction costs on interest-bearing borrowings	22	**(15.0)**	–
Repayment of interest-bearing borrowings	22	**(270.0)**	–
Proceeds from convertible bonds issued	20	**–**	1 200.0
Costs relating to issue of convertible bonds capitalised	20	**–**	(29.0)
Initial payment for acquisition of non-controlling interest	23	**(554.7)**	–
Proceeds from the issue of shares	23	**239.9**	–
Costs relating to the issue of shares	15	**(3.0)**	–
Net cash flow generated by financing activities		**2 485.0**	2 110.2
Net (decrease)/increase in cash and cash equivalents		**(449.6)**	497.6
Cash and cash equivalents at beginning of year	14	**1 333.1**	835.5
Cash and cash equivalents at end of year	14	**883.5**	1 333.1

The notes on pages 18 to 74 form an integral part of these consolidated annual financial statements.

SUMMARY OF THE GENERAL ACCOUNTING POLICIES

for the year ended 31 December 2018

1. GENERAL INFORMATION

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

"Group" in the annual financial statements refers to the economic entity which includes the Company, its subsidiaries and controlled special purpose entities.

Summary of significant accounting policies

The principal accounting policies and critical estimates and assumptions adopted in the preparation of these consolidated annual financial statements are set out in detail in the relevant notes to the annual financial statements. The policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of presentation

The Group annual financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB), including IFRIC interpretations (collectively IFRS), the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council (FRSC) and the requirements of the South African Companies Act 71 of 2008 of South Africa.

The Group annual financial statements have been prepared under the historic cost convention except for certain financial assets, which are measured at fair value.

The preparation of the Group annual financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management and the Board's best knowledge of current events and actions. Actual results may ultimately differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated annual financial statements are detailed in the relevant notes to the annual financial statements.

Functional and presentation currency

These consolidated annual financial statements are presented in ZAR, which is the Company's functional currency. All financial information is presented in Rand million, unless otherwise stated.

Standards, amendments and interpretations to existing standards

Adoptions of new standards

The Group has adopted the following standards and interpretations issued by IASB that became effective on or after 1 January 2018.

Standard	Subject
IFRS 15	*Revenue from Contracts with Customers* The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules using the simplified transition method and has therefore not restated comparatives for the 2017 financial year. In terms of IFRS 15 revenue is recognised based on the satisfaction of specifically identified performance obligations, which occurs when control of goods or services are transferred to the customer. In applying the requirements of IFRS 15, management considered the income streams from the sale of concentrate to Rustenburg Platinum Mines (RPM), sale of employee housing and royalty income from Impala Platinum Limited. The ordinary activities of the RBPlat Group is the sale of concentrate therefore income earned from the sale of employee housing and royalty income are not in the ordinary activities of the RBPlat Group. The income generated from these two income streams therefore falls outside the scope of IFRS 15 as they do not meet the requirements of a contractual relationship with a customer as defined by IFRS 15. Consequently the accounting treatment has not been impacted and, the income generated will continue to be reflected as other income in the consolidated financial statements of RBPlat. Presentation of assets and revenue related to concentrate sales: > The Group's sales of concentrate to RPM are provisionally priced. At the point of recognition of revenue, Royal Bafokeng Resources (RBR) a wholly owned subsidiary of RBPlats, estimates the amount of contained metal (initial assay) in the delivered concentrate and recognises the revenue at the best estimate of the amount expected to be received for the respective commodities (spot price is considered to be the best estimate). The quantity and quality of the metal will not be known until further processing has been performed by RPM. The final quantity and quality of contained metal will be confirmed once the final assay has been completed, this usually happens the month after the delivery month. In terms of the agreement with RPM, the commodity prices used in the calculation of the concentrate payment are based on the average daily prices for the third month following the month of delivery. Payment is due on the last day of the fourth month following the month of delivery.

1. GENERAL INFORMATION continued

Standards, amendments and interpretations to existing standards continued

Adoptions of new standards continued

Standard	Subject
IFRS 15	> Previously the concentrate receivable was fair valued every month following delivery until the price was fixed at the end of the third month. The fair value adjustment was recognised in the statement of comprehensive income as an adjustment to revenue. > The provisionally priced receivables (referred to in Note 38.1.1 as trade receivables subject to fluctuations) will be measured at fair value through profit or loss from the date of recognition up until date of settlement, as it fails the IFRS 9 amortised cost requirement of cash flows representing solely payment of principle and interest. > The fair value changes due to non-market variability (that is changes in the pricing based on quantity and quality of the contained metal) are considered to be variable consideration within the scope of IFRS 15 as RBR's right to consideration is contingent upon the physical attributes of the contained metal. Based on past experience, differences between the initial assay and final assay are not significant as a result the variable consideration is not considered to be constrained. > The fair value changes due to market variability (that is changes in the commodity prices and exchange rates) are not in the scope of IFRS 15 and can therefore not be presented as revenue from contracts with customers. These movements are accounted for as other revenue and disclosed separately from revenue from contracts with customers in Note 29. > There has been a change in the presentation and disclosure as other revenue is now disclosed separately from revenue from revenue contracts with customers, but there has been no measurement change and therefore no impact on opening retained income.
IFRS 9	*Financial Instruments* replaces the provisions of IAS 39: *Financial Instruments: Recognition and Measurement* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 January 2018 resulted in changes in the financial instruments categories and accounting policies. The new accounting policies are set out on pages 18 to 74 below. In accordance with the transitional provisions in terms of IFRS 9, comparative figures have not been restated. The adoption of IFRS 9 did not have any impact on the Group's opening retained earnings as: > there were no changes to the classification and measurement of financial liabilities > the financial asset classification assessment into the new financial asset categories, did not result in a change in the measurement of any of the financial assets. Previously trade receivables were incorrectly disclosed in the financial risk management note (Note 38.1) as a loan and receivable measured at amortised cost. These provisionally priced sales were considered to contain an embedded derivative. This embedded derivative was not separated from the host contract (being the trade receivable), instead the trade receivable was measured at fair value with fair value movements taken to revenue. The comparative disclosure has been corrected to reflect the trade receivable as having being classified as fair value through profit or loss > the new expected credit loss impairment model on financial assets measured at amortised cost did not result in a material amount and therefore was not recognised. **Classification and measurement:** The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On 1 January 2018 (the date of the initial application of IFRS 9), management assessed which business models applied to each of the financial assets held by the Group and has classified these financial instruments in the appropriate IFRS 9 categories. The effects of this reclassification are discussed in the table on the following page.

SUMMARY OF THE GENERAL ACCOUNTING POLICIES

for the year ended 31 December 2018

1. GENERAL INFORMATION continued

Standards, amendments and interpretations to existing standards continued

Adoptions of new standards continued

IFRS 9 continued

Opening balances	IAS 39 categories Loans and receivables R (million)	IAS 39 categories Fair value through profit or loss R (million)	IFRS 9 categories At amortised cost R (million)	IFRS 9 categories Fair value through profit or loss R (million)
Environmental trust deposit	104.7	37.9	104.7	37.9
Environmental guarantee investments	–	22.1	–	22.1
Housing insurance investments	–	35.7	–	35.7
Employee housing receivable	598.4	–	598.4	–
Trade and other receivable (excluding VAT)*	123.9	1 500.9	123.9	1 500.9
Cash and cash equivalents	1 333.1	–	1 333.1	–

** The disclosure of the prior period has been restated to include trade receivables related to concentrate sales as measured at fair value through profit or loss, previously this amount was disclosed as loan and receivable. As the R1 500.9 million was the fair value of the receivable, the restatement was to disclose the financial asset into its correct category*

	IAS 39 categories At amortised cost	IAS 39 categories At fair value through profit or loss	IFRS 9 categories At amortised cost	IFRS 9 categories At fair value through profit or loss
Convertible bond liability	932.4	–	932.4	–
PIC housing facility	966.8	–	966.8	–
RPM payable	1 333.9	–	1 333.9	–
Trade and other payables (excluding VAT and payroll accruals)	526.3	–	526.3	–

Impairment of financial assets:

The Group was required to revise its impairment methodology under IFRS 9 to the expected credit loss model. The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

> other receivables (consisting mainly of royalty income)
> the employee housing receivable
> cash and cash equivalents.

The general approach was applied to these financial assets. Under the general approach the 12-month expected credit losses is calculated unless there has been a significant increase in credit risk in which case the lifetime credit losses are calculated.

The impact of the change in impairment methodology is immaterial therefore the opening retained earnings balance was not restated.

Standard	Subject	Effective date
IFRS 2	*Share-based Payments* This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The standard did not have a significant impact on the financial statements of the Group.	01 January 2018
IFRIC 22	*Foreign currency transactions and advance consideration* New interpretation standard that clarifies what exchange rate should be used in transactions that include advance foreign currency receipts and payments. The IFRIC did not have a material impact on the Group's financial statements.	01 January 2018

1. GENERAL INFORMATION continued

The following new standards and/or amendments have been issued but are not yet effective and may possibly have an impact on the Group.

Standard	Subject	Effective date
IFRS 16	*Leases* The standard provides a comprehensive model to identify lease-arrangements and the treatment thereof in the financial statements of both the lessee and lessor. The Company has non-material operating leases which will have to be brought onto the balance sheet in terms of the new standard and additional disclosure will be required. RBPlat has elected to apply the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. RBPlat has elected to apply the practical expedient allowed under IFRS 16, to not apply the definition of the lease to all contracts that were not previously identified as containing a lease applying to IAS 17 and IFRIC 4.	01 January 2019
IFRIC 23	*Uncertainty over Income Tax Treatments* — Amendment The interpretation standard sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The impact of the interpretation will be assessed and applied to uncertain tax positions in future.	01 January 2019
IFRS 9	This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.	01 January 2019
IFRS 3	*Business Combinations:* Annual Improvements 2015 to 2017 Cycle: The amendment clarifies that when an entity obtains control of a business that is a joint operation, it is required to remeasure previously held interests in that business. The standard is not expected to have an impact on the Group's financial statements.	01 January 2019
IAS 12	*Income Taxes* — Annual Improvements 2015 to 2017 Cycle The amendment to the standards clarifies that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises. The standard is not expected to have a material impact on the Group's financial statements.	01 January 2019
IAS 19	*Employee Benefits* — Amendment The amendments to the standard require an entity to: > use the updated assumptions from a remeasurement net defined benefit liability or asset resulting from a plan amendment, curtailment or settlement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan and, > recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The impact of the amendment will be assessed and applied in the future.	01 January 2019
IAS 23	*Borrowing Costs* — Annual Improvements 2015 to 2017 Cycle The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The standard is not expected to have a material impact on the Group's financial statements.	01 January 2019
IAS 1	*Presentation of Financial Statements* — Disclosure Initiative The amendments to the standard clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The standard is not expected to have a material impact on the Group's financial statements.	01 January 2020
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors* — Disclosure Initiative The amendments to the standard clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The standard is not expected to have a material impact on the Group's financial statements.	01 January 2020

New accounting standards, amendments issued to accounting standards, and interpretations which are relevant to the group, but not yet effective on 31 December 2018, have not been adopted. The Group does not intend early adopting any of the above amendments, standards or interpretations.

SUMMARY OF THE GENERAL ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

2. GROUP ACCOUNTING POLICIES

2.1 Group and Company annual financial statements

These consolidated annual financial statements incorporate the Company, its subsidiaries and interest and controlled special purpose entities using uniform accounting policies.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Goodwill is tested annually for impairment or whenever there is an impairment indicator. Goodwill is carried at cost less accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Up to 11 December 2018, Royal Bafokeng Resources Proprietary Limited (RBR), a wholly owned subsidiary of the Company, had an undivided 67% participation interest in the Bafokeng Rasimone Platinum Mine Joint Venture (BRPM JV). Rustenburg Platinum Mines Limited (RPM) owned the remaining 33% participation interest in the BRPM JV.

Effective 11 December 2018, RBR acquired the remaining 33% interest in the BRPM JV from RPM.

The Group consolidates the unincorporated BRPM JV.

Changes in ownership interests in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

In the Company financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of investment.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES

for the year ended 31 December 2018

2. GROUP ACCOUNTING POLICIES continued

2.1 Group and Company annual financial statements continued

Disposal of subsidiaries

When the Group ceases to have control then any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2 General

2.2.1 Financial instruments

Financial assets comprise environmental trust deposits and guarantee investments, trade and other receivables (excluding prepaid expenses and VAT receivable), cash and cash equivalents, the employee housing loan receivable and the housing insurance investment.

The Group classifies its financial assets on initial recognition at fair value through profit or loss if the requirements for the amortised cost measurement are not met. Financial assets are classified at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows
- the contractual cash flows are solely payments of principal and interest

Financial liabilities comprise borrowings, shareholder loans and trade and other payables. The Group classifies its financial liabilities as liabilities at amortised cost, except for derivatives which are at fair value through profit or loss.

2.2.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the liability is listed in an active market, in which instance the quoted market price is used.

The carrying amounts of current financial assets and current financial liabilities approximate their fair values.

2.2.3 Offset

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and liability simultaneously.

3. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Pre-production expenditure, incurred to establish or expand productive capacity, to support and maintain that productive capacity incurred on mines, is capitalised to property, plant and equipment. The recognition of costs in the carrying amount of the asset ceases when the item is in the location and condition necessary to operate as intended by management. Any net income earned while the item is not yet capable of operating as intended, reduces the capital amount. Interest on borrowings, specifically to finance the establishment of mining assets, is capitalised during the construction phase.

Items of mine property, plant and equipment, excluding capitalised mine development and infrastructure costs, are depreciated on a straight-line basis over their expected useful lives. Capitalised mine development and infrastructure costs (shown as mining assets in this note) are depreciated on a unit-of-production basis. Depreciation is charged on mining assets from the date on which the assets are available for use as intended by management.

Non-mining assets are measured at cost less accumulated depreciation. Depreciation is charged on the straight-line basis over the useful lives of these assets. Non-mining assets include corporate office and RBRP and Maseve property, plant and equipment.

The present value of the decommissioning cost, which is the dismantling and removal of the asset included in the environmental rehabilitation obligation, is included in the cost of the related assets and changes in the liability resulting from changes in the estimates are accounted for as follows:

- Any decrease in the liability reduces the cost of the asset. The decrease in the asset is limited to its carrying amount and any excess is accounted for in profit or loss
- Any increase in the liability increases the carrying amount of the asset. An increase to the cost of the asset is tested for impairment when there is an indication of impairment
- These assets are depreciated over their useful lives and are expensed in profit and loss as a cost of production.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

3. PROPERTY, PLANT AND EQUIPMENT continued

Depreciation is calculated to write off the cost of each asset to its residual value over its estimated useful life and residual value as reassessed on an annual basis and approximates the following:

Buildings	5 — 30 years (straight-line)
Computer equipment and software	3 — 5 years (straight-line)
Furniture and fittings	4 — 10 years (straight-line)
Plant and machinery	5 — 30 years (straight-line)
Vehicles and equipment	6 years (straight-line)
Mining assets (shaft and development)	Units-of-production
Mineral rights	Units-of-production

Depreciation periods are assessed annually and adjusted if and where appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds on disposal with carrying amounts and are included in operating profit.

Impairment

An impairment review of property, plant and equipment is carried out when there is an indication that these assets may be impaired by comparing the carrying amount thereof to its recoverable amount.

The recoverable amount of property, plant and equipment is determined as the higher of the fair value less cost to sell and its value in use. For mining assets this is determined based on the present value of the estimated future cash flows arising from the use of the asset.

Where the recoverable amount is less than the carrying amount, the impairment charge will reduce the carrying amount of property, plant and equipment to its recoverable amount. The adjusted carrying amount is depreciated over the remaining useful life of property, plant and equipment.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Capital work in progress

Development costs are capitalised and transferred to the appropriate category of property, plant and equipment when available for use. Capitalised development costs include expenditure to develop new operations and to expand existing capacity.

Accounting treatment of the Styldrift l project expenditure

Styldrift I is currently in the development phase, the decision as to when to stop capitalising development costs and start expensing costs at the Styldrift I project requires judgement. The accounting is dependent on where the project is in terms of the following phases:

Phase 1: Development phase

The cost of an item of property, plant and equipment comprises any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The development phase includes the construction of the main infrastructure of the mine, which includes the mine rooms, footwall infrastructure, ventilation shafts, services shaft, silos and the spillage handling ramp. These components are necessary for the mine to be capable of operating in a manner intended by management.

All costs directly attributable to developing the mine will be capitalised, including development taking place on-reef. Incidental revenue generated during the development phase is credited against the capitalised cost of the asset.

Phase 2: Ramp-up phase

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

In order to determine whether the Styldrift I mine is ready to operate as intended by management, judgement will be applied taking into account commercial production indicators such as the level of expenditure incurred compared to the total capital cost to completion, pre-production output has reached a nominated percentage, the internal project management team has transferred the mine to the operational team, the majority of the assets necessary for the mining project are substantially complete and ready for use and the project's ability to sustain commercial levels of production. These indicators will provide guidance to recognise when the mine development phase will cease and the production phase will commence.

During ramp-up phase all costs that are directly attributable to developing the mine will be capitalised and the incidental revenue generated will be credited against the capital cost up to the date when the commercial production indicators are met.

During this phase the mine is not in a condition necessary for it to be capable of operating in the manner as intended by management.

Phase 3: Production phase

When the commercial production indicators are met the mine moves to the production phase. Revenue will be recognised in the statement of comprehensive income as well as operating costs relating to the production from the mine from 1 January 2019.

Critical accounting estimates and assumptions

The recoverability of the BRPM and Styldrift mining assets was assessed using the higher of fair value less cost to sell or value in use methodology based on the net present value of the current life of mine plan and an in situ value for 4E resource ounces outside the life of mine plan. Refer to determination of recoverable amounts below for detail of assumptions and estimates used in our impairment assessment.

3. PROPERTY, PLANT AND EQUIPMENT continued

Mineral reserves

The estimation of reserves impacts the depreciation of property, plant and equipment, the recoverable amount of property, plant and equipment and the timing of rehabilitation expenditure.

Management uses past experience and assessment of future conditions, together with external sources of information, such as consensus global assumptions regarding commodity prices and exchange rates, to assign value to the key assumptions.

Factors impacting the determination of proved and probable reserves are as follows:

> The grade of mineral reserves may vary significantly from time to time (i.e. differences between actual grades mined and resource model grades)
> Differences between actual commodity prices and commodity price assumptions
> Unforeseen operational matters/difficulties at mine sites
> Changes in capital, operating, mining, processing and reclamation costs, discount rates and foreign exchange rates.

Asset lives

The Group's assets, excluding mining assets and mineral rights, are depreciated over their expected useful lives which are reviewed annually to ensure its appropriateness. In assessing useful lives, technological innovation, product life cycles, physical condition of the assets and maintenance programmes are taken into consideration.

Mining assets and mineral rights are depreciated/amortised on a unit-of-production (UOP) basis. The UOP method is based on the actual production of economically recoverable proved and probable mineral reserves over expected estimated economically recoverable proved and probable mineral reserves to be produced or concentrated by that asset.

	Buildings R (million)	Furniture and fittings and computer equipment R (million)	Mining assets (including decommissioning asset) R (million)	Capital work in progress R (million)	Plant and machinery R (million)	Vehicles and equipment R (million)	Total R (million)
Property, plant and equipment							
2018							
At 1 January 2018	**90.9**	**40.4**	**2 928.3**	**7 705.4**	**1 144.9**	**2.3**	**11 912.2**
Additions	**0.1**	**6.2**	**13.5**	**2 063.2**	**36.8**	**0.4**	**2 120.2**
Acquisition of Maseve assets at fair value	**238.4**	**5.5**	**62.2**	**–**	**692.0**	**1.6**	**999.7**
Change in estimate of decommissioning asset	**–**	**–**	**15.9**	**–**	**–**	**–**	**15.9**
Scrapping of assets*	**–**	**(0.4)**	**–**	**(25.9)**	**–**	**–**	**(26.3)**
Depreciation	**(10.5)**	**(17.7)**	**(121.4)**	**–**	**(209.0)**	**(1.5)**	**(360.1)**
Transfers	**–**	**2.6**	**9.6**	**(25.6)**	**13.3**	**0.1**	**–**
At 31 December 2018	**318.9**	**36.6**	**2 908.1**	**9 717.1**	**1 678.0**	**2.9**	**14 661.6**
Cost or valuation	**363.3**	**216.1**	**6 712.9**	**9 739.5**	**2 863.1**	**36.5**	**19 931.4**
Accumulated depreciation and impairment	**(44.4)**	**(179.5)**	**(3 804.8)**	**(22.4)**	**(1 185.1)**	**(33.6)**	**(5 269.8)**
At 31 December 2018	**318.9**	**36.6**	**2 908.1**	**9 717.1**	**1 678.0**	**2.9**	**14 661.6**
2017							
At 1 January 2017	96.8	38.9	3 012.9	6 476.4	959.0	3.2	10 587.2
Additions	–	0.8	–	1 644.5	–	0.4	1 645.7
Change in estimate of decommissioning asset	–	–	(0.5)	–	–	–	(0.5)
Depreciation	(6.0)	(14.4)	(137.6)	–	(159.9)	(2.3)	(320.2)
Transfers	0.1	15.1	53.5	(415.5)	345.8	1.0	–
At 31 December 2017	90.9	40.4	2 928.3	7 705.4	1 144.9	2.3	11 912.2
Cost or valuation	124.8	202.2	6 611.7	7 727.8	2 121.0	34.4	16 821.9
Accumulated depreciation and impairment	(33.9)	(161.8)	(3 683.4)	(22.4)	(976.1)	(32.1)	(4 909.7)
At 31 December 2017	90.9	40.4	2 928.3	7 705.4	1 144.9	2.3	11 912.2

** Scrapping of feasibility study costs previously capitalised*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

3. PROPERTY, PLANT AND EQUIPMENT continued

In 2017, RBR had the life of mine right of use of asset with a carrying amount of R854 079 041.

During 2018, RBR acquired 33% participating rights from RPM and therefore has full ownership of the BRPM JV assets included in the above balances.

Exploration and evaluation costs relating to Styldrift incurred in the current year and included in capital work in progress additions, were Rnil (2017: R0.2 million).

Social and labour plan expenditure for Styldrift of R10.1 million (2017: R5.1 million) and share-based payment expenditure of R25.3 million (2017: R12.3 million) was included in capital work in progress additions in 2018.

For the 2018 financial year Styldrift on-reef development revenue of R1 420.3 million (2017: R571.8 million) was credited against the capital work in progress additions.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. On this basis, R131.7 million (2017: R58.7 million) of the convertible bond fair value interest expense, R55.0 million (2017: Rnil) of the term debt and revolving credit facility interest expense and R15 million (2017: R15 million) costs relating to the R3 billion (2017: R2 billion) debt package put in place for Styldrift was capitalised.

Determination of the recoverable amount

International Financial Reporting Standards ('IFRS') require long-lived assets to be assessed for impairment when there is an indication of impairment. Management performed an assessment of whether or not there were any impairment indicators using the guidance in IAS 36 *(Accounting Standard on Impairments)* and noted the following impairment indicators:

> RBPlat acquired (through its wholly owned subsidiary RBR) 33% of BRPM from Rustenburg Platinum Mines (RPM), a subsidiary of Anglo Platinum Limited, for less than the carrying amount. As part of the transaction, a fair and reasonable valuation was performed by Snowden. The valuation reflected a range of R10.56 billion and R14.86 billion for 100% of Bafokeng Rasimone Platinum Mine (BRPM).

> The net asset value of RBPlat exceeds its market capitalisation.

For the purpose of assessing impairment of long-lived assets, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units or CGUs plus the allocation of corporate assets) being BRPM and Styldrift. The Maseve assets acquired as part of the business combination referred to in Note 28 to the consolidated annual financial statements, were allocated to the Styldrift CGU. For BRPM and Styldrift, the recoverability of the non-financial assets was assessed using the higher of fair value less cost to sell or value in use methodology based on a combination of the valuation performed on the discounted cash flow basis and the valuation of the outside life of mine (LOM) ounces.

Snowden updated its valuation to reflect the fair value of the business as at 31 December 2018. The updated valuation reflects:

> a real discount rate of 10%, unchanged from the 30 June 2018 valuation

> all inputs in the valuation are updated as at 31 December 2018. A 2.39% increase was applied to opex, capex and revenue

> Snowden considers a range of 5% and 15% of the DCF value for the Outside LOM

> the carrying amount of R17.11 billion fell within the fair value range determined of R11.57 billion (5% net present value factor for the resource addition and 105% opex sensitivity factor were applied) and R17.35 billion (15% net present value factor for the resource addition and 95% opex sensitivity factor were applied).

The carrying amount of the BRPM CGU of R4.38 billion fell within the fair value range determined of R2.67 billion and R4.50 billion using the same sensitivities as reflected above.

The carrying amount of the Styldrift CGU of R12.73 billion fell within the fair value range determined of R8.90 billion and R12.85 billion using the same sensitivities as reflected above.

BRPM

If all assumptions remain unchanged, a 5% decrease in the average Rand basket over the life of mine will result in an impairment amount of R1.37 billion.

If all assumptions remain unchanged, a 5% increase in the average Rand basket over the life of mine will result in headroom of R150 million.

Styldrift

If all assumptions remain unchanged, a 5% decrease in the average Rand basket over the life of mine will result in an impairment amount of R4.14 million.

If all assumptions remain unchanged, a 5% increase in the average Rand basket over the life of mine will result in headroom of R200 billion.

Key assumptions to impairment testing

The following key assumptions were used in Snowden impairment assessment:

> Long-term real platinum US$1 172 per ounce

> Long-term real palladium US$1 019 per ounce

> Long-term real gold US$1 283 per ounce

> Long-term real rhodium US$1 612 per ounce

> A long-term real rand:US$ exchange rate of R13.27:US$

> A real post-tax discount rate range of 10%

> Life of mine of 30 years (2017: 30 years)

> Production volumes are based on a detailed life of mine plan

> Quantum of resources outside the life of mine are based on the mineral resources statement signed off by the competent person.

4. MINERAL RIGHTS

Exploration and evaluation assets

Exploration and evaluation assets acquired are initially recognised at cost. Once commercial reserves are found, exploration and evaluation assets are transferred to assets under construction. No amortisation is charged during the exploration, evaluation and development phase.

For the purposes of assessing impairment, the exploration and evaluation assets subject to testing are grouped with existing cash-generating units of operating mines that are located in the same geographical region. Where assets are not associated with a specific cash-generating unit, the recoverable amount is assessed using fair value less cost to sell for the specific exploration area.

All exploration and evaluation costs incurred as part of normal operations are expensed until the Board concludes that a future economic benefit is more likely than not to be realised, i.e. probable. While the criterion for concluding that expenditure should be capitalised is always the probability of future benefits, the information that the Board uses to make that determination depends on the level of exploration.

4. MINERAL RIGHTS continued

Exploration and evaluation assets continued

- Exploration and evaluation expenditure on greenfields sites, being those where the Group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a final feasibility study has been completed, after which the expenditure is capitalised within development costs, if the final feasibility study demonstrates that future economic benefits are probable
- Exploration and evaluation expenditure on brownfields sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the Board is able to demonstrate that future economic benefits are probable through the completion of a pre-feasibility study, after which the expenditure is capitalised as a mine development cost. A 'pre-feasibility study' consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The pre-feasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allows the directors to conclude that it is more likely than not that the Group will obtain future benefits from the expenditures
- Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a pre-feasibility study. This economic evaluation is distinguished from a pre-feasibility study in that some of the information that would normally be determined in a pre-feasibility study is instead obtained from the existing mine or development. This information when combined with existing knowledge of the mineral property already being mined or developed allows the Board to conclude that it is more likely than not that the Group will obtain future economic benefits from the expenditures.

Critical accounting estimates and assumptions

For BRPM and Styldrift, the recoverability of the non-financial assets was assessed using the higher of fair value less cost to sell or value in use methodology based on the net present value of the current life of mine plan and an in situ value for 4E resource ounces outside the life of mine plan. The Styldrift mineral right includes the Styldrift I and Styldrift II project areas. Refer to Note 3 for details of the estimates and assumptions used in our impairment assessment.

Amortisation of mineral rights is provided on a units-of-production basis.

	Group	
	2018 R (million)	2017 R (million)
Mineral rights		
Opening balance at 1 January	**5 686.5**	5 729.3
Less: Amortisation (included in cost of sales refer to Note 32)	**(38.8)**	(42.8)
Closing balance at 31 December	**5 647.7**	5 686.5
Cost	**6 767.0**	6 767.0
Accumulated amortisation and impairment	**(1 119.3)**	(1 080.5)
Closing balance at 31 December	**5 647.7**	5 686.5

In terms of the joint venture agreement which was in effect up to 11 December 2018 between RPM and RBR, RPM contributed its Boschkoppie mineral right and the Frischgewaagd prospecting right while RBR contributed its Styldrift mineral right to the BRPM JV for the full BRPM life of mine. RBR therefore had an undivided 67% participation interest in these rights while RPM had an undivided 33% participation interest in these rights. RBR subsequently acquired the remaining 33% interest in BRPM from RPM. The Company is awaiting section 11 approval for the transfer of the mineral rights.

5. GOODWILL

Goodwill is tested annually for impairment. Goodwill is allocated to the BRPM operations and Styldrift cash-generating units (CGUs) for the purpose of impairment testing. The recoverable amount of the CGU to which goodwill has been allocated is based on the higher of fair value less cost to sell or value in use derived from reserve and resource ounce valuations. An impairment is recognised immediately in the statement of comprehensive income. Impairment write downs on goodwill may not be reversed.

Critical accounting estimates and assumptions

- Goodwill on acquisition of 67% interest in BRPM JV
  Goodwill was calculated as the difference between the purchase consideration for the 67% interest in the BRPM JV and the Group's share of net assets acquired when the Group assumed control over the BRPM JV upon listing on 8 November 2010. The BRPM JV consists of the BRPM operations and Styldrift and goodwill was allocated across these CGUs as the difference between the purchase considerations allocated to each CGU and the net assets per CGU. No goodwill was attributed to non-controlling interest.

  In the previous periods, Styldrift I and II were treated as separate CGUs. This was reconsidered in 2017, as at 31 December 2017 there was no formal plan as to how the Styldrift II mining area will be mined. The Styldrift mining right is one mining right. The split between Styldrift I and Styldrift II is merely a line on the plan. There is significant flexibility to move this line on the plan depending on the most optimal way to mine the Styldrift II area.

  For BRPM and Styldrift, the recoverability of the non-financial assets was assessed using the higher of fair value less cost to sell or value in use methodology based on the net present value of the current life of mine plan and an in situ value for 4E resource ounces outside the life of mine plan.

  Goodwill was fully impaired during the 2017 financial year. This note and the disclosure provided is for comparative purposes.

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for the year ended 31 December 2018

5. GOODWILL continued

	BRPM R (million)	Styldrift R (million)	Total R (million)
Goodwill			
2018			
Opening balance at 1 January			
Goodwill on acquisition of Maseve	–	–	–
Less: Impairment	–	–	–
Closing balance at 31 December	**–**	**–**	**–**
Cost	**134.6**	**2 140.5**	**2 275.1**
Less: Accumulated impairment	**(134.6)**	**(2 140.5)**	**(2 275.1)**
Closing balance at 31 December	**–**	**–**	**–**
2017			
Opening balance at 1 January	–	863.3	863.3
Less: Impairment	–	(863.3)	(863.3)
Closing balance at 31 December	–	–	–
Cost	134.6	2 140.5	2 275.1
Less: Accumulated impairment	(134.6)	(2 140.5)	(2 275.1)
Closing balance at 31 December	–	–	–

6. ENVIRONMENTAL TRUST DEPOSITS AND GUARANTEE INVESTMENTS

Environmental trust deposits held in the Nedbank, RMB and Standard Bank accounts are classified as at amortised cost. Interest earned is accounted for as finance income. Impairment is recognised using the expected credit loss model – refer to Note 38.1.2.

Bafokeng Rasimone Platinum JV Environmental Rehabilitation Trust

The Bafokeng Rasimone Platinum JV Environmental Rehabilitation Trust was created in accordance with statutory requirements in order to fund the estimated cost of pollution control, rehabilitation and mine closure during and at the end of the lives of the Group's mines. The Group funds its environmental obligations through a combination of funding the Bafokeng Rasimone Platinum JV Environmental Rehabilitation Trust and providing guarantees to the Department of Mineral Resources.

Contributions made are determined on the basis of the estimated environmental obligation over the life of a mine and are reflected in non-current assets under environmental trust deposits. Refer to Note 24 for details of the environmental rehabilitation provision.

Contributions are based on the estimated environmental obligations over the life of mine. Interest earned on deposits paid to the trust is accounted for as finance income and income earned linked to the performance of the equity-linked component of the investment is accounted for as a fair value adjustment in other income.

The Company has control over the trust and the special purpose entity is consolidated in the Company.

Financial assets at fair value through profit or loss

Initial recognition

Environmental trust deposits held in the Nedbank equity-linked deposits are carried in the statement of financial position at fair value through profit or loss.

According to the terms of the Nedbank equity-linked deposit, the deposit amount is guaranteed and will earn a guaranteed 3% per annum (naca) interest. In addition, there is a variable return component linked to the FTSE/JSE Shareholder Weighted Top 40 Index performance. The variable return is capped based on a participation interest percentage of the growth in the relevant index to maturity. The Nedbank equity-linked deposits have been invested for a one/two/three/four/five-year period to ensure flexibility for when the cash will be required for rehabilitation.

R24.6 million (2017: R37.9 million) is invested in the FTSE/JSE Shareholder Weighted Top 40 Index equity-linked deposits.

The environmental guarantee investments were issued in terms of the insurance guarantee relating to the BRPM JV's environmental liability. The investments have been provided as security for the insurance guarantees issued as shown in Note 25.1. The assets, which mainly consist of cash, are separately administered and the Group's access to these funds are restricted. These investments are managed by Centriq Insurance Company Limited.

The Nedbank equity-linked deposits and environmental guarantee investments are fair valued every month and the fair value adjustment is taken through the statement of comprehensive income as an adjustment to other income.

6. ENVIRONMENTAL TRUST DEPOSITS AND GUARANTEE INVESTMENTS continued

Financial assets at fair value through profit or loss continued

Subsequent measurement

Financial assets at fair value through profit or loss are subsequently measured at the quoted current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Financial asset at amortised costs

Deposits held in the Nedbank, RMB and Standard Bank accounts are financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognised at cost and subsequently carried at amortised cost.

	Group	
	2018 R (million)	2017 R (million)
Environmental trust deposits		
Held in Standard Bank and Rand Merchant Bank accounts		
Opening balance at 1 January	11.5	10.9
Plus: Interest earned on environmental trust deposit (refer to Note 31.1)	0.7	0.6
Plus: Increase in cash deposit during the year	–	–
Closing balance at 31 December	12.2	11.5
Held in Nedbank equity-linked deposit accounts		
Opening balance at 1 January	37.9	94.9
Less: Equity-linked deposit matured and invested in Nedbank deposit notes	(11.2)	(64.8)
Plus: Fair value adjustment of the Nedbank equity-linked deposits (refer to Note 30)	(2.1)	7.8
Fair value at 31 December	24.6	37.9
Held in Nedbank call account		
Opening balance at 1 January	–	24.6
Plus: Interest earned on environmental trust deposit (refer to Note 31.1)	–	1.1
Less: Funds transferred to Nedbank deposit notes	–	(25.7)
Closing balance at 31 December	–	–
Held in Nedbank deposit notes		
Opening balance at 1 January	93.2	–
Plus: Funds transferred from Nedbank call account	–	25.7
Plus: Equity-linked deposit matured	11.2	64.8
Plus: Interest earned on environmental trust deposits (refer to Note 31.1)	8.0	2.7
Closing balance at 31 December	112.4	93.2
Total deposits held by the BRP JV Environmental Rehab Trust at 31 December	149.2	142.6
Environmental guarantee investment held by BRPM JV		
Opening balance at 1 January	22.1	16.6
Plus: Contributions made during the year*	52.3	5.4
Plus: Fair value adjustments	3.4	0.1
Closing balance at 31 December	77.8	22.1
Total environmental trust deposits and guarantee investments at 31 December	227.0	164.7

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7. EMPLOYEE HOUSING LOAN RECEIVABLE

Employee home ownership scheme

The employee home ownership scheme arrangement was concluded in May 2014 and involves the construction of approximately 3 500 houses for eligible employees over a five-year period. Phase 1 of the housing project consisted of the construction of 422 houses in 2015. Construction of phase 2 commenced in 2016 with the completion of two show houses. Construction of phase 2 continued and 393 houses (2017: 539 houses) were completed in 2018. Of the completed houses, 245 houses (2017: 358 houses) were sold resulting in 334 houses (2017: 183 houses) being held as employee housing assets available for sale as at 31 December 2018, which includes the two show houses.

RBRP, a wholly owned subsidiary of RBR, is a property company which was created in 2013 for the purpose of the housing scheme. All unsold houses are classified as inventory in the books of RBRP and on sale of the houses, revenue is recognised. On Group level, however, unsold houses are classified as employee housing assets. On the sale of the houses, an employee housing loan receivable is recognised. Revenue earned from the sale of employee housing is not in the ordinary activities of the RBR or the RBPlat Group. This income generated therefore falls outside the scope of IFRS 15 as it does not meet the requirements of a contractual relationship with a customer as defined by IFRS 15. Consequently, the income generated will be reflected as Other income in the consolidated and separate financial statements. The accounting treatment is therefore the same under both IFRS 15 and IAS 18 (previous accounting standard on revenue recognition).

Initial recognition

When a house is sold to an employee, the Group recognises an employee housing loan receivable at fair value determined on the transaction date. The best evidence of the receivable's fair value on initial recognition is the transaction price (cash price). However, due to the employees paying a preferential interest rate of CPI plus 1%, the fair value may differ from the transaction price. The Group therefore determined a market-related rate for the employee housing loan receivable based on an average credit profile per band of employees in order to determine the effective interest rate. The fair value of the loan, on initial recognition, is determined as the present value of all expected cash flows. The difference between the fair value and the transaction price is accounted for as employee housing benefit. Refer to Note 8.

Subsequent measurement

The business model of the Group is to hold the employee housing loan receivable to collect the contractual cash flows. The contractual cash flows represent solely payment of principal and interest and is therefore recognised at amortised cost. Finance income is recognised using the appropriate effective interest rate as determined above.

The employee housing benefit is amortised over the shorter of the employee's service period and duration of the loan to the employee.

The portion of the employee housing loan receivable to be realised within 12 months from the reporting date is presented as part of current assets. The balance of the amount is presented as a non-current asset in the statement of financial position.

A provision for impairment is recognised using the expected credit loss model — refer to Note 38.1.2.

Critical accounting estimates and assumptions

The following key assumptions were used in determining the initial fair value of the employee housing loan receivable originated during 2018:

> Instalment
- Initial instalment for $80m^2$ house of R3 578 from 1 July 2018 to 30 June 2019 (2017 R3 343 from 1 July 2017 to 30 June 2018)
- Initial instalment for $140m^2$ house of R6 939 from 1 July 2018 to 30 June 2019 (2017: R6 484 from 1 July 2017 to 30 June 2018)
- Instalment increases on 1 July of each year and is fixed for a period of 12 months

> Interest accruals
- Interest is charged at 7.0% (2017: 7.0%) based on the May CPI rate of the current period plus 1% with a floor rate of 7% (CPI as at May of the current period is 4.4% (2017: 5.4%))
- Interest rates are adjusted annually effective from 1 July of each calendar year and will remain fixed for a period of 12 months
- The default interest rate for any employee who fails to make a monthly repayment of the instalment is set at the prime lending rate plus 2%
- The prime lending rate (defined as the "benchmark rate at which private banks lend out to the public") will be used as the base discount rate with an adjustment for counterparty credit risk (relative to the prime lending rate). This adjustment will be varied by risk grades (i.e. average credit profile per band)

> Payment period
- The initial repayment period for the majority of the loans is 230 months
- The repayment period, however, is adjusted based on interest rate movements

> In calculating the expected credit loss the following was taken into account:
- Loss given default
- Probability of default
- The collateral in place which includes the house itself, Group life cover that covers up to seven times the employee's salary but is limited to R2 million, Group disability cover that covers 100% of the employee's salary and retrenchment cover. All the policies reflected above have been ceded to RBRP

The impact of applying IFRS 9 was immaterial as a result of all the collateral in place.

7. EMPLOYEE HOUSING LOAN RECEIVABLE continued

	Group 2018 R (million)	Group 2017 R (million)
Employee housing loan receivable		
Opening balance at 1 January	**439.5**	167.2
Plus/(less): Houses sold to employees/(cancellation of sales) during the year	**256.2**	390.6
Plus: Interest capitalised	**8.3**	—
Plus: Fair value adjustment — interest income	**(12.8)**	14.1
Less: Repayment of employee housing loan receivable	**(2.4)**	(1.3)
Less: Reversal of write off/(write off)	**5.8**	(0.1)
Less: Employee housing benefit reallocation*	**(83.2)**	(131.0)
Closing balance at 31 December	**611.4**	439.5

** Fair value adjustment (refer to Note 8)*

8. EMPLOYEE HOUSING BENEFIT

The Group recognises the difference between the fair value of the employee housing receivable at initial recognition and the transaction price as an employee benefit. The initial difference is amortised over the shorter of the service period of the employee or the loan period. If the employee's service period differs from the initial expectation on occupation date, the change in expectation is recognised as a profit or loss in the statement of comprehensive income. The portion of the short-term employee benefit to be realised within 12 months from the reporting date is presented as part of current assets, the balance of the amount is presented as a non-current asset in the statement of financial position.

	Group 2018 R (million)	Group 2017 R (million)
Employee housing benefit		
Opening balance at 1 January	**175.0**	50.7
Plus: Additions for the year (reallocations from employee housing loan receivable — refer to Note 7)	**83.2**	131.0
Less: Amortisation charge for the year	**(12.9)**	(5.8)
Less: Write offs*	**(2.4)**	(0.9)
Closing balance at 31 December	**242.9**	175.0
Split between:		
Non-current portion of employee housing benefit	**226.5**	163.2
Current portion of employee housing benefit	**16.4**	11.8

** The impairment is as a result of agreements being terminated due to dismissals, resignations or cancellations*

9. HOUSING INSURANCE INVESTMENT

The housing insurance investment consist of money invested in unit trusts and money market accounts which is revalued throughout the year. This investment is classified at fair value through profit or loss (FVTPL). These assets are recognised at fair value and any subsequent gains or losses are recognised in the statement of comprehensive income and shown under other income.

The insurance investment relates to a cell captive set up to cover retrenchment for employees having an employee housing loan.

	Group 2018 R (million)	Group 2017 R (million)
Insurance investment relating to the RBPlat housing project		
Opening balance at 1 January	**35.7**	35.0
Plus: Additions for the year	**3.0**	—
Plus: Fair value adjustments	**1.2**	0.7
Fair value at 31 December	**39.9**	35.7

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10. EMPLOYEE HOUSING ASSETS

Employee housing assets are recognised at cost which consists of the cost of the land and the cost to construct the houses. No depreciation is recognised on the employee houses as the intention is to sell the houses within a short period of time after their construction.

When the employee housing assets are sold to employees, the carrying amount of the house is derecognised. The difference between the proceeds received and the carrying amount of the house is recognised in profit or loss as a gain or loss on disposal of employee housing.

The employee housing assets are held for the purpose of trading and are classified as current assets.

	Group	
	2018 R (million)	2017 R (million)
Employee housing assets		
Opening balance	**579.3**	377.3
Additions of houses for the year (includes cancellation of sale agreements)	**7.3**	3.5
Additions due to construction of houses for Phase 2 of the housing project	**343.4**	493.9
Houses sold to employees during the year (exclusive of VAT)	**(230.1)**	(344.4)
Interest on PIC housing facility capitalised (refer to Note 21)	**74.4**	49.0
Closing balance	**774.3**	579.3

11. INVENTORIES

Stores and materials (consumables) are valued at the lower of cost or net realisable value, on a weighted average basis. Obsolete, redundant and slow-moving stores are identified and written down to their net realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses. This write-down is reflected in cost of sales.

Product inventory consists of stockpiles of ore mined for processing at a later stage. Stockpiles are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost method. The cost of stockpiles comprises directly attributable mining costs including depreciation. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of processing to concentrate as final product and selling expenses.

	Group	
	2018 R (million)	2017 R (million)
Inventories		
Consumables	**97.1**	57.4
Stockpiles	**33.1**	48.2
Closing balance at 31 December	**130.2**	105.6

All inventories are carried at cost. There has been no inventory write-down to net realisable value.

12. TRADE AND OTHER RECEIVABLES

RBR entered into a disposal of concentrate agreement with RPM during 2002 in terms of which RBR's share of the concentrate of the PGMs produced by the BRPM JV will be treated by RPM.

Trade receivables (RPM concentrate debtor) is measured at fair value through profit or loss from the date of recognition up date of settlement, as it fails the IFRS 9 amortised cost requirement of cash flows representing solely payment of principle and interest. Payment is due on the last day of the fourth month following delivery (refer to Note 38.1.1 for sensitivity analysis).

The fair value changes due to non-market variability (that is changes in the pricing based on quantity and quality of the contained metal) are considered to be variable consideration within the scope of IFRS 15 as RBR's right to consideration is contingent upon the physical attributes of the contained metal. The current year differences between the initial assay and final assay are not significant. Therefore the variable consideration is not considered to be constrained.

The fair value changes due to market variability (that is changes in the commodity prices and exchange rates) are not in the scope of IFRS 15 and are therefore not presented as revenue from contracts with customers. These movements are accounted for as other revenue and disclosed separately from revenue from contracts with customers in Note 29. Other revenue is made up largely of movement in commodity prices.

Other receivables, which include the Impala royalty receivable, deposits made, VAT receivable and restricted cash, are measured at amortised cost. Maseve restricted cash relates to cash that is set aside for Eskom and DMR guarantees. In total, R15.7 million of this relates to the Eskom guarantee while R12.7 million relates to the DMR. This cash is not realisable within three months and therefore it is not classified as cash and cash equivalents.

12. TRADE AND OTHER RECEIVABLES continued

Impairment of receivables measured at amortised cost is determined using the expected credit loss model.

	Group	
	2018 R (million)	2017 Restated R (million)
Trade and other receivables		
Trade receivables (RPM concentrate debtors — refer to Note 38)	2 015.9	1 500.9
Impala royalty receivable (refer to Note 30)	31.4	24.5
VAT receivable	63.2	42.3
Deposit paid: Maseve acquisition	—	41.4
Styldrift deposit	26.3	38.0
Maseve restricted cash	28.4	—
Other receivables	56.9	20.0
Closing balance at 31 December	2 222.1	1 667.1

13. CURRENT TAX RECEIVABLE/(PAYABLE)

	Group	
	2018 R (million)	2017 R (million)
Current tax receivable/(payable)		
Opening balance at 1 January	(4.8)	1.6
Income tax charge (refer to Note 33)	(35.3)	(31.5)
Refund received	—	(2.4)
Payments made	26.9	27.5
Closing balance at 31 December	(13.2)	(4.8)
Current tax receivable/(payable) comprises:		
Current tax receivable	0.2	0.2
Current tax payable	(13.4)	(5.0)
Closing balance at 31 December	(13.2)	(4.8)

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are recognised in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, money market investments and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

	Group	
	2018 R (million)	2017 R (million)
Cash and cash equivalents		
Cash at bank and on hand	273.3	99.2
Short-term deposits	610.2	1 233.9
Closing balance at 31 December	883.5	1 333.1
The cash and cash equivalents above are split as follows:		
Cash and cash equivalents — 100% BRPM JV	639.0	571.2
Cash and cash equivalents — RBPlat corporate office	176.9	696.5
Cash and cash equivalents — RBRP (housing project ring-fenced cash)	67.6	65.4
Closing balance at 31 December	883.5	1 333.1

Included in RBPlat corporate office cash balance is restricted cash of R84 million earmarked for the payment of the convertible bond coupon.

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14. CASH AND CASH EQUIVALENTS continued

Facilities

RBR concluded R2 billion debt facilities in March 2017. The debt facilities consist of a seven-year term debt facility of R750 million, a five-year revolving credit facility (RCF) and a one-year general banking facility (GBF). In 2018, the RCF facilities were increased from R750 million to R1 750 million.

The security provided in connection with the term debt, RCF and GBF includes a limited guarantee by the Company in favour of Rand Merchant Bank (RMB) and Nedbank, a cession and pledge of the Company's shares in and claims against RBR as security for its obligations under the limited guarantee and a subordination by the Company of its claims against RBR in favour of the banks. RBR also provides a cession in security pursuant to which it cedes and pledges its rights, title and interest in respect of, or connected with, BRPM and the joint venture agreement. RBR can voluntarily prepay and cancel the facility at any time without penalty.

In terms of the increased facility, RBR also provides security in favour of RMB and Nedbank in the form of a mortgage bond over the mining rights and immovable property, special notarial bond over separately identifiable immovable plant and equipment and a general notarial bond over moveable plant and equipment.

RBR may also not, without the prior written approval of RMB and Nedbank, *inter alia:*
> encumber any of its assets
> make any substantial change to the nature of its business
> dispose of any assets or enter into an amalgamation, demerger, merger or corporate reconstruction (other than certain permitted disposals)
> enter into a transaction or acquisition classified as a Category 1 transaction under the JSE Listings Requirements
> amend any material term of a material contract including the joint venture agreement and the disposal of concentrate agreement, although in the latter three cases Nedbank's consent may not be unreasonably withheld.

If RBR undertakes any of these actions without RMB and Nedbank's prior written consent, it is obliged, if the banks so require, to immediately repay the term debt, RCF and GBF.

At year-end RBR utilised R118.6 million (2017: R118.6 million) and R65.9 million of its R500 million general banking facility for guarantees and to finance working capital respectively. RBP MS utilised R0.8 million (2017: R0.8 million) of its general banking facility of R5 million for guarantees. RBPlat has a R3 million general banking facility which is unutilised at year-end. Refer to Note 22 for further details.

In total, R750 million of the term debt and R930 million of the RCF was drawn at 31 December 2018 (2017: Rnil). The PIC housing facility is a R2.2 billion facility accruing interest at CPI plus a margin of 1%. At 31 December 2018, R1 188.7 million was drawn (2017: R884.2 million).

The Group's utilised and available facilities are shown in the table below:

	Facility amount R (million)	Utilised amount R (million)	Available funds R (million)	Repayment date	Interest rate
Committed facilities					
2018					
Term debt facility	**750.0**	**(750.0)**	**–**	**31 March 2024**	**JIBAR plus 3.7%**
Revolving credit facility	**750.0**	**(750.0)**	**–**	**31 March 2022**	**JIBAR plus 3.75%**
Revolving credit facility	**1 000.0**	**(180.0)**	**820.0**	**31 March 2022**	**JIBAR plus 3.25%**
General banking facilities	**508.0**	**(185.3)**	**322.7**	**31 December 2019**	**Prime less 0.25%**
PIC housing facility	**2 200.0**	**(1 188.7)**	**1 011.3**	**Refer to Note 21**	**CPI plus 1%**
Total at 31 December 2018	**5 208.0**	**(3 054.0)**	**2 154.0**		
2017					
Term debt facility	750.0	–	750.0	31 March 2024	JIBAR plus 3.7%
Revolving credit facility	750.0	–	750.0	31 March 2020	JIBAR plus 3.75%
General banking facilities	508.0	(119.4)	388.6	31 December 2018	Prime less 0.25%
PIC housing facility	2 200.0	(884.2)	1 315.8	Refer Note 21	CPI plus 1%
Total at 31 December 2017	4 208.0	(1 003.6)	3 204.4		

The revolving credit and working capital facilities commitment fees as well as administration fees on guarantees are recognised in corporate office administration expenses (refer to Note 32). The general banking facilities are renewed annually.

15. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The carrying value of the Company's shares held by the Mahube Trust and the Company's subsidiaries in respect of the Group's share option and bonus share schemes are reflected as treasury shares and shown as a reduction in shareholders' equity.

When share options are exercised, the Company issues new shares or issues shares from the treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when options are exercised.

	Group	
	2018 R	2017 R
Share capital and share premium		
Authorised share capital		
1 000 000 000 (2017: 250 000 000) ordinary shares with a par value of R0.01 each	2 500 000	2 500 000
1 500 000 (2017: 1 500 000) "A1" ordinary shares with a par value of R0.01 each	15 000	15 000
1 500 000 (2017: 1 500 000) "A2" ordinary shares with a par value of R0.01 each	15 000	15 000
1 500 000 (2017: 1 500 000) "A3" ordinary shares with a par value of R0.01 each	15 000	15 000
Total authorised share capital	**2 545 000**	2 545 000
Issued ordinary share capital		
The movement in the issued share capital of the Company is as follows:		
Opening balance of 192 868 841 (2017: 192 277 990) ordinary shares with a par value of R0.01	1 928 688	1 922 779
467 587 BSP shares vested April 2018	4 676	—
590 851 BSP shares vested April 2017	—	5 909
Ordinary share issue	146 632	—
Total 207 999 586 (2017: 192 868 841) ordinary shares	**2 079 996**	1 928 688
At 31 December 2018, the treasury shares outstanding amounted to 2 500 037 (2017: 2 967 624) ordinary shares.		
	R (million)	R (million)
Share premium		
Opening balance	9 643.2	9 400.8
467 587 BSP shares vested in April 2018	26.5	—
590 851 BSP shares vested in April 2017	—	40
Convertible bonds — equity portion	—	202.4
Ordinary share issue	394.3	—
Costs relating to the issue of shares capitalised	(3.0)	—
Total share premium	**10 061.0**	9 643.2

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

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16. SHARE-BASED PAYMENT RESERVE

	Group 2018 R (million)	Group 2017 R (million)
Share-based payment reserve		
Opening balance at 1 January	240.8	216.2
Share-based payment expense	98.6	52.3
Share-based payment expense capitalised to Styldrift I project	25.3	12.3
BSP shares vested	(26.5)	(40.0)
Closing balance at 31 December	338.2	240.8

17. TRANSACTION WITH NON-CONTROLLING INTEREST

At 11 December 2018, RBPlats acquired the remaining 33% participating interest in BRPM JV, from RPM. As RBPlats already controlled BRPM JV via its 67% participation interest, this transaction has been accounted for within equity as a transaction with NCI.

The initially agreed purchase consideration was R1 863.0 million. This amount was increased by the cash calls of R314.8 million contributed by RPM to the BRPM JV from the date of determination of the initial consideration until the finalisation of the transaction. The total consideration for the transaction amounted to R2 177.8 million, R554.7 million of which was settled in cash and the remainder was deferred (refer to note 23 for terms of the deferred consideration). R239.9 million of the cash component was financed via the issue of 9 791 823 shares into the market.

The liability of R2 102.2 million owed to RPM was settled as part of this transaction (refer to note 27). In addition a deferred tax asset of R609.8 million was recognised (refer to note 19). As the BRPM JV was an unincorporated partnership, the partners (and not the partnership) were obligated to pay the tax in their personal capacity, therefore, RBR was liable for 67% of the tax while RPM was liable for the other 33%. As RBPlats controls the JV, 100% of the JV was consolidated including deferred tax. The acquisition of the 33% interest in BRPM JV resulted in the increase in the base cost of the asset which had an impact on the deferred tax balance.

	2018 R (million)
Consideration	
Initial base consideration	1 863.0
Refund of cash calls	314.8
Total consideration	2 177.8
– Cash	554.7
– Deferred consideration	1 623.1
Balances acquired	(6 565.9)
Settlement of RPM payable	(2 102.2)
Deferred tax asset raised	(609.8)
Equity allocated to NCI	(3 853.9)
Increase in retained earnings	(4 388.1)
Less: Equity transferred from NCI	3 853.9
Net equity impact	(534.2)

18. NON-DISTRIBUTABLE RESERVE

Non-distributable reserve arose from capital contribution from the previous BRPM JV partner (RPM). This contribution was utilised for the housing project (RBRP). This reserve was transferred to retained earnings as part of the transaction with non-controlling interest at the effective transaction date.

	Group 2018 R (million)	Group 2017 R (million)
Capital contribution from RPM relating to the housing project		
Opening balance	82.5	82.5
Transfer to retained earnings*	(82.5)	–
Closing balance at 31 December	–	82.5

* *NDR was transferred within equity as part of the transaction with non-controlling shareholders*

19. DEFERRED TAX

Deferred tax assets and liabilities are determined using the liability method for all timing differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted before the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Deferred tax assets and liabilities are only offset when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

	Group	
	2018 R (million)	2017 R (million)
Deferred tax comprises:		
Deferred tax asset	(69.8)	(46.5)
Deferred tax liability	3 195.9	3 774.3
Closing balance at 31 December	3 126.1	3 727.8

	Mineral rights R (million)	Property, plant and equipment R (million)	Unredeemed capital balance R (million)	Provisions R (million)	Other R (million)	Total R (million)
Deferred tax						
2018						
At 1 January 2018	1 592.2	3 309.9	(1 293.4)	(76.6)	195.7	3 727.8
Acquired through business combination	–	–	–	–	(17.1)	(17.1)
Charged to equity*	–	–	(609.8)	–	–	(609.8)
Charged to statement of comprehensive income	(10.8)	215.6	(23.1)	(24.3)	(132.2)	25.2
At 31 December 2018	1 581.4	3 525.5	(1 926.3)	(100.9)	46.4	3 126.1
2017						
At 1 January 2017	1 604.2	2 961.0	(1 002.8)	(66.9)	101.0	3 596.5
Charged to equity#	–	–	–	–	78.7	78.7
Charged to statement of comprehensive income	(12.0)	348.9	(290.6)	(9.7)	16.0	52.6
At 31 December 2017	1 592.2	3 309.9	(1 293.4)	(76.6)	195.7	3 727.8

** Deferred tax arising from acquisition of non-controlling interest. The related tax liability arose in the hands of the former BRPM JV partner, RPM (refer to Note 17)*
 # Convertible bond equity shown net of tax. Refer to Note 20.2 for details

Tax losses included in RBP MS and RBRP, which are not recognised as deferred tax assets, amount to R294 million (2017: R205 million) and R97 million (2017: R72 million) respectively. RBR has an unredeemed capital allowance of R6 880 million (2017: R2 963 million) which will be carried forward to 2018. Of the deferred tax liability, approximately R2 339 million (2017: R3 605 million) will realise after 12 months.

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20. CONVERTIBLE BOND LIABILITY

Convertible bonds

RBPlat issued 120 000 7% senior unsecured convertible bonds for R1.2 billion on 15 March 2017. Shareholders' approval for the conversion of the convertible bonds was obtained on 8 May 2017. The bonds are convertible into ordinary shares of RBPlat at the option of the holder at an initial conversion price of R42.9438. The conversion price is subject to customary adjustments for reconstructions of equity. These customary adjustments maintain the relative rights of the bondholders. Interest on the bonds is payable semi-annually in arrears on 16 March and 16 September of each year for five years ending 16 September 2022.

The bonds are listed on the JSE Main Board under stock code number RBPCB.

The R1.2 billion convertible bond was initially recognised as a R300.6 million derivative liability and a R899.4 million liability.

		31 December 2018 R (million)	31 December 2017 R (million)
20.1	Derivative — initial recognition	–	300.6
	Less: Fair value up to date of shareholder approval (refer to Note 30)	–	(19.5)
	Derivative fair value at date of shareholder approval (8 May 2017)	–	281.1
	Less: Derivative derecognised	–	(281.1)
	Derivative balance at 31 December	–	–
20.2	Convertible bond equity		
	Opening balance at 1 January	202.4	–
	Equity recognised on date of shareholder approval (8 May 2017)	–	281.1
	Less: Deferred tax recognised on equity portion	–	(78.7)
	Net equity recognised as per statement of changes in equity	202.4	202.4
20.3	Convertible bond liability		
	Opening balance at 1 January	932.4	–
	Liability — initial recognition	–	899.4
	Less: Transaction cost capitalised	–	(29.0)
	Plus: Fair value interest*	138.3	104.6
	Less: Interest paid	(84.0)	(42.6)
	Convertible bond liability at 31 December	986.7	932.4

* *In 2018, R131.7 million (2017: R58.7 million) of the fair value interest was capitalised to Styldrift I project at RBPlat Group level*

The carrying amount of the liability portion at initial recognition was measured as the difference between the cash proceeds and the fair value of the embedded derivative. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds using the effective interest rate method. Disclosure relating to the reconciliation of other liabilities is set out in Note 21, 22, 23 and Note 27.

The following covenants are applicable to existing facilities:

Bond repayment covenant:

RBR shall ensure that on the fourth anniversary of financial close:

> The DSCR exceeds 1.50 times

> The LLCR exceeds 2.00 times

> Net debt to EBITDA shall not exceed 1.25 times

21. PIC HOUSING FACILITY

During the period under review the PIC housing facility was utilised to fund the construction of houses for Phase 2 of the housing project as well as the insurance investment referred to in Notes 9 and 10. The PIC housing facility is a R2.2 billion facility accruing interest at CPI plus a margin of 1%. Security for the PIC housing facility is ring-fenced to the housing project assets with no recourse to the unincorporated BRPM operations business.

The PIC housing facility was initially recognised at the fair value of the consideration received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cash flows, considering all the contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Initial recognition

The best evidence of the PIC housing facility's fair value on initial recognition is the transaction price. However, due to RBRP paying a preferential interest rate of CPI plus 1%, the fair value will differ from the transaction price. The Group therefore determined a market-related rate for the financial liability based on the rate of debt funding available to the Group at that specific point in time. The Group recognises the difference between fair value at initial recognition and the transaction price as a fair value adjustment to the loan. The initial difference is amortised over the term of the PIC housing facility.

Subsequent measurement

The financial liability payable to the PIC is accounted for at amortised cost (recognised at fair value at initial recognition) using the appropriate effective interest rate as determined above.

The PIC housing facility is not repayable within 12 months from the reporting period and is presented as part of non-current liabilities in the statement of financial position.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. On this basis, the interest expense on the PIC housing facility is capitalised to employee housing assets from 2016 (refer to Note 10).

	Group	
	2018 R (million)	2017 R (million)
PIC housing facility		
Opening balance at 1 January	**975.0**	434.0
Plus: Drawdowns	**384.5**	535.0
Less: Repayment	**(80.0)**	(40.0)
Plus: Contractual interest charges capitalised to loan (refer to Note 10)	**65.9**	43.3
Plus: Fair value interest charges capitalised to loan (refer to Note 10)	**8.5**	5.7
Less: Amortisation of fair value adjustment to loan	**(54.3)**	(3.0)
Closing balance at 31 December	**1 299.6**	975.0

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

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22. INTEREST BEARING BORROWINGS

Interest-bearing borrowings is made up of drawdowns on existing facilities. Refer to Note 14.

RBR utilised R750 million of its term debt facility, R930 million of its revolving credit facility and R335 million of its general banking facility. At year-end, R270 million of the utilised general banking facility was repaid.

The following covenants are applicable to the existing facilities:

Financial covenants:

RBR shall ensure that the following financial covenants will be met:

- Cumulative debt service coverage ratio (DSCR) shall exceed 1.25 times for measurement periods ending between 2017 and 2020
- DSCR shall exceed 1.25 times for measurement periods ending between 2021 and 2023
- Cumulative loan life coverage ratio (LLCR) shall exceed 1.50 times for measurement periods ending between 2017 and 2020
- LLCR shall exceed 1.75 times for measurement periods ending between 2021 and 2023
- Net debt to earnings before interest, taxation, depreciation and amortisation (EBITDA) shall not exceed 2.00 times
- Net debt to equity shall not exceed 1.00 times
- Interest cover ratio is at least 4.00 times

	2018 R (million)	2017 R (million)
Fair value at initial recognition	2 015.0	–
Less: transaction costs	(30.0)	–
Less: repayment	(270.0)	–
Interest capitalised	0.9	–
Closing balance at 31 December	1 715.9	–
Split between:		
Non-current portion of interest-bearing borrowings	1 650.0	–
Current portion of interest-bearing borrowings	65.9	–
	1 715.9	–

23. RPM DEFERRED CONSIDERATION

RBPlat acquired the remaining 33% participating interest in the BRPM JV from RPM. The purchase consideration was funded by a combination of cash, proceeds from a capital raised and the remaining balance was deferred.

In total, 9 791 823 shares were issued raising gross proceeds of R239.9 million which was used for part payment of the purchase consideration. In total, R314.8 million cash was used to pay the refund of net cash calls payable to RPM. This resulted in a total of R554.7 million paid to Amplats as initial consideration.

The deferred consideration escalates at a rate equal to the interest rate charged by lenders to RBR, on the enlarged debt plus a premium of 2%. The deferred consideration is repayable in three annual payments, each equal to one-third of the deferred consideration balance owing as at that date, with the first payment due on the first business day following 18 months from the effective date, and the second and third payment are due on the first and second anniversary thereof, respectively. The transaction effective date was 11 December 2018.

At the Group's election, all or part of the deferred consideration may be settled through the issue of RBPlat shares to RPM.

	2018 R (million)	2017 R (million)
Total purchase consideration	2 177.8	–
Less: initial payment	(554.7)	–
Proceeds from capital raised	(239.9)	–
Refund on net cash calls	(314.8)	–
Less: cession and assignment of claims	(13.0)	–
Interest capitalised	11.5	–
Closing balance at 31 December	1 621.6	–
Split between:		
Non-current portion of interest-bearing borrowings	1 621.6	–
Current portion of interest-bearing borrowings	–	–
	1 621.6	–

24. RESTORATION, REHABILITATION AND OTHER PROVISIONS

Long-term obligations comprising pollution control, rehabilitation and mine closure result from environmental disturbances associated with the Group's mining operations. Estimates are determined by independent environmental specialists in accordance with environmental regulations.

Decommissioning costs

This cost will arise from rectifying damage caused before production commences. The net present value of future decommissioning cost estimates as at year-end is recognised and provided for in full in the financial statements. The estimates are reviewed annually to take into account the effects of changes in the estimates. Estimated cash flows have been adjusted to reflect risks and timing specific to the rehabilitation liability. Pre-tax risk-free discount rates that reflect current market assessments of the time value of money are utilised in calculating the present value.

Changes in the measurement of the liability, apart from unwinding the discount, which is recognised in profit or loss as a finance cost, are capitalised to the environmental rehabilitation asset. Decommissioning assets are amortised on a straight-line basis over the lesser of 30 years or the expected benefit period.

Restoration costs

Changes in the discounted amount of estimated restoration costs are charged to profit or loss during the period in which such changes occur. Estimated restoration costs are reviewed annually and discounted using a pre-tax risk-free rate that reflects market assessments of the value of money. The increase in restoration provisions owing to the passage of time is charged to finance costs. All other charges in the carrying amount of the provision subsequent to initial recognition are included in profit or loss in the period in which they are incurred.

Changes in the open pit accrual are recognised in the statement of comprehensive income as part of cost of sales.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

24. RESTORATION, REHABILITATION AND OTHER PROVISIONS continued

Ongoing rehabilitation cost

The cost of ongoing current programmes to prevent and control pollution is recognised as an expense when incurred.

Critical accounting estimates and assumptions

Environmental rehabilitation obligations

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred and actual timing thereof in future periods can differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates can affect the carrying amount of this provision.

Estimated long-term environmental provisions, comprising pollution control, rehabilitation and mine closure, are based on the Group's environmental policy taking into account current technological, environmental and regulatory requirements. Provisions for future rehabilitation costs have been determined, based on calculations which require the use of estimates.

Key assumptions used were:

	2018	2017
Current cost estimate R (million)	346.3	251.4
Real pre-tax risk-free discount rate (%)	4.0	4.0

	Group	
	2018 R (million)	2017 R (million)
Restoration, rehabilitation and other provisions		
Opening balance at 1 January	107.2	94.2
Unwinding of discount (refer to Note 31.2)	7.1	6.2
Change in estimate of provision taken to statement of comprehensive income	(19.3)	7.3
Change in estimate of provision taken to decommissioning asset	15.9	(0.5)
Fair value of liability relating to Maseve	78.5	–
Restoration and rehabilitation provision closing balance at 31 December	189.4	107.2
Plus: Other long-term provisions	0.6	1.1
Plus: Deferred output VAT	81.4	47.7
Closing balance at 31 December	271.4	156.0

Refer to Note 6 for the environmental trust deposits made to fund this estimate and Note 25.1 for guarantees issued to fund the remainder. Refer to Note 25.5 for a description of the contingent liability relating to remediate groundwater and soil pollution.

The deferred output VAT liability is in respect of the sale of employee housing assets to employees which is only payable to the South African Revenue Service, in terms of section 16(4)(a)(ii) of the Value Added Tax Act No 89 of 1991, to the extent that the capital portion of the purchase price is being repaid by employees in future.

25. CONTINGENCIES AND COMMITMENTS

	Group 2018 R (million)	Group 2017 R (million)
Guarantees and commitments		
25.1 Guarantees issued		
Royal Bafokeng Resources Proprietary Limited, a wholly owned subsidiary of RBPlat, granted the following guarantees:		
Eskom to secure power supply for Styldrift I project (guarantee 30823102)	**17.1**	17.1
Eskom early termination guarantee for the Styldrift I project (guarantee 31160603)	**17.5**	17.5
Eskom connection charges guarantee for the Styldrift I project (guarantee 31173918)	**40.0**	40.0
Department of Mineral Resources for the rehabilitation of land disturbed by prospecting/mining (guarantee 32388608)	**1.3**	1.3
Eskom security guarantee for power supply to Styldrift I project (guarantee 34058907)	**42.7**	42.7
Royal Bafokeng Platinum Management Services Proprietary Limited, a wholly owned subsidiary of RBPlat, granted the following guarantees:		
Tsogo Sun guarantee arising from lease agreement (guarantee 34045600)	**0.7**	0.7
Tsogo Sun guarantee arising from lease agreement (guarantee 34045708)	**0.1**	0.1
Total bank guarantees issued at 31 December	**119.4**	119.4
Department of Mineral Resources guarantee for environmental rehabilitation liability	**260.4**	150.7
Department of Mineral Resources guarantee for Styldrift II project*	**45.7**	45.7
Total insurance guarantees issued at 31 December	**306.1**	196.4
25.2 Guarantees received from Anglo American Platinum		
For Anglo American Platinum's 33% share of the Eskom guarantee to secure power supply for Styldrift I project (guarantee M523084)	**–**	(5.6)
For Anglo American Platinum's 33% share of the Eskom early termination guarantee for the Styldrift I project (guarantee M529349)	**–**	(5.8)
For Anglo American Platinum's 33% share of the Eskom connection charges guarantee for the Styldrift I project (guarantee M529350)	**–**	(13.2)
For Anglo American Platinum's 33% share of the Eskom security guarantee for power supply to the Styldrift I project	**–**	(14.1)
Total guarantees received at 31 December	**–**	(38.7)
25.3 Capital commitments in respect of property, plant and equipment		
Capital commitments relate to the Styldrift I and BRPM Phase III projects		
Contracted commitments	**861.1**	969.8
Approved expenditure not yet contracted for	**2 951.5**	3 670.5
Total	**3 812.6**	4 640.3

25.4 Operating commitments

Leases

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement, and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys the right to control the asset.

Leases of assets under which substantially all the benefits and risks of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are expensed to profit or loss on the straight-line basis over the life of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made by the lessor by way of a penalty is recognised as an expense in the period in which the termination takes place.

The Group leases offices for its corporate office in Johannesburg. The corporate office lease term is five years and is renewable at the end of the lease period at market rates. The lease expired at the end of September 2016 and was renewed for a further five years.

Minimum lease payments on the corporate office operating lease are charged against administration expenses for corporate office on a straight-line basis over the lease term.

The Group leases drill and support rigs for a three-year period under an operating lease. Minimum lease payments on the drill and support rigs lease are charged against material and other mining costs for the BRPM JV.

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25. CONTINGENCIES AND COMMITMENTS continued

25.4 Operating commitments continued

Leases continued

	Group 2018 R (million)	2017 R (million)
The future aggregate lease payments under our operating leases are as follows:		
No later than one year	**4.7**	6.0
Later than one year and no later than five years	**6.0**	10.7
Total	**10.7**	16.7

25.5 Contingent liability — remediate groundwater and soil pollution

Royal Bafokeng Resources (RBR) has exposure to remediate groundwater and soil pollution where RBR operates. The groundwater pollution plume model was updated in 2017 and the updated model were used to simulate/predict future mining-related groundwater impacts. Based on the groundwater model update, a project was initiated in 2018 to monitor the groundwater movement on a continuous basis using borehole loggers. The purpose of the project is to accurately quantify the size and the rate of movement of the pollution plume. The project will be completed in Q1 2020.

The ultimate outcome of the matter cannot presently be determined and no liability has been raised in the annual financial statements.

25.6 Contingent liability — Maseve acquisition

Post implementation of the Maseve transaction, Africa Wide Mineral Prospecting land Exploration Proprietary Limited (Africa Wide) which held 17.1% of the shares in Maseve prior to the implementation of the share transaction, instituted legal proceedings against PTM, RBPlat and Maseve, in terms of which it seeks to have the Maseve transaction declared unlawful and invalid, or alternatively to be paid an increased amount for its Maseve shares, which it argues were undervalued.

On 20 September 2018 we advised security holders that PTM legal advisers and senior council were of the view that the claim of Africa Wide, was weak and that there are strong prospects of defending this matter.

26. TRADE AND OTHER PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

Provisions are measured using the best estimate of expenditure required to settle the obligation, i.e. the amount that the Group would rationally pay to settle the obligation or transfer to a third party.

Where the effect of discounting is material, provisions are discounted to reflect the present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation. Provisions are not recognised for future operational losses.

Financial liabilities at FVTPL are recognised at fair value and any subsequent gains or losses are recognised in the statement of comprehensive income and shown under other income.

	Group 2018 R (million)	2017 R (million)
Trade and other payables		
Trade payables	**214.1**	126.3
Payroll accruals and provisions	**36.3**	57.5
Housing project accruals and provisions	**63.2**	45.8
BRPM and Styldrift I accruals and provisions	**148.4**	158.2
Leave pay provisions	**178.5**	138.5
VAT payable	**36.6**	18.6
Total	**677.1**	544.9

27. RPM PAYABLE

The RPM payable is measured at amortised cost and represents the amount invested by RPM in the BRPM JV at year-end.

	Group 2018 R (million)	2017 R (million)
Opening balance at 1 January	**1 333.9**	889.7
Plus: Cash contribution to the BRPM JV	**1 299.1**	902.6
Less: Cash distributions received from the BRPM JV	**(530.8)**	(458.4)
Acquisition of RPM interest by RBR*	**(2 102.2)**	
Closing balance at 31 December	**–**	1 333.9

** Following the acquisition of RPM's 33% interest in BRPM JV, the investment by RPM was Rnil, refer note 17*

28. BUSINESS COMBINATION

On 5 April 2018, RBPlat announced that it had concluded the acquisition of the plant transaction (Phase I) while on 26 April 2018, RBPlat announced that it had concluded the acquisition of a 100% controlling interest of the share capital of Maseve Investments 11 Proprietary Limited (Maseve) (Phase II) from Platinum Group Metals (RSA) Proprietary Limited (PTM (RSA)) and Africa Wide Mineral Prospecting and Exploration Proprietary Limited. Immediately before the acquisition of the controlling interest, PTM (RSA) and Africa Wide held 82.9% and 17.1% respectively. Accordingly, RBPlat and PTM (RSA) implemented a scheme of arrangement under sections 114 and 115 of the Companies Act where RBPlat acquired 100% of the issued share capital of Maseve. The combined transaction was for a total consideration of US$70 million (R858.5 million). The acquisition of the plant and shares was seen as a single transaction as they are considered to be linked and were classified as an acquisition of a business, in accordance with IFRS 3: *Business Combinations*. Determining whether a series of transactions is linked and whether they should be combined and viewed as a single arrangement is a matter of judgement and was determined based on the fact that the transactions were entered into in contemplation of one another and there was no economic need or substantive business purpose for structuring these transactions separately that could not also have been accomplished in a single transaction. The effective date of the transaction was therefore deemed to be 26 April 2018.

Maseve is a mining company incorporated in South Africa operating in the North West province. The mine is currently on care and maintenance. In addition to the mining rights and other assets, the company owns a concentrator complex designed to process PGMs.

The business combination benefits the Group in that it provides RBPlat with immediate access to a concentrator plant which will be used to treat ore from Styldrift as well as the strategic flexibility to extend the life of mine of BRPM South shaft. The mine business will be part of the head office segment while the concentrator complex will be part of the Styldrift mining segment.

The following table summarises the consideration paid for the acquisition of Maseve:

	2018 R (million)
Total consideration	
Phase I	691.4
Settlement in cash	649.7
Deposit paid*	41.7
Phase II	167.1
Settlement in shares**	154.6
Deposit paid	12.5
Total consideration	**858.5**

** Deposit paid in 2017.*
*** The fair value of equity is based on the share price on the effective date of transaction.*

Details of identifiable assets acquired, liabilities assumed and goodwill are as follows:

	2018 R (million)
Purchase consideration	858.5
Fair value of net assets acquired	976.8
Non-current asset	999.7
Inventories	16.9
Trade and other receivables	33.0
Cash and cash equivalents*	4.2
Non-current liabilities	(78.5)
Current liabilities	(15.6)
Deferred tax	17.1
Gain on bargain purchase	**118.3**

** Acquired cash and cash equivalents is netted off against total consideration paid.*

Gain on bargain purchase

The fair value of net assets acquired resulted in a gain on bargain purchase of R118.3 million which has been recognised in the statement of comprehensive income.

The Maseve business was under care and maintenance and the shareholders were previously looking to dispose of the business resulting in a gain on bargain purchase.

Acquired property, plant and equipment

The fair value of the plant was obtained from an external valuer using a factor of comparable projects, and a due diligence was performed to identify all the assets acquired.

Acquisition-related costs

Acquisition-related costs of R4 million were charged to operating expenses in profit or loss and included in operating cash flows for the year ended 31 December 2018. Total acquisition-related costs since the inception of the transaction amount to R12.9 million.

Acquired trade and other receivables

The fair value of trade and other receivables is R33.0 million and does not include any trade receivables. The fair value of trade and other receivables represents the gross contractual amounts receivable. The full gross contractual amount of receivables is expected to be collectable.

The acquired business contributed revenue of Rnil with a net loss of R19.9 million to the Group for the period from 26 April 2018 to 31 December 2018. If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated profit after tax for the year ended 31 December 2018 would have been R3 627.1 million and R244.7 million respectively.

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for the year ended 31 December 2018

29. REVENUE

Revenue from contracts with customers is recognised when the separate performance obligations are satisfied, which is when control of the promised goods or services is transferred to the customer.

Revenue transactions for the sale of concentrate are governed by the disposal of concentrate agreement (DOCA) between Royal Bafokeng Resources (RBR) and Rustenburg Platinum Mines (RPM). RBR is a wholly owned subsidiary of Royal Bafokeng Platinum Limited (RBPlat) while RPM is a wholly owned subsidiary of Anglo Platinum Limited. The ordinary business activities of the RBPlat Group is the production and sale of concentrate.

Control passes to RPM when RBR delivers the concentrate at the designated delivery point. The performance obligation will be the bundle of concentrate sold and delivered to RPM. This is considered to be a single performance obligation in terms of IFRS 15, seeing as RBR is required to deliver the sold concentrate to RPM in terms of the DOCA. In terms of the DOCA, the commodity prices (platinum group metals (PGMs)) used in the calculation of the concentrate payments are based on the average daily PGM prices and average spot exchange rate for the third month following the month of delivery. The amount of revenue recognised at the designated point of delivery is based on the best estimate of the amount expected to be received. This estimate is based on the estimated contained metal in the concentrate determined by the results of the initial assay, and the spot price of the commodity at the date of delivery.

Provisional pricing arrangements introduce an element of variability into the sales contract. The DOCA contain the following categories of variability:

> Non-market variability — the changes in pricing based on the results of the quantity or quality of the commodity as concluded in the final evaluation (that is any difference between the initial and final assay)
> Market variability — pricing based on average market price at the end of each month

Variability in the DOCA arises from both market price and physical attributes. The non-market variability is accounted for within the scope of IFRS 15 and are considered to be variable consideration. RBR estimates the amount of contained metal in the concentrate which has been delivered to RPM. The final quantity of contained metal will only be confirmed once the final assay has been completed and this usually happens the month after the delivery month. Based on past history, the changes between the initial assay and final assay are not significant, consequently the variable consideration is not considered to be constrained. The changes in the PGM prices create market variability these changes are out of the scope of IFRS 15. As a result, the changes in the PGM prices are reflected as other revenue within the revenue note to the annual financial statement and not revenue from contracts with customers.

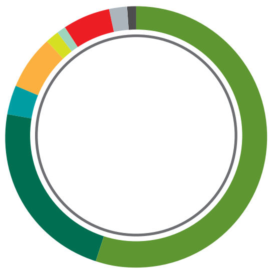
	Group	
	2018 R (million)	2017 R (million)
Revenue		
Revenue from concentrate sales — production from BRPM concentrator*	—	3 092.9
Revenue from UG2 toll concentrate*	—	401.7
Revaluation of revenue (prior year October, November and December deliveries prices finalised)	—	3.9
Revenue from contract with customers	**3 500.3**	—
Other revenue	**126.8**	—
Total	**3 627.1**	3 498.5

** Revenue for prior year was not restated as IFRS 15 was not applied retrospectively*

29. REVENUE continued

	Group	
	2018 R (million)	2017 R (million)
Revenue per metal		
Platinum	**1 682.9**	1 928.5
Palladium	**904.7**	802.5
Rhodium	**410.7**	239.4
Gold	**120.6**	118.4
Nickel	**239.5**	205.3
Other	**268.7**	204.4
Total revenue	**3 627.1**	3 498.5

Revenue contribution 2018



Revenue contribution 2017

30. OTHER INCOME

Levy income from housing assets is recognised on an accrual basis as it is invoiced every month and is classified as other income for the Group.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where the items are remeasured. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in other income.

The forward exchange contracts and call options entered into to pay Euros for equipment imported from Europe for our Styldrift project are initially recognised at fair value and subsequent gains or losses are recognised in other income.

	Group	
	2018 R (million)	2017 R (million)
Other income		
Impala royalty (Group resources mined by Impala Platinum Limited)	**98.8**	85.9
Fair value adjustment of the Nedbank equity-linked deposit (refer to Note 6)	**(2.1)**	7.8
Levy and other income from housing assets	**5.9**	3.0
Realised and unrealised gains and losses on fair value of forward exchange contracts and call options	**14.5**	22.9
Derivative fair value (refer to Note 20)	**—**	19.5
Other income	**6.9**	11.4
Total	**124.0**	150.5

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

30. OTHER INCOME continued

The Impala royalty consists of royalties received from Impala for mining from its 6 and 8 shafts and 20 shaft area. The 6 and 8 shafts royalty is calculated by applying a factor that is linked to the Impala Rustenburg operations' gross profit margin with a minimum of 5% and a maximum of 25% of revenue. Impala pays a 17.5% of revenue royalty to the BRPM JV for the 20 shaft area.

During the year R46.6 million (2017: R40.9 million) royalty income was received for the 6 and 8 shaft areas and R52.2 million (2017: R45.0 million) for the 20 shaft area.

31. NET FINANCE INCOME

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is probable that such income will accrue to the Group.

The effective interest rate for the receivable from employees for housing assets is based on a market-related interest rate based on the average credit profile per band of employees.

Dividend income is recognised when the right to receive payment is established.

Borrowing costs are charged to interest expense. The effective interest rate for the interest payable on the PIC housing facility is based on a market-related interest rate based on the rate of the revolving credit facility available to the Group.

		Group	
		2018 R (million)	2017 R (million)
31.1	**Finance income consists of the following:**		
	Interest received on environmental trust deposits (refer to Note 6)	**8.7**	4.4
	Interest received on investments	**50.9**	97.9
	Interest received on employee housing receivable	**37.4**	33.0
	Dividend income on investments	**3.9**	2.1
	Total finance income	**100.9**	137.4
31.2	**Finance cost consists of the following:**		
	Interest expense	**(13.2)**	(0.2)
	Unwinding of discount on decommissioning and restoration provision (refer to Note 24)	**(7.1)**	(6.2)
	Interest expense – Convertible bond and interest-bearing borrowings*	**(193.2)**	(104.6)
	Less: Capitalisation of interest expense – convertible bond (refer to Note 3)**	**186.7**	58.7
	Total finance cost	**(26.8)**	(52.3)
	Net finance income	**74.1**	85.1

** R84.0 million of the convertible bond interest was paid in 2018 (2017: R42.6 million)*
*** R131.7 million (2017: 58.7 million) of the convertible bond interest was capitalised while R55.0 (2017: Rnil) of interest incurred on other interest-bearing borrowings was capitalised in 2018*

32. PROFIT/(LOSS) BEFORE TAX

Short-term employee benefits

Remuneration to employees is charged to profit or loss on an ongoing basis. Provision is made for accumulated leave, incentive bonuses and other short-term employee benefits.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:
> When the Group can no longer withdraw the offer of those benefits
> When the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting date are discounted to present value.

Defined contribution retirement plans

Employee benefit schemes are funded through payments to trustee-administered funds, determined by periodic actuarial calculations.

A defined contribution plan is a pension scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all the employees the benefits relating to employees' service in the current and prior periods.

The Group operates or participates in defined contribution retirement plans for its employees. The pension plans are funded by payments from employees and by the relevant Group companies' trustee-administered funds, and contributions to these funds are expensed as incurred. The assets of the different plans are held by independently managed trust funds. The funds are governed by the South African Pension Funds Act of 1956.

32. PROFIT/(LOSS) BEFORE TAX continued

Bonus provision

The Group recognises a provision for bonuses based on a formula that takes into consideration production and safety performance. The Group recognises a provision when contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, production targets and remaining an employee of the entity over a specified time period)
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

Critical accounting estimates and assumptions

Share-based payments

The Group has various share-based payment plans in place. All share-based payment schemes are treated as equity-settled and therefore valued on grant date.

Bonus share plan

The Company has established a bonus share plan (BSP) for its executive directors and senior managers, which is linked to the employee's annual cash bonus. The Remuneration Committee of the Company is responsible for operating the BSP.

Following the announcement of the Company's annual results, employees participating in the BSP are awarded a number of bonus shares, which constitute a specified percentage of the employee's annual cash bonus (dependent on job category). Such bonus shares are held on the employee's behalf by an escrow agent for a period of three years after their award. These bonus shares will be forfeited should an employee leave before the three-year period.

Shares issued in terms of this scheme are accounted for as equity-settled share-based payments.

The grant date fair value is based on the closing price the day prior to the Remuneration Committee approval of the awards.

Forfeitable share plan

The Company has established a forfeitable share plan (FSP) for its executive directors and senior managers. The FSP is linked to future performance of the Company as compared to its peers, utilising the total shareholder return (TSR) as a measure of performance. The Remuneration Committee is responsible for managing the FSP.

Employees participating in the FSP are awarded a number of forfeitable shares, based on their level and responsibility. The Remuneration Committee decides the award policy, which in 2016 was a multiple of total group package (TGP). The shares are held in escrow until they vest. The shares vest in equal tranches on the third, fourth and fifth anniversary of award. The proportion of shares that vest is based on the Company's performance on the third anniversary. The employee has to stay in the employment of the Company for the period and the performance criteria have to be met for the shares to vest. On the vesting date, the employee receives shares. The forfeitable shares will be forfeited should an employee leave before the three year period.

Shares issued in terms of this scheme are accounted for as equity-settled share-based payments.

The grant date fair value is based on the closing price the day prior to the Remuneration Committee approval of the awards.

Forfeitable share plan — retention

The Company established a forfeitable share plan — retention (FSP — retention) for its executive directors and senior managers in 2016. The FSP — retention is linked to future performance of the Company.

Employees participating in the FSP — retention are awarded a number of forfeitable shares, based on their level of responsibility. The Remuneration Committee decides the award policy which in 2016 was a multiple of TGP. The shares are held in escrow until they vest. The shares vest in one tranche on the third anniversary. The employee has to stay in the employment of the Company for the period and the performance criteria have to be met for the shares to vest. On the vesting date, the employees receive shares. The forfeitable shares-retention will be forfeited should an employee leave before the three-year period.

Shares issued in terms of this scheme are accounted for as equity-settled share-based payments.

The grant date fair value is based on the closing price the day prior to the Remuneration Committee approval of the awards.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

32. PROFIT/(LOSS) BEFORE TAX continued

2010 share option plan

Certain directors and senior managers of the Company (including all of the current executives of the Company) have been granted options to acquire shares. The options were granted at an initial price, which is linked to the J153 Platinum Index when hired. The strike price of the options was adjusted on the listing of the holding company, RBPlat, in accordance with a specified formula and was linked to RBPlat's share price. Post RBPlat's listing, share options are granted at the RBPlat share price on date of grant. The fair value of options granted is determined using the binomial model. The volatility is measured based on the RBPlat share price. The share options vest from years three to five from when they were granted in three equal tranches.

2018 share appreciation rights plan

Executive directors and senior managers of the Company have been granted rights to acquire shares. The appreciation rights were granted on the day of commencement of employment at RBPlat. The strike price of the share appreciation rights is the RBPlat share price on the eve of commencement of employment. The fair value of rights granted is determined using the binomial model. The volatility is measured based on the RBPlat share price. The share appreciation rights vest from years three to five from when they were granted in three equal tranches and they lapse on the tenth anniversary of award. The appreciation rights can be either cash or equity settled and are forfeitable for fault leavers.

Initial public offering bonus shares

The Company invited each of the executive directors and certain other employees of the Company to participate in the share offer on listing, on the basis that for each share that they subscribe for, the Company will issue them with an additional share free of charge (with the Company paying for the par value of such shares). The additional shares issued by the Company vested 18 months after the listing. The maximum number of shares for which each director and employee could subscribe to benefit from this scheme was limited based on the specific job grade.

The value of the various share-based payment schemes was calculated using the following inputs:

	Bonus share plan						
	2018	2017	2016	2015	2014	2013	2012
Weighted average share price on grant date (R)	**33.18**	41.65	38.79	56.70	64.90	58.50	57.99
Vesting years	**2021**	2020	2019	2018	2017	2016	2015

	Forfeitable share plan						
	2018	2017	2016	2015	2014	2013	2012
Weighted average share price on grant date (R)	**33.18**	41.65	38.79	56.70	71.90	–	–
Vesting years	**2021 to 2023**	2020 to 2022	2019 to 2021	2018 to 2020	2017 to 2019	–	–

	Forfeitable share plan — retention						
	2018	2017	2016	2015	2014	2013	2012
Weighted average share price on grant date (R)	**38.79**	38.79	38.79	–	–	–	–
Vesting years	**2021**	2020	2019	–	–	–	–

	Rights offer						
	2018	2017	2016	2015	2014	2013	2012
Weighted average share price on grant date (R)	**–**	–	–	–	55.00	55.00	55.00
Vesting years	**–**	–	–	–	2017	2016	2015

32. PROFIT/(LOSS) BEFORE TAX continued

Critical accounting estimates and assumptions continued

2010 share option plan

	2018	2017	2016	2015	2014	2013	2012
Weighted average option value on grant date (R)	–	17.33	19.69	20.91	37.10	37.41	29.07
Weighted average share price on grant date (R)	–	36.17	39.44	44.23	66.83	57.61	57.47
Weighted average exercise price (R)	–	36.17	39.44	44.23	66.83	57.61	57.47
Volatility (%)	–	34.26 to 34.51	30.76 to 34.25	26.54 to 28.55	26.22 to 26.73	47.2 to 57.61	49.5 to 47.8
Dividend yield	–	–	–	–	–	–	–
Risk-free interest rate (%)	–	7.76 to 7.98	8.13 to 9.79	6.58 to 7.81	7.11 to 8.31	6.08 to 8.51	7.18 to 8.01
Vesting years	–	2020 to 2022	2019 to 2021	2018 to 2020	2017 to 2019	2016 to 2018	2015 to 2017

The expected price volatility is (based on the historic volatility taking into account the remaining life of the options) adjusted for any expected changes to future volatility due to publicly available information.

2018 share appreciation rights plan

	2018
Weighted average share price on grant date (R)	28.41
Vesting years	2019 to 2021

	Initial public offering bonus shares
Weighted average option value on grant date (R)	64.9
Weighted average share price on grant date (R)	28.41
Volatility (%)	47.9
Dividend yield	–
Risk-free interest rate (%)	7.52
Vesting years	8 May 2018

Refer to Note 36 for outstanding shares.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

32. PROFIT/(LOSS) BEFORE TAX continued

Critical accounting estimates and assumptions continued

Activity on awards outstanding

	Forfeitable share plan retention		Forfeitable share plan	
	Number of shares	Weighted average award price R	Number of shares	Weighted average award price R
For the year ended 31 December 2018				
At 1 January 2018	2 383 284	38.79	1 907 032	45.08
Granted	4 875 815	38.79	1 048 110	33.18
Forfeited	—	—	—	—
Exercised/vested	—	—	(162 658)	62.95
Expired	—	—	—	—
At 31 December 2018	**7 259 099**	**38.79**	**2 792 484**	**39.57**
For the year ended 31 December 2017				
At 1 January 2017	1 153 147	38.79	1 130 370	49.22
Granted	1 230 137*	38.79	843 541*	41.65
Forfeited	—	—	—	—
Exercised/vested	—	—	(66 879)	71.91
Expired	—	—	—	—
At 31 December 2017	2 383 284	38.79	1 907 032	45.08

Activity on awards outstanding

	2010 share option plan		Bonus share plan	
	Number of options	Weighted average option price R	Number of shares	Weighted average award price R
For the year ended 31 December 2018				
At 1 January 2018	6 588 055	49.02	1 156 578	47.74
Granted	—	—	1 084 295	33.18
Forfeited	(291 540)	51.77	(1 400)	40.73
Exercised/vested	—	—	(473 536)	57.02
Expired	—	—	—	—
At 31 December 2018	**6 296 515**	**48.89**	**1 765 937**	**34.91**
For the year ended 31 December 2017				
At 1 January 2017	6 588 587	50.28	919 671	55.23
Granted	724 026	36.17	610 619*	41.65
Forfeited	(407 577)	41.80	(13 206)	55.64
Exercised/vested	(316 981)	57.44	(360 506)	56.24
Expired	—	—	—	—
At 31 December 2017	6 588 055	49.02	1 156 578	47.74

	2018 share appreciation rights	
	Number of shares	Weighted average option price
For the year ended 31 December 2018		
At 1 January 2018	—	—
Granted	5 076 144	28.41
Forfeited	—	—
Exercised/vested	—	—
Expired	—	—
At 31 December 2018	**5 076 144**	28.41

32. PROFIT/(LOSS) BEFORE TAX continued

	Group 2018 R (million)	Group 2017 R (million)
Included in the profit/(loss) before tax are the following items:		
On-mine costs:		
> Labour*	1 095.0	1 077.5
> Utilities	303.5	264.9
> Contractor costs	831.1	791.8
> Movement in inventories	15.1	(20.5)
> Materials and other mining costs	519.3	636.0
Materials and other mining costs for BRPM JV	565.7	681.0
Elimination of intergroup management fee	(46.4)	(45.0)
State royalties	17.3	13.4
Depreciation — property, plant and equipment	341.3	318.5
Amortisation — mineral rights	38.8	42.8
Share-based payment expense	45.0	21.1
Social and labour plan expenditure	51.9	35.4
Plant readiness	29.3	—
Other	29.6	5.6
Total cost of sales	**3 317.2**	**3 186.5**
Included in corporate office administrative expenses:		
Advisory fees	13.8	11.1
Legal fees	8.0	3.6
Employee costs** (including directors' remuneration)	88.3	100.9
Mahube Trust expenditure	(0.6)	0.4
Depreciation of RBP MS property, plant and equipment	0.9	1.4
Revolving credit facility and working capital facility commitment fees	11.0	5.3
Fees for guarantees	1.6	2.8
Share-based payment expense	53.6	31.2
Industry membership contributions	16.7	7.6
Rent and maintenance for corporate office	3.2	3.3
Cost relating to Maseve acquisition including foreign exchange losses	46.3	8.9
Other	21.7	12.9
Total corporate office administrative expenses	**264.5**	**189.4**
Included in housing project administrative expenses:		
Advisory fees	0.2	
Legal fees	1.0	0.9
Property rates and taxes, and water and electricity	2.0	0.4
Security	6.0	2.9
Maintenance	2.1	3.4
Depreciation of RBRP property, plant and equipment	0.4	0.3
Amortisation of employee housing benefit and fair value adjustment to loan	(41.3)	2.9
Reversal of write offs	(3.4)	—
Insurance expenditure	1.5	0.9
Salaries and wages	7.0	5.1
Other	3.2	1.0
Total housing project administrative expenses	**(21.3)**	**17.8**
Included in Maseve care and maintenance and plant readiness administrative costs:		
Labour	9.4	—
Utilities	7.6	—
Contractor costs	2.0	—
Materials and other mining costs	3.7	—
Depreciation	17.4	—
Other	0.7	—
Total Maseve care and maintenance and plant readiness administrative costs	**40.8**	**—**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

32. PROFIT/(LOSS) BEFORE TAX continued

	Group 2018 R (million)	Group 2017 R (million)
Restructuring costs	–	49.0
External and internal audit fees for the Group		
External and internal audit fees included in profit before tax:		
External audit fees		
> Fees for audit	3.4	2.0
> Other services	0.2	0.4
Total external audit fees	3.6	2.4
Internal audit fees		
> Fees for internal audit	3.0	3.2
> Other services	0.5	0.3
Total internal audit fees	3.5	3.5

** Included in labour costs are pension and provident fund contributions of R78.8 million (2017: R75.2 million)*
*** Included in corporate office employee costs are provident fund contributions of R6.0 million (2017: R5.0 million)*

Significant judgement is required in determining the provision for mining royalties included in the cost of sales. These include many transactions and calculations for which the ultimate mining royalties determination is uncertain during the ordinary course of business. Where the final outcome is different from the amounts initially recorded, such differences will impact the mining royalties, income tax and deferred tax provision in the period in which such determinations are made.

33. INCOME TAX (EXPENSE)/CREDIT

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the statement of financial position date, and any adjustment of tax payable for previous years.

Critical estimates and assumptions

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income and deferred tax provisions in the period in which such determinations are made.

	Group 2018 R (million)	Group 2017 R (million)
Income tax (expense)/credit		
Income tax expense	(35.3)	(31.5)
Current year	(35.3)	(31.7)
Prior year	–	0.2
Deferred tax (expense)/credit	(25.2)	(52.6)
Current year	(25.2)	(53.5)
Prior year	–	0.9
Total income tax (expense)/credit	(60.5)	(84.1)
Tax rate reconciliation:		
Profit/(loss) before tax	316.0	(572.9)
Tax expense calculated at a tax rate of 28% (2017: 28%)	(88.5)	160.4
Non-taxable income — dividends	1.1	0.6
Non-taxable income — other	–	1.1
Tax on BRPM JV — NCI share	7.7	9.2
Non-deductible expenses — impairment of goodwill	–	(241.7)
Non-deductible expenses — legal and advisory fees	(4.2)	(3.6)
Non-deductible expenses — other	–	(0.6)
Capital gains tax	–	(0.8)
Tax losses not recognised	(9.7)	(9.8)
Prior year adjustments	–	1.1
Gain on bargain purchase	33.1	–
	(60.5)	(84.1)
Effective tax rate (%)	25.1	14.7

An unredeemed capital allowance of R6 880 million (2017: R2 963 million) is carried forward to 2018.

	Group 2018 R (million)	Group 2017 R (million)
34. CASH GENERATED BY OPERATIONS		
Cash generated by operations is calculated as follows:		
(Loss)/profit before tax	**316.0**	(572.9)
Adjustment for:		
Depreciation of property, plant and equipment	**360.1**	320.2
Amortisation of mineral rights	**38.8**	42.8
Amortisation of employee housing benefit and fair value adjustment to loan	**(41.3)**	2.8
Scrapping of asset and write off	**22.9**	864.3
Share-based payment expense	**123.9**	64.6
Change in estimate of restoration provision taken to the statement of comprehensive income	**(19.3)**	7.3
Fair value adjustment — housing insurance investment	**—**	(0.7)
Fair value adjustment — environmental guarantee investments	**(3.4)**	(0.1)
Revaluation of derivative (refer to Note 30)	**—**	(19.5)
Equity-linked return on BRPM environmental trust deposits	**2.1**	(7.8)
Deferred rental income	**(0.5)**	—
Profit on sale of property, plant and equipment and other assets	**—**	(1.8)
Gain on bargain purchase	**(118.3)**	—
Finance cost	**26.8**	52.3
Finance income	**(100.9)**	(137.4)
	605.7	614.1
Changes in working capital	**(24.6)**	(44.6)
Increase in inventories	**(29.4)**	(26.2)
Increase in trade and other receivables*	**(183.2)**	(99.4)
Increase in trade and other payables	**188.0**	81.0
Cash generated by operations	**581.1**	569.5

** Excludes Styldrift I on-reef development revenue receivable of R446.9 million (2017: R264.6 million) and the Maseve deposit of Rnil (2017: R41.4 million)*

35. RELATED PARTY TRANSACTIONS

The Group is controlled by Royal Bafokeng Platinum Holdings Proprietary Limited (incorporated in South Africa), which owns 48.14% of RBPlat's shares. 51.86% is widely held and includes shares held by employees and RBPlat share schemes.

RBR, a wholly owned subsidiary of RBPlat, acquired the remaining 33% interest in the BRPM JV from RPM in 2018. The Group's ultimate parent is Royal Bafokeng Holdings Proprietary Limited (RBH). RBH is an investment holding company with a large number of subsidiaries and is incorporated in South Africa.

Investments in subsidiaries including the unincorporated BRPM operations and the degree of control exercised by the Company are shown below:

	Issued capital amount 2018 R	Issued capital amount 2017 R	Interest in capital 2018 %	Interest in capital 2017 %
Related parties				
Direct investment				
Royal Bafokeng Platinum Management Services Proprietary Limited (RBP MS)	**1 000**	1 000	**100**	100
Royal Bafokeng Resources Proprietary Limited (RBR)	**320**	320	**100**	100
Indirect investment via RBR				
Bafokeng Rasimone Management Services Proprietary Limited (BRMS)	**1 000**	1 000	**100**	100
BRPM Unincorporated Joint Venture — participation interest	**—**	—	**100**	67
Royal Bafokeng Resources Properties (RF) Proprietary Limited (RBRP) previously Friedshelf 1408 (RF) Proprietary Limited	**100**	100	**100**	100

Transactions between the Company, its subsidiaries and joint venture are eliminated on consolidation. Refer to Note 25 for related party guarantees.

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35. RELATED PARTY TRANSACTIONS continued

RBR and RPM contribute 67% and 33% respectively of cash calls issued by the BRPM JV up to effective transaction date. BRPM receives royalty income from Impala Platinum Limited (as detailed in Note 30) and acquires mining supplies and services from various RBH subsidiaries and associates. BRPM and corporate office make use of the Royal Marang Hotel for accommodation and conferences.

The following transactions were carried out with related parties:

	Group	
	2018 R (million)	2017 R (million)
Related party transactions		
BRPM balances at 31 December:		
Amount owing by RPM for concentrate sales (refer to Note 12)	**2 015.9**	1 500.9
Amount owing to RPM for contribution to BRPM*	**—**	1 495.2
BRPM transactions:		
Concentrate sales to RPM (refer to Note 29)	**5 047.4**	4 070.3
Associate of holding company (RBH) balances at 31 December:		
Amount owing by Impala Platinum Limited for the fourth quarter royalty (refer to Note 12)	**31.4**	24.5
Fellow subsidiary and associates of holding company (RBH) transactions:		
Fraser Alexander for rental of mining equipment, maintenance of tailings dam and operation of sewage plant (a subsidiary of RBH)	**12.2**	11.4
Impala Platinum Limited for royalties received (an associate of RBH) (refer to Note 30 and Directors' report)	**98.8**	85.9
Geoserve Exploration Drilling Company for exploration drilling on Boschkoppie and Styldrift (a subsidiary of RBH)	**7.0**	9.5
Trident South Africa Proprietary Limited for steel supplies (a subsidiary of RBH)	**6.7**	1.1
Mtech Industrial for supply and installation of heat pumps (a subsidiary of RBH)	**0.3**	0.2
The MSA Group for consulting services	**0.2**	0.1
Royal Marang Hotel for accommodation and conferences (a subsidiary of RBH)	**0.6**	0.6
Praxima Holding for payroll administration fees (an associate of RBH)	**0.1**	0.1
Fees paid to non-executive directors (RBH/MOGS)	**0.5**	0.8

** RPM disposed of it's 11.44% shareholding in RBPlat during the course of 2018.*

Directors, other executives and prescribed officers' remuneration

Details relating to key management remuneration (prescribed officers), share options and shareholdings in the Company are disclosed in Note 36.

36. REMUNERATION

36.1 Directors, other executives and prescribed officers' remuneration

	Date appointed	Directors' fees R	Basic salary R	Retirement benefits R	Other benefits R	Discre-tionary perfor-mance bonuses R	Special bonus R	Retention bonus R	Total R
2018									
Executive directors									
Steve Phiri	1 Apr '10	–	4 519 706	1 019 436	124 392	4 605 277	2 658 936	5 997 600	18 925 347
Martin Prinsloo**	1 Mar '09	–	3 439 868	194 844	122 857	3 131 884	1 862 000	4 200 000	12 951 453
Hanré Rossouw	1 Oct '18	–	915 095	57 400	52 506	–	–	–	1 025 001
Non-executive directors*									
Linda de Beer***	1 Jun '10	445 750	–	–	–	–	–	–	445 750
Robin Mills****	20 Sep '10	142 857	–	–	–	–	–	–	142 857
Mark Moffett	22 Sep '14	449 504	–	–	–	–	–	–	449 504
Thoko Mokgosi-Mwantembe	5 Nov '14	596 527	–	–	–	–	–	–	596 527
Kgomotso Moroka	1 Jun '10	1 440 158	–	–	–	–	–	–	1 440 158
Obakeng Phetwe	28 Feb '18	332 664	–	–	–	–	–	–	332 664
Mike Rogers	7 Dec '09	767 322	–	–	–	–	–	–	767 322
Louisa Stephens	22 Sep '14	514 537	–	–	–	–	–	–	514 537
David Wilson*****	29 May '14	437 098	–	–	–	–	–	–	437 098
Peter Ledger	28 Feb '18	456 997	–	–	–	–	–	–	456 997
Zanele Matlala	24 Sep '18	114 117	–	–	–	–	–	–	114 117
Total		5 697 531	8 874 669	1 271 680	299 755	7 737 161	4 520 936	10 197 600	38 599 332

** Non-executive director fees are paid on a quarterly basis and their fees accrued for the year were approved at the annual general meeting held on 10 April 2018*
*** Resigned 10 August 2018*
**** Resigned 6 August 2018*
***** Resigned 10 April 2018*
****** Fees paid to Royal Bafokeng Holdings Proprietary Limited. Refer to Note 35*

	Date appointed	Directors' fees R	Basic salary R	Retirement benefits R	Other benefits R	Discre-tionary perfor-mance bonuses R	Retention bonus R	Total R
2017								
Executive directors								
Steve Phiri	1 Apr '10	–	4 250 625	952 419	114 828	3 808 476	5 997 600	15 123 948
Martin Prinsloo	1 Mar '09	–	3 257 112	296 427	212 856	2 597 000	4 200 000	10 563 395
Non-executive directors*								
Linda de Beer	1 Jun '10	654 998	–	–	–	–	–	654 998
Robin Mills	20 Sep '10	592 322	–	–	–	–	–	592 322
Mark Moffett	22 Sep '14	459 024	–	–	–	–	–	459 024
Thoko Mokgosi-Mwantembe	5 Nov '14	558 476	–	–	–	–	–	558 476
Kgomotso Moroka	1 Jun '10	1 363 215	–	–	–	–	–	1 363 215
Velile Nhlapo**#	24 Nov '15	425 571	–	–	–	–	–	425 571
Mike Rogers	7 Dec '09	675 876	–	–	–	–	–	675 876
Louisa Stephens	22 Sep '14	531 948	–	–	–	–	–	531 948
David Wilson**	29 May '14	412 600	–	–	–	–	–	412 600
Total		5 674 030	7 507 737	1 248 846	327 684	6 405 476	10 197 600	31 361 373

** Non-executive director fees are paid on a quarterly basis and their fees accrued for the year were approved at the Annual General Meeting held on 12 April 2017*
*** Fees paid to Royal Bafokeng Holdings Proprietary Limited (David Wilson and Velile Nhlapo). Refer to Note 35*
 # Resigned on 9 November 2017

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for the year ended 31 December 2018

36. REMUNERATION continued

36.1 Directors, other executives and prescribed officers' remuneration continued

Other executives and prescribed officers' remuneration and related payments for 2018

	Date appointed	Basic salary R	Retirement benefits R	Other benefits R	Discre-tionary perfor-mance bonuses R	Under-ground market premium R	Special bonus R	Retention bonus R	Total R
2018									
Other executives and prescribed officers									
Neil Carr	1 Dec '10	3 038 085	654 966	159 693	3 042 402	–	1 447 040	3 400 000	11 742 186
Reginald Haman	1 Oct '12	2 654 789	207 377	115 528	2 351 384	–	–	2 102 209	7 431 287
Glenn Harris	4 Jan '10	3 250 253	420 393	91 897	2 964 037	194 027	–	3 312 425	10 233 032
Mpueleng Pooe	1 Oct '13	2 335 584	210 995	90 860	1 983 652	–	–	1 396 505	6 017 596
Vicky Tlhabanelo	1 Apr '10	2 303 146	512 918	48 047	2 261 706	–	–	1 516 526	6 642 343
Lindiwe Montshiwagae	1 Jun '10	1 941 546	157 095	157 040	1 788 872	–	–	904 816	4 949 369
Total		15 523 403	2 163 744	663 065	14 392 053	194 027	1 447 040	12 632 481	47 015 813

	Date appointed	Basic salary R	Retirement benefits R	Other benefits R	Discre-tionary perfor-mance bonuses R	Under-ground market premium R	Retention bonus R	Total R
2017								
Other executives and prescribed officers								
Neil Carr	1 Dec '10	2 858 079	611 909	203 304	2 590 800	–	3 400 000	9 664 092
Reginald Haman	1 Oct '12	2 398 612	294 853	102 473	2 002 354	–	2 102 209	6 900 501
Glenn Harris	4 Jan '10	3 040 998	394 734	97 716	2 606 878	182 185	3 312 425	9 634 936
Mpueleng Pooe	1 Oct '13	2 194 002	197 124	85 343	1 610 636	–	1 396 505	5 483 610
Vicky Tlhabanelo	1 Apr '10	2 164 698	481 649	42 960	1 925 988	–	1 516 526	6 131 821
Lindiwe Montshiwagae	1 Jun '10	1 724 404	139 812	202 719	1 182 286	–	904 816	4 154 037
Total		14 380 793	2 120 081	734 515	11 918 942	182 185	12 632 481	41 968 997

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

36. REMUNERATION continued

36.1 Directors, other executives and prescribed officers' remuneration continued

36.1.1 Share options awarded to directors and senior management

	Share options awarded*	Award date	Strike price R	Award value R	Vesting dates	Vested to date %	Share options exer-cised	Balance of share options
AS AT 31 DECEMBER 2018								
Executive and non-executive directors								
Steve Phiri	297 521	1 Apr '10	60.50	18 000 021	1 Apr '13, 14, 15	100	–	297 521
Martin Prinsloo	241 047	1 Mar '09	36.30	8 750 006	1 Mar '12, 13, 14	100	80 350**	160 697
Other executives and prescribed officers								
Vicky Tlhabanelo	121 288	1 Apr '10	60.50	7 337 924	1 Apr '13, 14, 15	100	–	121 288
Glenn Harris	87 789	4 Jan '10	60.50	5 311 235	4 Jan '13, 14, 15	100	–	87 789
Neil Carr	116 030	1 Dec '10	65.50	7 599 965	1 Dec '13, 14, 15	100	–	116 030
Reginald Haman	163 599	1 Oct '12	48.90	7 999 991	1 Oct '15, 16, 17	100	–	163 599
Mpueleng Pooe	136 770	1 Oct '13	61.42	8 400 413	1 Oct '16, 17, 18	67	–	136 770
Lindiwe Montshiwagae	39 753	1 Jun '10	59.74	2 374 844	1 Jun '13, 14, 15	100	–	39 753
Lester Jooste (Company Secretary)	40 756	1 Jul '10	55.21	2 250 139	1 Jul '13, 14, 15	100	–	40 756

** Share options are issued to eligible employees at the date of joining the Company at the applicable market valuation or market share price*
*** The share options were exercised on 2 August 2016 at a market price of R52.61*

36.1.2 Share appreciation rights awarded

	Share appre-ciation rights awarded*	Award date	Strike price R	Award value R	Vesting dates	Vested to date %	Share appre-ciation rights exer-cised	Balance of appre-ciation rights
AS AT 31 DECEMBER 2018								
Executive and non-executive directors								
Hanré Rossouw	800 469	1 Oct '18	25.61	20 500 000	1 Oct '21, 22, 23	–	–	800 469

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

36. REMUNERATION continued

36.1 Directors, other executives and prescribed officers' remuneration continued

36.1.3 Forfeitable bonus shares and rights offer shares awarded to directors, other executives and prescribed officers

	Forfeitable share plan – retention	Forfeitable share plan	Bonus share plan	Award date	Issue price R	Award value R	Vesting dates	Vesting amount %
AS AT 31 DECEMBER 2018								
Executive and non-executive directors								
Steve Phiri			33 054	1 Apr '15	56.70	1 874 162	1 Apr '18	100
			45 720	1 Apr '17	41.65	1 904 238	1 Apr '20	100
			69 398	1 Apr '18	33.18	2 302 639	1 Apr '21	100
		37 629		1 Apr '14	71.91	4 058 816	1 Apr '17, 18, 19	33.3*
		75 808		1 Apr '15	56.70	4 298 314	1 Apr '18, 19, 20	33.3*
		162 435		1 Apr '16	38.79	6 300 854	1 Apr '19, 20, 21	33.3*
		165 984		1 Apr '17	41.65	6 913 234	1 Apr '20, 21, 22	33.3*
		221 899		1 Apr '18	33.18	7 362 594	1 Apr '21, 22, 23	33.3*
	183 119			1 Apr '16	38.79	7 103 186	1 Apr '19	100
	183 119			1 Apr '17	38.79	7 103 186	1 Apr '20	100
	183 119			1 Apr '18	38.79	7 103 186	1 Apr '21	100
Martin Prinsloo*			24 268	1 Apr '15	56.70	1 375 996	1 Apr '18	100
			31 176	1 Apr '17	41.65	1 298 500	1 Apr '20	100
		198 817		1 Apr '14	71.91	2 137 525	1 Apr '17, 18, 19	33.3*
		40 124		1 Apr '15	56.70	2 275 031	1 Apr '18, 19, 20	33.3*
		113 750		1 Apr '16	38.79	4 412 363	1 Apr '19, 20, 21	33.3*
		116 236		1 Apr '17	41.65	4 841 200	1 Apr '20, 21, 22	33.3*
	128 235			1 Apr '16	38.79	4 974 236	1 Apr '19	100
	128 235			1 Apr '17	38.79	4 974 236	1 Apr '20	100

** Resigned 10 August 2018. All shares with vesting date beyond 1 August 2018 were forfeited*

36. REMUNERATION continued

36.1 Directors, other executives and prescribed officers' remuneration continued

36.1.3 Forfeitable bonus shares and rights offer shares awarded to directors, other executives and prescribed officers continued

	Forfeitable share plan – retention	Forfeitable share plan	Bonus share plan	Award date	Issue price R	Award value R	Vesting dates	Vesting amount %
AS AT 31 DECEMBER 2018								
Other executives and prescribed officers								
Vicky Tlhabanelo			18 039	1 Apr '15	56.70	1 022 811	1 Apr '18	100
			23 121	1 Apr '17	41.65	962 994	1 Apr '20	100
			34 082	1 Apr '18	33.18	1 130 853	1 Apr '21	100
		13 103		1 Apr '14	71.91	1 413 391	1 Apr '17, 18, 19	33.3*
		24 072		1 Apr '15	56.70	1 364 882	1 Apr '18, 19, 20	33.3*
		50 551		1 Apr '16	38.79	1 960 873	1 Apr '19, 20, 21	33.3*
		51 656		1 Apr '17	41.65	2 151 445	1 Apr '20, 21, 22	33.3*
		69 057		1 Apr '18	33.18	2 291 289	1 Apr '21, 22, 23	33.3*
	46 303			1 Apr '16	38.79	1 796 093	1 Apr '19	100
	46 303			1 Apr '16	38.79	1 796 093	1 Apr '19	100
	46 303			1 Apr '18	38.79	1 796 093	1 Apr '21	100
Neil Carr								
			22 778	1 Apr '15	56.70	1 291 513	1 Apr '18	100
			31 102	1 Apr '17	41.65	1 295 400	1 Apr '20	100
			45 847	1 Apr '18	33.18	1 521 201	1 Apr '21	100
		13 747		1 Apr '14	71.91	1 482 856	1 Apr '17, 18, 19	33.3*
		38 978		1 Apr '15	56.70	2 210 053	1 Apr '18, 19, 20	33.3*
		85 000		1 Apr '16	33.79	3 297 150	1 Apr '19, 20, 21	33.3*
		86 858		1 Apr '17	41.65	3 617 600	1 Apr '20, 21, 22	33.3*
		116 117		1 Apr '18	33.18	3 852 744	1 Apr '21, 22, 23	33.3*
	103 809			1 Apr '16	38.79	4 026 751	1 Apr '19	100
	103 809			1 Apr '17	38.79	4 026 751	1 Apr '20	100
	103 809			1 Apr '18	38.79	4 026 751	1 Apr '21	100
Glenn Harris								
			21 748	1 Apr '15	56.70	1 233 112	1 Apr '18	100
			31 295	1 Apr '17	41.65	1 303 439	1 Apr '20	100
			44 666	1 Apr '18	33.18	1 482 019	1 Apr '21	100
		13 747		1 Apr '14	71.91	1 482 856	1 Apr '17, 18, 19	33.3*
		37 974		1 Apr '15	56.70	2 153 126	1 Apr '18, 19, 20	33.3*
		82 811		1 Apr '16	38.79	3 212 239	1 Apr '19, 20, 21	33.3*
		84 620		1 Apr '17	41.65	3 524 420	1 Apr '20, 21, 22	33.3*
		113 126		1 Apr '18	33.18	3 753 507	1 Apr '21, 22, 23	33.3*
	101 135			1 Apr '16	38.79	3 923 027	1 Apr '19	100
	101 135			1 Apr '17	38.79	3 923 027	1 Apr '20	100
	101 135			1 Apr '18	38.79	3 923 027	1 Apr '21	100
Reginald Haman								
			18 105	1 Apr '15	56.70	1 026 554	1 Apr '18	100
			24 038	1 Apr '17	41.65	1 001 177	1 Apr '20	100
			35 434	1 Apr '18	33.18	2 351 384	1 Apr '21	100
		13 623		1 Apr '14	71.91	1 469 409	1 Apr '17, 18, 19	33.3*
		25 027		1 Apr '15	56.70	1 419 031	1 Apr '18, 19, 20	33.3*
		52 555		1 Apr '16	38.79	2 038 608	1 Apr '19, 20, 21	33.3*
		53 704		1 Apr '17	41.65	2 236 750	1 Apr '20, 21, 22	33.3*
		71 795		1 Apr '18	33.18	2 382 139	1 Apr '21, 22, 23	33.3*
	64 185			1 Apr '16	38.79	2 489 736	1 Apr '19	100
	64 185			1 Apr '17	38.79	2 489 736	1 Apr '20	100
	64 185			1 Apr '18	38.79	2 489 736	1 Apr '21	100

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36. REMUNERATION continued

36.1 Directors, other executives and prescribed officers' remuneration continued

36.1.3 Forfeitable bonus shares and rights offer shares awarded to directors, other executives and prescribed officers continued

	Forfeitable share plan – retention	Forfeitable share plan	Bonus share plan	Award date	Issue price R	Award value R	Vesting dates	Vesting amount %
AS AT 31 DECEMBER 2018								
Other executives and prescribed officers								
Mpueleng Pooe			14 556	1 Apr '15	56.70	825 325	1 Apr '18	100
			19 335	1 Apr '17	41.65	805 308	1 Apr '20	100
			29 892	1 Apr '18	33.18	991 826	1 Apr '21	100
		11 649		1 Apr '14	71.91	1 256 555	1 Apr '17, 18, 19	33.3*
		22 167		1 Apr '15	56.70	1 256 869	1 Apr '18, 19, 20	33.3*
		46 550		1 Apr '16	38.79	1 805 675	1 Apr '19, 20, 21	33.3*
		47 568		1 Apr '17	41.65	1 981 175	1 Apr '20, 21, 22	33.3*
		63 592		1 Apr '18	33.18	2 109 952	1 Apr '21, 22, 23	33.3*
	42 638			1 Apr '16	38.79	1 653 928	1 Apr '19	100
	42 638			1 Apr '17	38.79	1 653 928	1 Apr '20	100
	42 638			1 Apr '18	38.79	1 653 928	1 Apr '21	100
Lindiwe Montshiwagae			12 962	1 Apr '15	56.70	734 945	1 Apr '18	100
			14 193	1 Apr '17	41.65	591 143	1 Apr '20	100
			26 957	1 Apr '18	33.18	894 938	1 Apr '21	100
		37 844		1 Apr '17	41.65	1 576 194	1 Apr '20, 21, 22	33.3*
		54 387		1 Apr '18	33.18	1 804 545	1 Apr '21, 22, 23	33.3*
	27 626			1 Apr '16	38.79	1 071 613	1 Apr '19	100
	27 626			1 Apr '17	38.79	1 071 613	1 Apr '20	100
	27 626			1 Apr '18	38.79	1 071 613	1 Apr '21	100
Lester Jooste (Company Secretary)			12 890	1 Apr '15	56.70	730 863	1 Apr '18	100
			20 805	1 Apr '17	41.65	866 516	1 Apr '20	100
			34 041	1 Apr '18	33.18	1 129 492	1 Apr '21	100
		28 145		1 Apr '16	38.79	1 091 745	1 Apr '19	100
		28 145		1 Apr '17	38.79	1 091 745	1 Apr '20	100
		28 145		1 Apr '18	38.79	1 091 745	1 Apr '21	100

** 33% over a period of three years*

36. REMUNERATION continued

36.1 Directors, other executives and prescribed officers' remuneration continued

36.1.4 IPO scheme shares awarded to directors, other executives and prescribed officers

	Executive directors		Other executives and prescribed officers		
	Steven Phiri	Martin Prinsloo	Vicky Tlhabanelo	Glenn Harris	Lester Jooste (Company Secretary)
AS OF 31 DECEMBER 2018					
IPO scheme shares matched by the Company	99 174	76 272	27 273	31 405	11 901
Award date	8 Nov '10	8 Nov '10	8 Nov '10	8 Nov '10	8 Nov '10
Deemed issue price (Rand)	60.50	60.50	60.50	60.50	60.50
Rights offer shares (Rand)	12 165	10 615	3 546	–	1 841
Issue price (Rand)	55.00	55.00	55.00	55.00	55.00
Award values (Rand)	6 669 102	5 198 281	1 845 047	1 900 003	821 266
Shares sold 2013 (number of shares)	25 000	10 000	11 300	31 405	1 350
Shares sold 2014 (number of shares)	–	13 724	–	–	–
Shares sold 2015 (number of shares)	–	10 000	–	–	–
Shares sold 2016 (number of shares)	–	–	–	–	–
Shares sold 2017 (number of shares)	28 894	–	–	–	–
Shares sold 2018 (number of shares)	–	11 284	8 388	–	5 993
Balance of shares	57 445	53 163	19 519	–	12 392
Value of balance of shares (Rand)	3 408 515	3 157 979	1 161 397	–	739 591

36.2 Group incentive share scheme

Total Group share incentive scheme shares issued to date

	Opening balance	Cumulative closing balance	Deemed strike price R	Issue dates	Vested/ exercised and forfeited (cumulative)	Vesting dates	Vesting %
IPO scheme shares	417 416	417 416	60.50	8 Nov '10	417 416	8 May '12	100
Share options issued to date	5 031 262	6 588 055	*	*	1 556 793**	*	33.3 over three years
Bonus scheme shares							
2009 allocation	–	55 589	57.48	3 Dec '09	55 589	3 Dec '12	100
2010 allocations – BSP	55 589	133 432	65.00	1 Dec '10	77 843	1 Dec '13	100
2011 allocations – BSP	133 432	463 953	66.92	18 Feb '11 and 1 Apr '11	330 521	18 Feb '14 and 1 Apr '14	100
2012 allocations – BSP	463 953	888 938	57.99	1 Apr '12	424 985	1 Apr '15	100
2013 allocations – BSP	888 938	1 423 314	58.50	1 Apr '13	534 376	1 Apr '16	100
2014 allocations – BSP	1 423 314	1 778 970	71.91	1 Apr '14	355 656	1 Apr '17	100
2014 allocations – FSP	1 778 970	2 014 165	71.91	1 Apr '14	166 705	1 Apr '17, 18, 19	33.3 over three years
2014 share issues***	2 014 165	2 398 382	–	–	384 217		
2015 allocations – BSP	2 398 382	2 944 124	56.70	1 Apr '15	545 747	1 Apr '18	100
2015 allocations – FSP	2 944 124	3 231 467	56.70	1 Apr '15	135 905	1 Apr '18, 19, 20	33.3 over three years
2016 allocation – BSP	3 231 467	3 300 486	38.79	1 Apr '16	–	1 Apr '19	100
2016 allocations – FSP	3 300 486	3 942 843	38.79	1 Apr '16	113 750	1 Apr '19, 20, 21	33.3 over three years
2016 allocations – FSP retention	3 942 843	5 341 558	38.79	1 Apr '16	–	1 Apr '19	100
2017 awards – BSP***	5 341 558	5 952 177	41.65	1 Apr '17	–	1 Apr '20	100
2017 awards – FSP***	5 952 177	6 795 718	41.65	1 Apr '17	116 236	1 Apr '20, 21, 22	33.3 over three years
2017 awards – FSP retention***	6 795 718	8 025 855	38.79	1 Apr '17	128 235	1 Apr '20	100
2018 awards – BSP	8 025 855	9 110 154	33.18	1 Apr '18	–	1 Apr '21, 22, 23	100
2018 awards – FSP	9 110 154	10 158 264	33.18	1 Apr '18	–	1 Apr '21	33.1 over three years
2018 awards – FSP retention	10 158 264	11 201 526	38.79	1 Apr '18	–	1 Apr '21	100
Mahube share incentive scheme shares	563 914	–	65.12	27 Jan '10	563 914	31 Mar '13, 14, 15	33.3 over three years

** Share options are issued to eligible employees at the date of joining the Company at the applicable market-related share price and therefore range from R23.00 to R74.39 from January 2009 to December 2018. The options vest at a rate of one-third after the third, fourth and fifth anniversary dates*

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37. DIVIDENDS

No dividends have been declared or proposed in the current year (2017: nil).

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The Group's activities expose it to a variety of strategic and financial risks, including market risk (which covers foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and commodity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the broader business environment, especially the unpredictability of the financial markets, and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out in terms of the enterprise risk framework and related policies approved by the Audit and Risk Committee and the Board, which sets the overall risk appetite and related financial risk tolerances. The Audit and Risk Committee and the Board provide principles for risk management, as well as policies and guidelines covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk and investment of excess liquidity.

Categories of financial instruments

		Carrying amount		Fair values	
	Notes	**2018 R (million)**	2017 R (million)	**2018 R (million)**	2017 R (million)
Financial assets					
At fair value					
Environmental trust deposits	6	**24.6**	37.9	**24.6**	37.9
Environmental guarantee investments	6	**77.8**	22.1	**77.8**	22.1
Housing insurance investment	9	**39.9**	35.7	**39.9**	35.7
Trade receivables	12	**2 015.9**	1 500.9	**2 015.9**	1 500.9
At amortised cost					
Environmental trust deposits	6	**124.6**	104.7	**124.6**	104.7
Employee housing loan receivable	7	**611.4**	598.4	**611.4**	598.4
Other receivables (excluding VAT)	12	**146.7**	123.9	**146.9**	123.9
Cash and cash equivalents	14	**883.5**	1 333.1	**883.5**	1 333.1
Total financial assets		**3 924.4**	3 756.7	**3 924.4**	3 597.8
Financial liabilities					
At amortised cost					
Convertible bond liability	20	**986.7**	932.4	**986.7**	932.4
PIC housing facility	21	**1 299.6**	966.8	**1 299.6**	966.8
RPM payable	27	**–**	1 333.9	**–**	1 333.9
RPM deferred consideration	23	**1 621.6**	–	**1 621.6**	–
Trade and other payables (excluding VAT)	26	**640.5**	526.3	**640.5**	526.3
Interest-bearing borrowings	22	**1 715.9**	–	**1 715.9**	–
Total financial liabilities		**6 264.3**	3 759.4	**6 264.3**	3 767.6

38. FINANCIAL RISK MANAGEMENT continued

38.1 Financial risk factors continued

38.1.1 Market risk

Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar as the concentrate revenue is impacted by the ZAR:US$ exchange rate. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

RBR entered into a disposal of concentrate agreement (DOCA) with RPM in terms of which concentrate of the PGMs produced by BRPM will be treated by RPM.

In terms of the DOCA, the USD:ZAR exchange rate used in the calculation of the concentrate payment are based on the average prices for the third month following the month of delivery. Payment is due on the last day of the fourth month following the month of delivery.

The subsequent remeasurement and settlement of the receivable results in either foreign exchange gain or loss recognised in other income in the statement of comprehensive income.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

38. FINANCIAL RISK MANAGEMENT continued

38.1 Financial risk factors continued

38.1.1 Market risk continued

Foreign exchange risk continued

Sensitivity analysis

Foreign exchange risk sensitivity analysis presents the effect of a 10% change in the year-end exchange rate on financial instruments in the statement of financial position, statement of comprehensive income and therefore equity.

		Statement of financial position		Statement of comprehensive income	
	Note	2018 R (million)	2017 R (million)	2018 R (million)	2017 R (million)
Financial assets					
Trade receivables still subject to price fluctuations	12	1 439.9	1 062.7	±143.8	±106.3
Trade receivables not subject to price fluctuations	12	581.0	438.2	±58.1	±43.8
Total		2 015.9	1 500.9	±201.9	±106.3

Commodity price risk

Commodity price risk refers to the risk of changes in fair value or cash flows of financial instruments as a result of changes in commodity prices. It is specifically applicable to the concentrate debtor (RPM).

In terms of the concentrate agreement between RBR and RPM, the commodity prices used in the calculation of the concentrate payment are based on the average prices for the third month following the month of delivery, leaving the Group exposed to the commodity price and exchange rate fluctuations until the price is fixed in the third month following the delivery month. Payment is due on the last day of the fourth month following the delivery month.

The subsequent remeasurement of the receivable every month following the month of delivery until the price is fixed in the third month is recognised in other revenue.

Sensitivity analysis

Commodity price risk sensitivity analysis presents the effect of a 10% change in the year-end commodity price on financial instruments in the statement of financial position, statement of comprehensive income and therefore equity.

		Statement of financial position		Statement of comprehensive income	
	Note	2018 R (million)	2017 R (million)	2018 R (million)	2017 R (million)
Financial assets					
Trade receivables still subject to price fluctuations		1 434.9	1 062.7	±143.2	±106.3
Trade receivables not subject to price fluctuations		581.0	438.2	–	–
Total	12	2 015.9	1 500.9	±143.2	±106.3

38. FINANCIAL RISK MANAGEMENT continued

38.1 Financial risk factors continued

38.1.1 Market risk continued

Equity price risk

The Group is exposed to equity price risk in respect of the environmental trust deposits invested in the Nedbank equity-linked deposits. Refer to Note 6.

Sensitivity analysis

Equity price risk sensitivity analysis presents the effect of a 5% change in the JSE shareholder weighted Top 40 Index performance for the year.

		Statement of financial position		Statement of comprehensive income	
	Note	2018 R (million)	2017 R (million)	2018 R (million)	2017 R (million)
Financial assets					
Environmental trust deposits	6	24.6	37.9	-0.1	-1.3 to +0.6

Cash flow and fair value interest rate risk

The Group is exposed to cash flow interest rate risk in respect of its floating rate financial assets and liabilities. The Group monitors its exposure to fluctuating interest rates. Cash and cash equivalents are primarily invested with short-term maturity dates, which expose the Group to cash flow interest rate risk. The Group does not have any fixed rate financial instruments which could expose it to fair value interest rate risk.

Sensitivity analysis

Interest rate risk sensitivity analysis presents the effect of 100 basis points up and down in the interest rate in the financial instruments in the statement of comprehensive income.

		Statement of financial position		Statement of comprehensive income	
	Notes	2018 R (million)	2017 R (million)	2018 R (million)	2017 R (million)
Financial assets					
Environmental trust deposits	6	124.6	104.7	±1.3	±0.8
Employee housing receivable	7	611.4	439.5	±7.2	±2.6
Cash and cash equivalents	14	883.5	1 333.1	±0.8	±12.4
Total financial assets		1 619.5	1 877.3	±9.3	±15.8
Financial liabilities					
PIC housing facility	21	1 299.6	975.0	±11.6	±6.7
RPM deferred consideration	23	1 621.6	—	±0.9	—
Total financial liabilities		2 921.2	975.0	±12.5	±6.7

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

38. FINANCIAL RISK MANAGEMENT continued

38.1 Financial risk factors continued

38.1.2 Credit risk

Credit risk arises from the risk that the financial asset counterparty may default or not meet its obligations timeously. The maximum exposure to the credit risk is represented by the carrying amount of all the financial assets. The potential concentration of credit risk could arise in cash and cash equivalents, trade receivables, the employee housing receivable and other financial assets and financial guarantees. Refer to Note 25 for financial guarantees.

The Group's trade receivable credit risk is limited to one customer as all metals in concentrate are sold to RPM. RPM has never defaulted on meeting its obligation. The fair value of the trade receivables at year-end was R2 015.9 million (2017: R1 500.9 million) (refer to Note 12). The credit risk relates to overall risk of the Anglo American Platinum group, the world's largest platinum producer. Since the trade receivables are measured at fair value through profit or loss, credit risk is reflected in the determination of fair value.

Management conducted a net assessment for each of the local banking service providers. These included the big five banks in South Africa being Absa, Standard Bank, FNB, Nedbank and Investec. Based on the outcome, we ranked the institutions, categorising them and limiting the investments to be made in each instance based on risk.

In addition to bank investments, RBPlat may invest in collective investment schemes, for example, money market investments. The following limits apply:

> RBPlat's investment may not exceed 20% of the total fund size
> the fund must have a minimum Fitch rating of A
> minimum Fitch rating of BBB– for individual assets held in the fund

The limits per bank are applied on a see through basis, taking account of direct investments and indirect investments held via money market fund investments.

With regard to the employee housing receivable, the Group is exposed to the credit risk of employees as houses are sold to employees on credit. The carrying value of the receivable at year-end is R611.4 million (2017: R439.5 million). At year-end, none of the employees have defaulted on meeting their obligations.

Financial assets measured at amortised cost are subject to the expected credit loss model:

> Environmental trust deposits
> Employee housing receivables
> Other receivables (excluding VAT)
> Cash and cash equivalents

For all financial assets the general model is used. This means that the probability of default occurring in the next 12 months is considered together with the loss which may arise from such events of default, unless there has been a significant increase in credit risk. Financial assets at amortised cost are stated net of the loss allowance in the statement of financial position. Such financial assets are written off when there is no reasonable expectation of recovery.

Expected credit losses for all amortised cost financial assets were assessed to be immaterial. Expected loss rates on employee housing receivables are based on historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of employees to repay their loans. The expected losses reflect the security held by the Group, which includes the houses sold to the employees and insurance policies which pay out upon death, disability or retrenchment of employment, of the employee. For 2017 the expected credit losses on the employee housing receivables were not materially different from the provision for impairment that was recognised previously based on the incurred loss model.

No financial assets were past due for the current or the comparative periods under review. No terms relating to financial assets have been renegotiated resulting in assets not being past due.

38. FINANCIAL RISK MANAGEMENT continued

38.1 Financial risk factors continued

38.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Board aims to maintain flexibility in funding by keeping committed and uncommitted credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash investments) (refer to Note 14) on the basis of expected cash flows.

The table below analyses the Group's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within one year equal their carrying amounts as the impact of discounting is insignificant.

	Notes	Less than one year R (million)	Between one and two years R (million)	Between two and five years R (million)	Over five years R (million)
2018					
RPM deferred consideration	**23**	**213.7**	**1 036.7**	**779.5**	**638**
Trade and other payables	**26**	**640.5**	**–**	**–**	**–**
Financial guarantees	**25.1**	**–**	**–**	**0.8**	**118.6**
PIC housing facility	**21**	**–**	**–**	**186.6**	**1 679.0**
Convertible bond liability	**20**	**–**	**–**	**1 200.0**	**–**
Interest-bearing borrowing	**22**	**244.7**	**267.5**	**1 736.0**	**98.8**
2017					
RPM payable	27	1 333.9	–	–	–
Trade and other payables	26	526.3	–	–	–
Financial guarantees	25.1	–	–	0.8	118.6
PIC housing facility	21	–	–	292.6	1 658.0
Convertible bond liability	20	–	–	1 200.0	–

38.1.4 Capital risk management

The Group defines total capital as equity plus debt in the statement of financial position. The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital.

38.1.5 Fair value determination

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

> Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
> Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
> Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

38. FINANCIAL RISK MANAGEMENT continued

38.1 Financial risk factors continued

38.1.5 Fair value determination continued

The following table presents the financial assets that are measured at fair value as well as the financial assets and financial liabilities measured at amortised cost but for which fair value disclosure are provided at 31 December:

	Notes	Level 1 R (million)	Level 2 R (million)	Level 3 R (million)
2018				
At fair value				
Environmental trust deposits[1]	6	–	**24.6**	–
Housing insurance investment[2]	9	–	–	**39.9**
RPM concentrate debtors[5]	12	–	**2 015.9**	–
At amortised cost				
Employee housing receivable[3]	7	–	–	**611.4**
Impala royalty receivables	12	**31.4**	–	–
Other receivables (excluding VAT)	12	–	**115.3**	–
Financial liabilities at amortised cost				
Convertible bond liability	20	–	–	**986.7**
PIC housing facility[4]	21	–	–	**1 299.6**
2017				
At fair value				
Environmental trust deposits[1]	6	–	37.9	–
Housing insurance investment[2]	9	–	–	35.7
RPM concentrate debtors[5]	12	–	1 500.9	–
At amortised cost				
Employee housing receivable[3]	7	–	–	439.5
Impala royalty receivables	12	24.5	–	–
Other receivables (excluding VAT)	12	–	99.4	–
Financial liabilities at amortised cost				
Convertible bond liability	20	–	–	932.4
PIC housing facility[4]	21	–	–	975.0

1. This was valued using the level 2 fair values which are directly derived from the Shareholders Weighted Top 40 Index (SWIX 40) on the JSE
2. The fair value was determined using market prices for listed investments and discounted cash flow models for unlisted investments
3. The fair value was determined using a discounted cash flow model. Refer to Note 7 for inputs used to determine the fair value measurement
4. The fair value was determined using a discounted cash flow model. Refer to Note 21 for inputs used to determine the fair value measurements
5. The fair value was determined using the commodity prices and foreign exchange rates

39. SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

The Group is currently operating one mine with two decline shafts and the Styldrift I project. These operations are located in the North West province of South Africa, 120 kilometres from Johannesburg, 30 kilometres from Rustenburg and 17 kilometres from Phokeng. BRPM and Styldrift (Styldrift I and II) are shown as separate segments. In addition, due to the different nature and significance of the employee home ownership scheme, it was decided to show housing as a separate segment. Currently Styldrift I and II are aggregated into a single reportable segment as it is one mining right. The Styldrift II pre-feasibility study has been completed. Once the feasibility study is completed it will move into development phase and may then be reported on as a separate segment.

39. SEGMENTAL REPORTING continued

39.1 Segmental statement of comprehensive income

	For the year ended 31 December 2018						
	BRPM mining segment (A) R (million)	Styldrift mining segment (B) R (million)	BRPM JV mining segment (A + B) R (million)	RBPlat housing segment R (million)	Corporate office segment R (million)	Consoli-dation adjustments R (million)	Total R (million)
Revenue	3 627.1	–	3 627.1	230.7	96.8	(327.5)	3 627.1
Cost of sales	(3 285.0)	(14.7)	(3 299.7)	(230.3)	(56.9)	269.7	(3 317.2)
Cash cost of sales excluding depreciation and amortisation	(2 938.6)	(13.8)	(2 952.4)	(230.3)	(18.1)	278.8	(2 922.0)
Depreciation	(331.3)	(0.9)	(332.2)	–	–	(9.1)	(341.3)
Amortisation	–	–	–	–	(38.8)	–	(38.8)
Movement in inventories	(15.1)	–	(15.1)	–	–	–	(15.1)
Gross profit/(loss) per segment and total	342.1	(14.7)	327.4	0.4	39.9	(57.8)	309.9
Other income	116.7	(0.3)	116.4	5.5	3.7	(1.6)	124.0
Total administration expenditure	–	–	–	21.3	(245.7)	(59.6)	(284.0)
Administration expenditure	–	–	–	(19.6)	(221.4)	(42.4)	(283.4)
Depreciation	–	–	–	(0.4)	(0.7)	–	(1.1)
Maseve care and maintenance	–	–	–	–	(23.6)	(17.2)	(40.8)
Amortisation of employee housing benefit and fair value adjustment to loan	–	–	–	41.3	–	–	41.3
Restructuring costs	–	–	–	–	–	–	–
Impairment of non-financial assets	–	(25.9)	(25.9)	–	(0.4)	–	(26.3)
Gain on bargain purchase	–	–	–	–	–	118.3	118.3
Net finance income	18.1	5.3	23.4	40.5	(49.3)	59.5	74.1
Finance income	23.8	6.7	30.5	40.5	102.0	(72.1)	100.9
Finance cost	(5.7)	(1.4)	(7.1)	–	(151.3)	131.6	(26.8)
Profit/(loss) before tax per segment and total	476.9	(35.6)	441.3	67.7	(251.8)	58.8	316.0
Taxation							(60.5)
Profit/(loss) after tax							255.5
Attributable to owners of the Company							155.6
Attributable to non-controlling interest							99.9

	For the year ended 31 December 2017						
	BRPM mining segment (A) R (million)	Styldrift mining segment (B) R (million)	BRPM JV mining segment (A + B) R (million)	RBPlat housing segment R (million)	Corporate office segment R (million)	Consoli-dation adjustments R (million)	Total R (million)
Revenue	3 498.5	–	3 498.5	346.1	89.8	(435.9)	3 498.5
Cost of sales	(3 166.9)	(8.4)	(3 175.3)	(344.4)	(56.2)	389.4	(3 186.5)
Cash cost of sales excluding depreciation and amortisation	(2 869.1)	(8.2)	(2 877.3)	(344.4)	(13.4)	389.4	(2 845.7)
Depreciation	(318.3)	(0.2)	(318.5)	–	–	–	(318.5)
Amortisation	–	–	–	–	(42.8)	–	(42.8)
Movement in inventories	20.5	–	20.5	–	–	–	20.5
Gross profit/(loss) per segment and total	331.6	(8.4)	323.2	1.7	33.6	(46.5)	312.0
Other income	111.5	5.6	117.1	3.1	29.4	0.9	150.5
Total administration expenditure	(43.7)	(5.3)	(49.0)	(17.8)	(196.6)	7.2	(256.2)
Administration expenditure	–	–	–	(14.7)	(195.1)	7.2	(202.6)
Depreciation	–	–	–	(0.3)	(1.5)	–	(1.8)
Maseve care and maintenance	–	–	–	–	–	–	–
Amortisation of employee housing benefit and fair value adjustment to loan	–	–	–	(2.8)	–	–	(2.8)
Restructuring costs	(43.7)	(5.3)	(49.0)	–	–	–	(49.0)
Impairment of non-financial assets	–	–	–	(1.0)	(863.3)	–	(864.3)
Gain on bargain purchase	–	–	–	–	–	–	–
Net finance income	14.9	0.9	15.8	36.4	(25.8)	58.7	85.1
Finance income	20.1	2.0	22.1	36.4	107.5	(28.6)	137.4
Finance cost	(5.2)	(1.1)	(6.3)	–	(133.3)	87.3	(52.3)
Profit/(loss) before tax per segment and total	414.3	(7.2)	407.1	22.4	(1 022.7)	20.3	(572.9)
Taxation							(84.1)
Profit/(loss) after tax							(657.0)
Attributable to owners of the Company							(752.7)
Attributable to non-controlling interest							95.7

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

39. SEGMENTAL REPORTING continued

39.2 Segmental statement of financial position

	For the year ended 31 December 2018							For the year ended 31 December 2017						
	BRPM mining segment (A) R (million)	Styldrift mining segment (B) R (million)	BRPM JV mining segment (A + B) R (million)	RBPlat housing segment R (million)	Corporate office R (million)	Consoli-dation adjustment R (million)	Total R (million)	BRPM mining segment (A) R (million)	Styldrift mining segment (B) R (million)	BRPM JV mining segment (A + B) R (million)	RBPlat housing segment R (million)	Corporate office R (million)	Consoli-dation adjustment R (million)	Total R (million)
Non-current assets	4 467.5	10 165.2	14 632.7	881.5	17 067.6	(11 097.9)	21 483.9	4 080.1	8 118.3*	12 198.4	642.5**	10 413.9	(4 806.5)	18 448.3
Allocation of mineral rights and segments	723.0	4 924.7	5 647.7	–	(5 647.7)	–	–	761.8	4 924.7^	5 686.5	–	–	(5 686.5)	–
Non-current assets after allocation of mineral rights	5 190.5	15 089.9	20 280.4	881.5	11 419.9	(11 097.9)	21 483.9	4 841.9	13 043.0	17 884.9	642.5	10 413.9	(10 493.0)	18 448.3
Current assets	2 145.4	805.4	2 950.8	872.5	449.3	(245.9)	4 026.7	1 953.5	333.1	2 286.6	668.7	919.2	(177.4)	3 697.1
Employee housing current assets	–	–	–	790.7	–	–	790.7	–	–	–	591.1	–	–	591.1
Inventories	62.4	67.6	130.0	–	4.1	(3.9)	130.2	78.5	27.1	105.6	–	–	–	105.6
Trade and other receivables	1 444.0	737.8	2 181.8	14.2	268.1	(242.0)	2 222.1	1 303.8	306.0	1 609.8	12.2	222.5	(177.4)	1 667.1
Current tax receivable	–	–	–	–	0.2	–	0.2	–	–	–	–	0.2	–	0.2
Cash and cash equivalents	639.0	–	639.0	67.6	176.9	–	883.5	571.2	–	571.2	65.4	696.5	–	1 333.1
Total assets per statement of financial position	7 335.9	15 895.3	23 231.2	1 754.0	11 869.2	(11 343.8)	25 510.6	6 795.4	13 376.1	20 171.5	1 311.2	11 333.1	(10 670.4)	22 145.4
Non-current liabilities	92.3	18.6	110.9	1 381.6	7 524.6	8.1	9 025.2	93.6	13.6	107.2	1 023.8	4 706.7	–	5 837.7
Deferred tax liability***	–	–	–	–	3 266.3	(70.4)	3 195.9	–	–	–	–	3 774.3	–	3 774.3
Convertible bond-liability	–	–	–	–	986.7	–	986.7	–	–	–	–	932.4	–	932.4
Interest-bearing borrowings	–	–	–	–	1 650.0	–	1 650.0	–	–	–	–	–	–	–
RPM deferred consideration	–	–	–	–	1 621.6	–	1 621.6	–	–	–	–	–	–	–
PIC housing facility	–	–	–	1 299.6	–	–	1 299.6	–	–	–	975.0	–	–	975.0
Long-term provisions and other	92.3	18.6	110.9	82.0	–	78.5	271.4	93.6	13.6	107.2	48.8	–	–	156.0
Current liabilities	7 163.6	201.6	7 365.2	63.0	361.8	(7 033.6)	756.4	4 817.4	164.7	4 982.1	45.8	3 768.9	(6 913.0)	1 883.8
Trade and other payables	137.5	201.6	339.1	63.0	282.5	(7.5)	677.1	286.6	164.7	451.3	45.8	3 763.9	(3 716.1)	544.9
RBR payable	7 026.1	–	7 026.1	–	–	(7 026.1)	–	3 035.6	–	3 035.6	–	–	(3 035.6)	–
RPM payable	–	–	–	–	–	–	–	1 495.2	–	1 495.2	–	–	(161.3)	1 333.9
Current tax payable	–	–	–	–	13.4	–	13.4	–	–	–	–	5.0	–	5.0
Interest-bearing borrowings	–	–	–	–	65.9	–	65.9	–	–	–	–	–	–	–
Total liabilities per statement of financial position	7 255.9	220.2	7 476.1	1 444.6	7 886.4	(7 025.5)	9 781.6	4 911.0	178.3	5 089.3	1 069.6	8 475.6	(6 913.0)	7 721.5

* *Includes Styldrift II exploration and evaluation costs*
** *Employee housing loan receivable is classified as non-current as repayment of the capital portion of these receivables is expected to commence after 12 months from date of the statement of financial position*
*** *R0.76 billion of the deferred tax liability is attributable to BRPM mining segment and R2.5 billion to Styldrift mining segment (Styldrift I and Styldrift II)*
^ *During 2017, the cost and recoverable amounts of the 20 shaft royalty mineral rights were reallocated from the BRPM CGU to the Styldrift CGU as we reconsidered the way we will be mining these ounces and concluded it will be from Styldrift infrastructure and not BRPM*

39. SEGMENTAL REPORTING continued

39.3 Segmental statement of cash flows

	For the year ended 31 December 2018						For the year ended 31 December 2017					
	BRPM mining segment (A) R (million)	Styldrift mining segment (B) R (million)	BRPM JV mining segment (A + B) R (million)	RBPlat housing segment R (million)	Corporate office and consoli-dation adjust-ment R (million)	Total R (million)	BRPM mining segment (A) R (million)	Styldrift mining segment (B) R (million)	BRPM JV mining segment (A + B) R (million)	RBPlat housing segment R (million)	Corporate office and consoli-dation adjust-ment R (million)	Total R (million)
Net cash flow generated/(utilised) by operating activities	797.3	(8.5)	788.8	41.7	(164.6)	665.9	585.2	(11.5)	573.7	24.5	20.2	618.4
Acquisition of property, plant and equipment	(170.3)	(3 264.5)	(3 434.8)	–	(76.1)	(3 510.9)	(141.3)	(2 019.0)	(2 160.3)	(0.5)	22.5	(2 138.3)
Acquisition of Maseve	–	(720.8)	(720.8)	–	62.8	(658.0)	–	–	–	–	–	–
Styldrift on-reef development revenue receipts	–	973.4	973.4	–	–	973.4	–	451.1	451.1	–	–	451.1
Acquisition of employee housing assets	–	–	–	(343.4)	–	(343.4)	–	–	–	(493.9)	–	(493.9)
Employee housing receivable loan repayments	–	–	–	2.4	–	2.4	–	–	–	1.3	–	1.3
Deposit paid for Maseve acquisition	–	–	–	–	–	–	–	–	–	–	(41.4)	(41.4)
Increase in insurance investment	–	–	–	(3.0)	–	(3.0)	–	–	–	–	–	–
Increase in environmental trust deposits and guarantees	(61.0)	–	(61.0)	–	–	(61.0)	(9.8)	–	(9.8)	–	–	(9.8)
Net cash flow (utilised)/generated by investing activities	(231.3)	(3 011.9)	(3 243.2)	(344.0)	(13.3)	(3 600.5)	(151.1)	(1 567.9)	(1 719.0)	(493.1)	(18.9)	(2 231.0)
Cash investments by/(distributions to) BRPM JV shareholders	(498.2)	3 020.4	2 522.2	–	(1 753.9)	768.3	(233.4)	1 579.4	1 346.0	–	(901.8)	444.2
Net drawdowns of PIC housing facility	–	–	–	304.5	–	304.5	–	–	–	495.0	–	495.0
Proceeds from interest-bearing liabilities	–	–	–	–	2 015.0	2 015.0	–	–	–	–	–	–
Transaction costs on interest-bearing borrowings	–	–	–	–	(15.0)	(15.0)	–	–	–	–	–	–
Repayment of interest-bearing borrowings	–	–	–	–	(270.0)	(270.0)	–	–	–	–	–	–
RPM initial consideration	–	–	–	–	(554.7)	(554.7)	–	–	–	–	–	–
Proceeds from issue of shares	–	–	–	–	239.9	239.9	–	–	–	–	–	–
Costs relating to share issue	–	–	–	–	(3.0)	(3.0)	–	–	–	–	–	–
Convertible bond proceeds net of cost	–	–	–	–	–	–	–	–	–	–	1 171.0	1 171.0
Net cash flow generated/(utilised by financing activities	(498.2)	3 020.4	2 522.2	304.5	(341.7)	2 485.0	(233.4)	1 579.4	1 346.0	495.0	269.2	2 110.2
Net (decrease)/increase in cash and cash equivalents	67.8	–	67.8	2.2	(519.6)	(449.6)	200.7	–	200.7	26.4	270.5	497.6
Cash and cash equivalents at beginning of period	571.2	–	571.2	65.4	696.50	1 333.1	370.5	–	370.5	39.0	426.0	835.5
Cash and cash equivalents at end of period	639.0	–	639.0	67.6	176.9	883.5	571.2	–	571.2	65.4	696.5	1 333.1

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

40. EARNINGS/(LOSS) PER SHARE

The weighted average number of ordinary shares in issue outside the Group for purposes of basic (loss)/earnings per share and the weighted average number of ordinary shares for diluted (loss)/earnings per share are calculated as follows:

	Group	
	2018	2017
Number of shares issued	**195 836 465**	195 836 465
Management incentive schemes	**(2 967 624)**	(3 558 475)
Number of shares issued outside the Group	**192 868 841**	192 277 990
Adjusted for weighted shares issued during the year	**6 291 033**	445 163
Weighted average number of ordinary shares in issue for earnings per share	**199 159 874**	192 723 153
Dilutive potential ordinary shares relating to management incentive schemes	**—**	9 092
Dilutive potential ordinary shares relating to the convertible bond	**27 943 498**	27 808 219
Dilutive potential of RPM deferred consideration	**3 523 385**	—
Weighted average number of potential dilutive ordinary shares in issue	**230 626 757**	220 540 464
Profit/(loss) attributable to owners of the Company R (million)	**155.6**	(752.7)
Adjustments:		
Add: Net interest on convertible bond (refer to Note 31.2)	**7.1**	45.9
Add: Interest on RPM deferred consideration	**11.5**	—
Less: Derivative fair value (refer to Note 30)	**—**	(19.5)
Less: Tax on the above	**(5.2)**	(7.4)
Diluted profit/loss R (million)	**169.0**	(733.7)
Basic earnings/(loss) per share (cents/share)	**78.1**	(390.6)
Basic earnings/(loss) per share is calculated by dividing the (loss)/profit attributable to owners of the Company for the year by the weighted average number of ordinary shares in issue for earnings per share.		
Diluted earnings/(loss) per share (cents/share)	**73.3**	(390.6)[#]

Diluted (loss)/earnings per share is calculated by adjusting the weighted number of ordinary shares outstanding to assume conversion of all diluted potential ordinary shares.

	Group			
	2018		2017	
	Gross	**Net**	Gross	Net
Headline earnings				
Profit/(loss) attributable to owners of the Company R (million)		**155.6**		(752.7)
Adjustments:				
Profit on disposal of property, plant and equipment and other assets R (million)	**(0.3)**	**(0.3)**	(1.8)	(1.8)
Impairment of non-financial assets R (million)	**—**	**—**	863.3	863.3
Scrapping of assets	**26.3**	**12.8**	—	—
Gain on bargain purchase	**(118.3)**	**(118.3)**	—	—
Headline earnings R (million)		**49.8**		108.8
Net interest on convertible bond	**7.1**	**5.1**	45.9	33.0
Interest on RPM deferred consideration	**11.5**	**8.3**	—	—
Derivative fair value (refer to Note 30)	**—**		(19.5)	(14.0)
Diluted profit/(loss) R (million)[#]		**63.2**		127.8
Basic headline earnings per share (cents/share)		**25.0**		56.4
Diluted headline earnings per share (cents/share)		**25.0**		56.4

[#] *The effects of anti-dilutive potential ordinary shares are ignored in the calculation of diluted (loss)/earnings per share and diluted headline earnings per share*

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2018

	Notes	Company 2018 R (million)	Company 2017 R (million)
ASSETS			
Non-current		**6 986.3**	10 361.5
Investment in subsidiaries	2	**6 986.3**	6 819.2
Intercompany loans	3.1	**–**	3 542.3
Current		**4 588.3**	716.3
Intercompany loans	3.1	**4 441.6**	–
Other receivables	4	**0.9**	45.5
Current tax receivable	5	**0.2**	0.2
Cash and cash equivalents		**145.6**	670.7
Total assets		**11 574.6**	11 077.8
EQUITY AND LIABILITIES			
Total equity		**10 529.7**	10 068.6
Share capital	6	**2.1**	1.9
Share premium	6	**10 084.3**	9 666.5
Share-based payment reserve	7	**314.9**	217.6
Retained earnings		**128.4**	182.6
Non-current liabilities		**1 040.3**	1 007.0
Deferred tax liability	8	**53.6**	74.6
Convertible bond liability	9.3	**986.7**	932.4
Current liabilities		**4.6**	2.2
Accruals and provisions		**4.6**	0.4
Intercompany loans	3.2	**–**	1.8
Total equity and liabilities		**11 574.6**	11 077.8

The notes on pages 78 to 85 form an integral part of these annual financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2018

	Note	Company 2018 R (million)	2017 R (million)
Dividend income		0.8	1.4
Finance income		97.1	104.0
Finance cost		(138.3)	(104.6)
Other income		0.4	28.3
Administrative expenses		(35.2)	(23.7)
Profit before tax		(75.2)	5.4
Income tax expense	10	21.0	(1.0)
Income tax expense		–	(5.1)
Deferred tax credit		21.0	4.1
Net profit for the year		(54.2)	4.4
Other comprehensive income		–	–
Total comprehensive income		(54.2)	4.4

The notes on pages 78 to 85 form an integral part of these annual financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

	Number of shares issued	Ordinary shares R (million)	Share premium R (million)	Share-based payment reserve R (million)	Retained earnings R (million)	Total R (million)
2018						
Balance at 31 December 2017	192 868 841	1.9	9 666.5	217.6	182.6	10 068.6
Share-based payment charge				123.8		123.8
2015 BSP shares vested in April 2018	467 587	–	26.5	(26.5)		–
Issue of shares	14 663 158	0.2	394.3			394.5
Costs relating to issue of shares capitalised	–	–	(3.0)	–	–	(3.0)
Total comprehensive income					(54.2)	(54.2)
Balance at 31 December 2018	207 999 586	2.1	10 084.3	314.9	128.4	10 529.7
2017						
Balance at 31 December 2016	192 277 990	1.9	9 424.1	190.0	178.2	9 794.2
Share-based payment charge	–	–	–	67.6	–	67.6
Convertible bond-equity portion	–	–	202.4	–	–	202.4
2014 BSP shares vested in April 2017	590 851	–	40.0	(40.0)	–	–
Total comprehensive income	–	–	–	–	4.4	4.4
Balance at 31 December 2017	192 868 841	1.9	9 666.5	217.6	182.6	10 068.6

The notes on pages 78 to 85 form an integral part of these annual financial statements.

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

		Company	
	Notes	2018 R (million)	2017 R (million)
Cash flows from operating activities			
Cash utilised by operations	11	111.1	(18.1)
Finance income		97.1	75.4
Finance cost		(84.0)	(42.6)
Dividend received		0.8	1.4
Tax refund received	5	–	0.5
Tax paid	5	–	(5.6)
Net cash flow generated by operating activities		125.0	11.0
Cash flows from investing activities			
Deposit paid for Maseve acquisition		–	(41.4)
Related party loans granted*		(1 774.5)	(1 788.8)
Proceeds on related party loans*		887.4	916.3
Proceeds from BRMS share-based payment settlement		–	3.0
Net cash flow utilised by investing activities		(887.1)	(910.9)
Cash flows from financing activities			
Proceeds from issue of shares		239.9	–
Proceeds from convertible bond issue	9	–	1 200.0
Costs relating to issue of convertible bonds capitalised	9	–	(29.0)
Costs relating to share issue		(3.0)	–
Net cash flow generated by financing activities		236.9	1 171.0
Net increase/(decrease) in cash and cash equivalents		(525.2)	271.1
Cash and cash equivalents at beginning of year		670.7	399.6
Cash and cash equivalents at end of year		145.5	670.7

** Adjusted for non-cash items*

The notes on pages 78 to 85 form an integral part of these annual financial statements.

NOTES TO THE COMPANY ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES

for the year ended 31 December 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION AND ACCOUNTING POLICIES

The general information and basis of preparation are disclosed on pages 18 to 23. Accounting policies specific to the items in the notes to the financial statements have been included in the individual notes.

Standards, amendments and interpretations to existing standards

Adoptions of new standards

The Company has adopted the following standards and interpretations issued by IASB that became effective on or after 1 January 2018.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9: *Financial Instruments* from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statement. In accordance with the transitional provisions in terms of IFRS 9, comparative figures have not been restated given that the reclassification and adjustments arising from the new impairment rules were considered immaterial.

Classification and measurements

The financial asset classification assessment into the new financial asset categories did not result in a change in the measurement of any of the financial assets.

On transition, the new expected credit loss impairment model on financial assets measured at amortised cost did not result is a material amount and therefore not recognised.

The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On 1 January 2018 (the date of the initial application of IFRS 9), management assessed which business models applied to each of the financial assets held by the Group and has classified these financial instruments in the appropriate IFRS 9 categories. The effects of this reclassification are discussed in the table below.	IAS 39 categories	IFRS 9 category
Opening balance at 1 January 2018	Loans and receivables R(million)	At amortised cost R(million)
Intercompany loans	3 542.3	3 542.3
Other receivables	45.4	45.4
Cash and cash equivalents	670.7	670.7

2. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 R (million)	2017 R (million)
Investment in subsidiaries is accounted for at cost less any impairment provision in the Company's financial statements.		
Investments in unlisted companies at cost:		
Direct investment in subsidiaries consists of:		
> 1 000 ordinary shares with a par value of R1 each in Royal Bafokeng Platinum Management Services Proprietary Limited (100% interest)	–	–
> 320 ordinary shares with a par value of R1 each in Royal Bafokeng Resources Proprietary Limited (100% interest)	6 819.2	6 819.2
> 26 264 no par value ordinary shares in Maseve Investments 11 Proprietary Limited (100% interest)	167.1	–
Closing balance at 31 December	**6 986.3**	6 819.2

Indirect investment in subsidiaries consists of:
- Bafokeng Rasimone Management Services Proprietary Limited (100% interest)
- Royal Bafokeng Resources Properties (RF) Proprietary Limited (100% interest).

All subsidiaries are incorporated in South Africa.

The 100% (2017: 67%) participation interest in the BRPM JV is held by Royal Bafokeng Resources Proprietary Limited.

Determination of the recoverable amount

International Financial Reporting Standards ('IFRS') require long-lived assets to be assessed for impairment when there is an indication of impairment. Management performed an assessment of whether or not there were any impairment indicators using the guidance in IAS 36 (Accounting Standard on Impairments) and noted the following impairment indicators:
- RBPlat acquired 33% of BRPM from Rustenburg Platinum Mines (RPM), a subsidiary of Anglo Platinum Limited, for less than the carrying amount. As part of the transaction, a fair and reasonable valuation was performed by Snowden. The valuation reflected a range of R10.56 billion and R14.86 billion for 100% of Bafokeng Rasimone Platinum Mine (BRPM).
- The net asset value of RBPlat exceeds its market capitalisation.

Snowden updated its valuation to reflect the fair value of the business as at 31 December 2018. The updated valuation reflects:
- a real discount rate of 10%, unchanged from the 30 June 2018 valuation
- all inputs in the valuation are updated as at 31 December 2018. A 2.39% increase was applied to opex, capex and revenue
- Snowden considers a range of 5% and 15% of the DCF value for the outside LOM
- the carrying amount of R6.9 billion is less than the fair value range determined of R11.57 billion (5% resource addition, 105% opex sensitivity factor) and R17.35 billion (15% resource addition, 95% opex sensitivity factor).

Refer to Note 3 of the Consolidated Financial Statements for the additional disclosures on the key inputs to the valuation.

There was no impairment of the investment in subsidiaries in the current financial year (2017: Rnil).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

3. INTERCOMPANY LOANS

	Company 2018 R (million)	Company 2017 R (million)
3.1 Intercompany loans receivable		
Intercompany loans are carried at cost and included in non-current assets as their maturities are greater than 12 months after the statement of financial position date.		
> Royal Bafokeng Platinum Management Services Proprietary Limited	349.3	257.5
> Royal Bafokeng Resources Proprietary Limited	2 963.4	2 360.2
> Bafokeng Rasimone Management Services Proprietary Limited	36.5	–
> Maseve Investments 11 Proprietary Limited	23.0	–
Closing balance at 31 December: Non-interest-bearing	3 372.2	2 617.7
The above intercompany loans bear no interest and have no fixed terms of repayment.		
> Royal Bafokeng Resources Proprietary Limited	1 069.4	924.6
Closing balance at 31 December: Interest-bearing	1 069.4	924.6
The loan bears interest at 7% per annum and has no specific repayment terms.		
Total intercompany loans receivable	4 441.6	3 542.3

The business model of the Company is to hold the intercompany loans to collect the contractual cash flows. The contractual cash flows represent solely payment of principal and interest and is therefore recognised at amortised cost. Finance income receivable from Royal Bafokeng Resources (RBR) is recognised using the appropriate effective interest rate.

In calculating the expected credit loss the following was taken into account:
> The net asset position of the subsidiaries
> The fact that the loans have no fixed terms of repayment and are payable on demand

There was no impairment recognised

	Company 2018 R (million)	Company 2017 R (million)
3.2 Intercompany loans (payable)/receivable		
The intercompany loan is commercial cost and included in current assets as its maturity is within 12 months after the statement of financial position date		
> Bafokeng Rasimone Management Services Proprietary Limited	–	(1.8)
Closing balance at 31 December: Non-interest-bearing	–	(1.8)

The intercompany loan bears no interest and has no fixed terms of repayment

4. OTHER RECEIVABLES

	Company 2018 R (million)	Company 2017 R (million)
Deposit paid: Maseve acquisition	–	41.4
Other	0.9	4.0
	1.0	45.4

5. CURRENT TAX RECEIVABLE

	Company 2018 R (million)	Company 2017 R (million)
The movement in the balance can be explained as follows:		
Opening balance	(0.2)	(0.2)
Income tax charge	–	5.1
Refund received	–	0.5
Payment made	–	(5.6)
Closing balance at 31 December	(0.2)	(0.2)

6. SHARE CAPITAL AND SHARE PREMIUM

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The carrying value of the Company's shares held by the Mahube Trust and the Company's subsidiaries in respect of share schemes are shown as a reduction in shareholders' equity. When share options are exercised, the Company issues new shares or issues shares from treasury shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when options are exercised.

	Company	
	2018 R (million)	2017 R (million)
Share capital and share premium		
The authorised and issued share capital of the Company is as follows:		
Authorised share capital		
250 000 000 (2017: 250 000 000) ordinary shares with a par value of R0.01 each	2 500 000	2 500 000
1 500 000 (2017: 1 500 000) "A1" ordinary shares with a par value of R0.01 each	15 000	15 000
1 500 000 (2017: 1 500 000) "A2" ordinary shares with a par value of R0.01 each	15 000	15 000
1 500 000 (2017: 1 500 000) "A3" ordinary shares with a par value of R0.01 each	15 000	15 000
Total authorised share capital	2 545 000	2 545 000

	R	R
Issued ordinary share capital		
Opening balance 192 868 841 (2017: 192 277 990) ordinary shares with a par value of R0.01	1 928 688	1 922 779
Ordinary shares issues in 2018	146 632	
467 587 BSP shares vested in April 2018	4 676	
590 851 BSP shares vested in April 2017	–	5 909
***Less*: Treasury shares**	–	
Nil (2017: Nil*) ordinary shares issued as part of management share incentive scheme	–	–
Total 207 999 586 (2017: 192 868 841) ordinary shares	2 079 996	1 928 688

	Company	
	2018 R (million)	2017 R (million)
Share premium		
Opening balance	9 666.5	9 424.1
Ordinary shares issues in 2018	394.3	
Costs relating to the issue of shares capitalised	(3.0)	–
467 587 BSP shares vested in April 2018	26.5	–
590 851 BSP shares vested in April 2017	–	40.0
Share options exercised	–	–
Convertible bonds – equity portion	–	202.4
***Less*: Treasury shares**	–	
Nil (2017: Nil*) ordinary shares issued as part of management share incentive scheme	–	–
Total share premium	10 084.3	9 666.5

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

7. SHARE-BASED PAYMENT RESERVE

	Company	
	2018 R (million)	2017 R (million)
The Group operates a number of equity-settled, share-based compensation plans under which the entity receives services from employees as consideration for equity instruments of the Group. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertaking with a corresponding credit to equity. The Company recovers the relevant amounts from the respective subsidiaries and this is accounted for as a reduction of the capital contribution over the vesting period.		
Opening balance at 1 January	**217.6**	190.0
Share-based payment charge	**123.8**	67.6
BSP shares vested	**(26.5)**	(40.0)
Closing balance at 31 December	**314.9**	217.6

8. DEFERRED TAX LIABILITY

Deferred tax assets and liabilities are determined using the liability method for all timing differences existing between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted before the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

	2018 R (million)	2017 R (million)
As at 1 January	**74.6**	–
Credit to statement of comprehensive income	**(5.8)**	(4.1)
Deferred tax recognised on equity portion of convertible bond	**(15.2)**	78.7
Closing balance at 31 December	**53.6**	74.6

9. CONVERTIBLE BOND LIABILITY

Convertible bonds

RBPlat issued 120 000 7% senior unsecured convertible bonds for R1.2 billion on 15 March 2017. Shareholders' approval for the conversion of the convertible bonds was obtained on 8 May 2017. The bonds are convertible into ordinary shares of RBPlat at the option of the holder at an initial conversion price of R42.9438. The conversion price is subject to customary adjustments for reconstructions of equity. These customary adjustments maintain the relative rights of the bondholders. Interest on the bonds is payable semi-annually in arrears on 16 March and 16 September of each year for five years ending 16 September 2022.

The bonds are listed on the JSE Main Board under stock code number RBPCB.

The R1.2 billion convertible bond was initially recognised as a R300.6 million derivative liability and a R899.4 million liability.

		31 December 2018 R (million)	31 December 2017 R (million)
9.1	**Derivative — initial recognition**	–	300.6
	Less: Fair value up to date of shareholder approval	–	(19.5)
	Derivative fair value at date of shareholder approval (8 May 2017)	–	281.1
	Less: Derivative derecognised	–	(281.1)
	Derivative balance at 31 December 2017	–	–
9.2	**Convertible bond equity**		
	Equity recognised on date of shareholder approval (8 May 2017)	–	281.1
	Less: Deferred tax recognised on equity portion (refer to Note 8)	–	(78.7)
	Net equity recognised as per statement of changes in equity	–	202.4
9.3	Convertible bond liability		
	Balance on 1 January	**932.4**	–
	Liability — initial recognition	–	899.4
	Less: Transaction cost capitalised	–	(29.0)
	Plus: Fair value interest	**138.3**	104.6
	Less: Interest paid	**(84.0)**	(42.6)
	Convertible bond liability at 31 December 2017	**986.7**	932.4

The carrying amount of the liability portion at initial recognition was measured as the difference between the cash proceeds and the fair value of the embedded derivative. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds using the effective interest rate method.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND RELATED ACCOUNTING POLICIES CONTINUED

for the year ended 31 December 2018

10. INCOME TAX EXPENSE

	Company	
	2018 R (million)	2017 R (million)
Current tax expense comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the statement of financial position date, and any adjustment of tax payable for previous years.		
Income tax expense	–	(5.1)
Current year	–	(5.1)
Deferred tax credit	21.0	4.1
Current year	21.0	4.3
Prior year	–	(0.2)
Total income tax expense	**21.0**	(1.0)
Tax rate reconciliation:		
Profit before tax	(75.2)	5.4
Tax calculated at a tax rate of 28%	21.1	(1.5)
Non-taxable income	0.2	1.5
Non-deductible expenses	(0.3)	–
Capital gains tax	–	(0.8)
Prior year adjustment	–	(0.2)
	21.0	(1.0)
Effective tax rate (%)	**27.9**	18.5

11. CASH UTILISED BY OPERATIONS

	Company	
	2018 R (million)	2017 R (million)
Profit before tax	(75.2)	5.4
Finance income	(97.9)	(105.4)
Finance cost	138.3	104.6
Fair value adjustment	–	(19.5)
Share-based payment expense	97.3	
Changes in working capital	48.6	(3.2)
Decrease in accruals	4.2	(0.2)
Decrease in other receivables	44.4	(3.0)
Cash utilised by operations	**111.1**	(18.1)

12. FINANCIAL RISK MANAGEMENT

The Company's activities exposes it to a variety of strategic and financial risks, including liquidity risk. The Company's overall risk management programme focuses on the broader business environment, especially the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out in terms of the enterprise risk framework and related policies approved by the Audit and Risk Committee and the Board, which set the overall risk appetite and related financial risk tolerances.

12.1 Cash flow and fair value interest rate risk

The Company is exposed to cash flow interest rate risk in respect of its floating rate financial assets and liabilities. The Company monitors its exposure to fluctuating interest rates. Cash and cash equivalents are primarily invested with short-term maturity dates, which expose the Company to cash flow interest rate risk.

12. FINANCIAL RISK MANAGEMENT continued

Sensitivity analysis

Interest rate risk sensitivity analysis presents the effect of 100 basis points up and down in the interest rate to the financial instruments in the statement of comprehensive income.

	Statement of financial position		Statement of comprehensive income	
	2018 R (million)	2017 R (million)	**2018 R (million)**	2017 R (million)
Financial assets				
Cash and cash equivalents	**145.6**	670.7	**±1.46**	±6.3

12.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flows.

The table below analyses the Company's liabilities in the relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. Balances due within one year equal their carrying amounts as the impact of discounting is insignificant.

	Note	Less than one year R (million)	Between one and two years R (million)	Between two and five years R (million)	Over five years R (million)
2018					
Trade and other payables		**4.6**	**–**	**–**	**–**
Convertible bond liability	9	**–**	**–**	**1 200.0**	**–**
2017					
Trade and other payables		0.4	–	–	–
Convertible bond liability	9	–	–	1 200.0	–

12.3 Capital risk management

The Company defines total capital as equity plus debt in the statement of financial position. The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain on optimal structure in order to reduce the cost of capital.

12.4 Fair value determination

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

> Quoted prices (unadjusted) in active markets for identical assets and liabilities (level 1)
> Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
> Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The table presents the financial liabilities measured at amortised cost but for which fair value disclosure are provided at 31 December:

	Note	Level 1 R (million)	Level 2 R (million)	Level 3 R (million)
2018				
Financial liabilities at amortised cost				
Convertible bond liability	9	**–**	**–**	**986.7**
2017				
Financial liabilities at amortised cost				
Convertible bond liability	9	–	–	932.4

NON-IFRS MEASURES

for the year ended 31 December 2018

The Company utilises certain non-IFRS performance measures and ratios in managing the business and may provide users of the financial information with additional meaningful comparisons between current results and results in the prior period. Non-IFRS financial measures should be viewed in addition to and not as an alternative for the reported operating results or cash flow from operations or any other measure of performance prepared in accordance with IFRS. In addition, these measures may not be comparable to similarly titled measures used by other companies.

NORMALISED HEADLINE EARNINGS AND NORMALISED HEPS

Normalised headline earnings and normalised HEPS are non-IFRS measures used by the Group in evaluating the Group's performance against its competitors. This supplements the IFRS measures as normalised headline earnings and normalised HEPS are calculated by adjusting the basic earnings and EPS for the year with:

> profit or loss on disposal of property, plant and equipment
> impairment of non-financial assets
> once-off restructuring costs
> tax implications of above adjustments
> once-off tax adjustments.

The reconciliation of basic earnings to normalised headline earnings is shown below:

	2018 R (million)	2017 R (million)
Basic (loss)/earnings attributable to owners of the company	155.6	(752.7)
Once-off restructuring costs	—	32.8
Tax impact of above adjustments	—	(9.2)
Normalised basic earnings/(loss)	**155.6**	(729.1)
Impairment of non-financial assets	—	863.3
Scrapping of non-financial assets	12.8	—
Profit on disposal of property, plant and equipment and other assets	(0.3)	(1.8)
Gain on bargain purchase	(118.3)	—
Housing receivable and PIC fair value adjustments	7.1	—
Maseve care and maintenance, plant readiness and depreciation	76.3	—
Maseve acquisition cost	33.3	—
Normalised headline earnings	**166.5**	132.4

The reconciliation of normalised EPS to the relevant IFRS EPS is shown below:

	2018	2017
Basic earnings/(loss) (cents per share)	78.1	(390.6)
Impairment of non-financial assets (cents per share)	—	448.0
Scrapping of non-financial assets (cents per share)	6.4	—
Profit on disposal of property, plant and equipment and other assets (cents per share)	(0.1)	(1.0)
Gain on bargain purchase	(59.4)	—
HEPS (cents per share)	**25.0**	56.4
Once-off restructuring costs	—	17.0
Housing receivable and PIC fair value adjustment	3.6	—
Maseve care and maintenance, plant readiness and depreciation	53.9	—
Maseve acquisition costs	23.2	—
Tax impact of above adjustments (cents per share)	(22.1)	(4.7)
Normalised HEPS (cents per share)	**83.6**	68.7

EBITDA

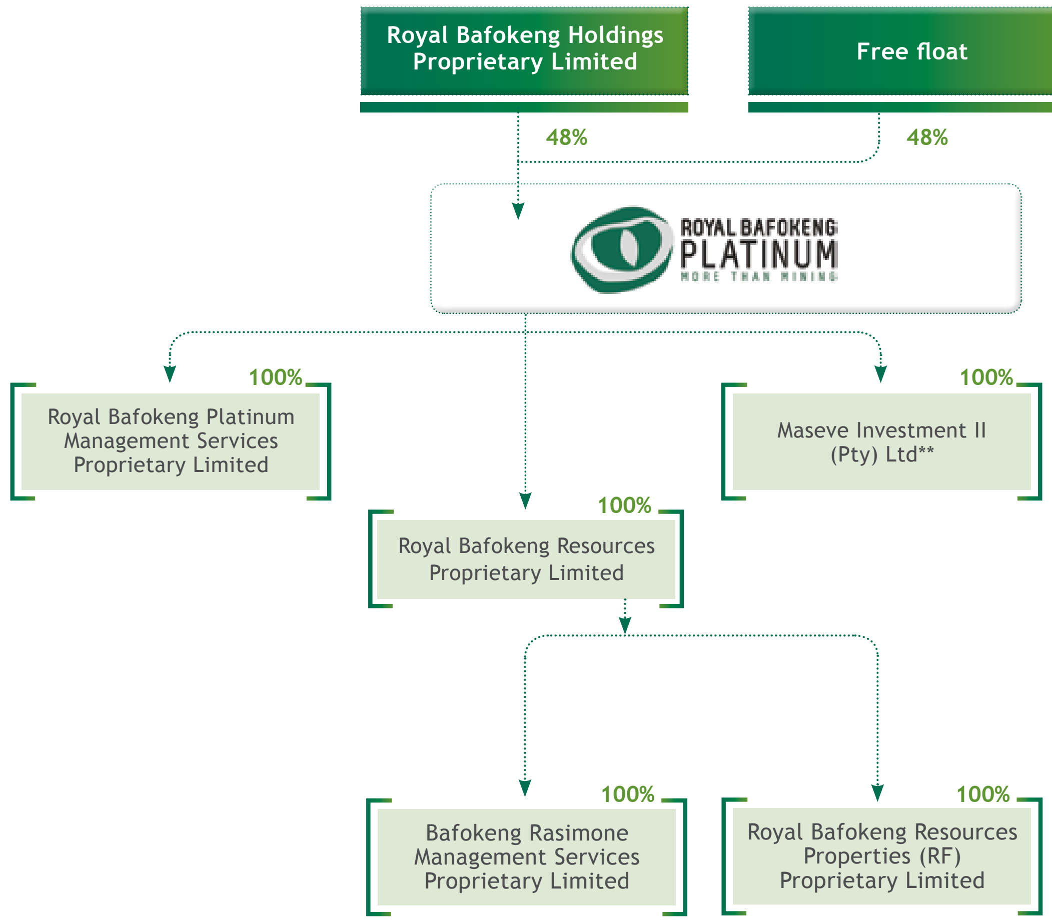
Earnings before interest, tax, depreciation and amortisation (EBITDA). The EBITDA gives an indication of the current operational profitability of the business.

The reconciliation of EBITDA to the relevant IFRS profit before tax is shown below:

	2018 R (million)	2017 R (million)
(Loss)/profit before tax	316.0	(572.9)
Less: Finance income	(100.9)	(137.4)
Less: Gain on bargain purchase	(118.3)	—
Plus: Finance cost	26.8	52.3
Plus: Scrapping of assets and write offs	22.8	—
Plus: Impairment of non-financial assets	—	864.3
Plus: Depreciation of assets	360.1	320.2
Plus: Amortisation (mineral rights, employee housing receivables and benefits)	(2.4)	45.7
EBITDA	**504.1**	572.2

ROYAL BAFOKENG PLATINUM GROUP STRUCTURE

at 31 December 2018



** Incorporates the mining of the Boschkoppie and Styldrift mineral rights*

ADMINISTRATION

SHAREHOLDERS' DIARY

Financial year-end:

31 December of each year

Interim period-end:

30 June of each year

INTEGRATED REPORT AND ANNUAL FINANCIAL STATEMENTS

(mailed to shareholders)
8 March 2019

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Registration number: 2008/015696/06
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ISIN: ZAE000149936

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