Accounting policies

1. Basis of preparation

The financial statements are prepared on the historical cost basis. The following are the principal accounting policies used by the group which are in accordance with International Accounting Standards, South African Generally Accepted Accounting Practice, the South African Companies Act and are consistent with those of the previous year, except as set out in paragraph 20.

2. Consolidation

The consolidated financial statements include those of the holding company and its subsidiaries. Subsidiary undertakings, are those companies in which the group, directly or indirectly has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations. Subsidiaries are consolidated from the date on which effective control is transferred to the group and are no longer consolidated from date of disposal. Internal profits and sales are eliminated on consolidation and all sales revenue and profit figures relate to external transactions only.

Any excess or shortfall of the purchase price over the fair value of the attributable net assets of subsidiaries at the date of acquisition is capitalised and amortised over the useful lives of the applicable underlying assets. (Refer paragraph 8)

3. Investments in associates

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings in which the group has a long term interest and over which it exercises significant influence but not control. Provisions are recorded for long term impairment in values.

Equity accounting involves recognising in the income statement the group's share of the associates' post acquisition profit or loss for the year. The group's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes any excess or deficit of the purchase price over the fair value of attributable assets of the associate at date of acquisition. Any excess or deficit of the purchase price over the attributable net assets of the associate is amortised over the useful lives of underlying assets. (Refer paragraph 8)

4. Foreign currencies

Income statements of foreign entities and associated undertakings are translated to rand at average exchange rates for the year and the balance sheets are translated at rates ruling at the balance sheet date. The exchange difference arising on translation of assets and liabilities, including the excess or shortfall of the purchase price over a fair value of attributable net assets at date of acquisition, of foreign subsidiaries and associates are transferred directly to equity. On disposal of the foreign entity such translation differences are recognised in the income statement as part of the gain or loss on sale.

Foreign currency transactions are accounted for at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at year end exchange rates unless hedged by forward exchange contracts, in which case the rate specified in such forward contracts are used. Gains and losses arising on settlement of such transactions and from the translation of foreign currency monetary assets and liabilities arising from such transactions are recognised in the income statement.

Forward exchange contracts are entered into to hedge anticipated future transactions. These instruments are not recognised in the financial statements until the date of these transactions as the purpose of these contracts is to reduce exposure to fluctuation in foreign currency exchange rates. No provision is made for potential gains and losses on open contracts.

5. Commodity hedging transactions

Metal futures are entered into to hedge future revenue streams. These instruments are not recognised in the financial statements until settlement date, at which time they are included in the determination of revenue. No provision is made for potential gains or losses on open contracts.

6. Financial Instruments

Financial instruments carried on the balance sheet include cash and bank balances, money market instruments, investments, receivables, trade creditors, leases and borrowings.

The group is also party to financial instruments that reduce risk to foreign currency and future metal price fluctuations which are not recognised in the financial statements at inception. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

7. Investments

Investments are stated at cost and are only written down where the directors are of the opinion that there has been a permanent diminution in value. Where there has been a permanent diminution in value of an investment, it is recognised as an expense in the period in which the diminution is recognised.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

8. Property, plant and equipment

• Mining assets:

Mining assets are recorded at cost. Expenditure, including evaluation costs, incurred to establish or expand productive capacity, to support and maintain that productive capacity and net working cost incurred on mines prior to the commencement of commercial levels of production, are capitalised to mining assets. Interest on borrowings to specifically finance establishment of mining assets is capitalised until commercial levels of production are achieved.

• Mothballed mining operations:

The net assets of mothballed operations are written down to net realisable value. Expenditure on the care and maintenance of these operations is charged against income, as incurred.

• Amortisation:

Mining assets are amortised using the units-of-production method based on estimated economically recoverable proven and probable ore reserves, limited to a maximum period of 25 years.

• Impairment:

The recoverability of the long-term assets is reviewed by management on a continuous basis, based on estimates of future net cash flows. These estimates are subject to risks and uncertainties including future metal prices and exchange rates. It is therefore reasonably possible that changes could occur which may affect the recoverability of the mining assets. Where the value in use is less than the estimated net book value, the impairment is charged against income to reduce the carrying value to the recoverable amount of the asset.

• Mining exploration:

Expenditure on mining exploration in new areas of interest is charged against income as incurred. Cost related to property acquisitions, participation and surface and mineral rights are capitalised. Where the directors consider that there is little likelihood of the properties or rights being exploited, or the value of the exploration rights have diminished below cost, a write down is effected against exploration expenditure.

• Other fixed assets:

Other fixed non-mining assets are recorded at cost. Depreciation is calculated using rates and bases which are designed to write off the assets over their expected useful lives. Freehold properties are not depreciated.

9. Accounting for leases

Leases of property, plant and equipment where the group assumes substantially all of the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to the income statement over the lease period.

The property, plant and equipment acquired under finance leasing contracts is amortised in terms of the group accounting policy. (Refer to paragraph 8).

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement in the period in which they occur.

Accounting policies
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When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

10. Inventories

- Metal inventories:

Platinum, palladium and rhodium are treated as main products and other platinum group and base metals produced as by-products. Metals mined by the company, including in-process metal contained in matte produced by the smelter and precious metal concentrate in the base and precious metal refineries, are valued at the lower of average cost of production and estimated net realisable value. Quantities of in-process metals are based on latest available assays. The average cost of production is taken as total costs incurred on mining and refining, including amortisation, less net revenue from by-products. Costs are allocated to main products on a units produced basis. Refined by-products are valued at their estimated net realisable value. Stocks of platinum group metals purchased or recycled by the company are valued at the lower of cost and estimated net realisable value.

- Stores and materials:

Stores and materials are valued at the lower of cost and net realisable value, on a first-in, first-out basis. Obsolete, redundant and slow moving stores are identified and written down to economic or realisable values.

11. Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified.

12. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, investments in money market instruments and short term unlisted investments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings under current liabilities.

13. Provisions

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

14. Segmental reporting

The group is an integrated platinum group metal and associated base metal producer. On a primary basis, the business segments comprise geographical sales, based on location of customers. On a secondary basis, the business is based on two business segments, which consist of mining and refining as well as refining of platinum group-and associated base metals for third parties.

15. Pension and other post-retirement obligations

The group operates or participates in a number of defined benefit and defined contribution retirement plans for the group's employees. The pension plans are funded by payments from the employees and by the relevant group companies taking account of the recommendations of independent qualified actuaries. The assets of the different plans are held by independently managed trust funds.

These funds are governed by the Pension Fund Act of 1956. Defined benefit plans such as the Mine Officials Pension Fund and the Mine Employees Pension Fund are subject to actuarial valuations at intervals of no more than three years.

These plans are, in substance, accounted for as defined contribution plans. Contributions to the defined benefit and contribution plans are therefore charged to income as incurred.

The group provides post-retirement healthcare benefits to qualifying retirees. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out by independent qualified actuaries at intervals of no more than three years.

16. Deferred income taxation
Deferred taxation is calculated on a comprehensive basis using the balance sheet approach. Deferred tax liabilities or assets are recognised by applying expected corporate tax rates to the temporary differences existing at each balance sheet date between the tax values of assets and liabilities and their carrying amounts where such temporary differences are expected to result in taxable or deductible amounts in determining taxable profits for future periods when the carrying amount of the assets or liability is recovered or settled.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, post-retirement benefits, and tax losses carried forward. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

17. Environmental obligations
- Rehabilitation costs:

The net present value of future rehabilitation cost estimates are recognised and provided for in full in the financial statements. The estimates are reviewed annually to take into account the effects of inflation, any changes in the estimates and are discounted using rates that reflect the time value of money. Annual increases in the provision are charged to income and are split between finance costs relating to the change in the present value of the provision, inflationary increases in the provision and changes in the estimates. The present value of additional environmental disturbances created are capitalised to mining assets along with a corresponding increase in the rehabilitation provision. The rehabilitation asset is amortised in terms of the group's accounting policy (Refer paragraph 8). Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred.
- Ongoing rehabilitation costs:

The cost of the ongoing current programmes to prevent and control pollution is charged against income as incurred.
- Impala Pollution, Rehabilitation and Closure Trust Fund:

Annual contributions are made to the group's trust fund, created in accordance with statutory requirements, to provide for the estimated cost of rehabilitation during and at the end of the life of the group's mines. Income earned on monies paid to the trust is accounted for as investment income. The funds contributed to the trust are included under investments.

18. Revenue recognition
Sales revenue comprises the rand amount received and receivable from customers in respect of the supply of metals mined by the group and the net profit and losses arising from hedging transactions to the extent that they relate to that metal and have been matched at the date of the financial statements. Revenue is recognised at the date of despatch of metal from the refinery, net of sales taxes and discounts and after eliminating sales within the group.

Other revenues earned by the group are recognised on the following bases:
- Toll refining income - is recognised at date of declaration or despatch of metal from the refinery in accordance with the relevant agreements with customers.
- Interest income - as it accrues (taking into account the effective yield on the asset) unless collectibility is in doubt.
- Dividend income - when the shareholder's right to receive payment is established, recognised at the last date of registration.

19. Comparatives
Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

20. Changes in accounting policies
The group changed its accounting policy regarding environmental obligations in order to comply with IAS 37 "Provisions, contingent liabilities and contingent assets".

Under the previous accounting policy, the provision for long-term environmental obligations was built up through annual charges to income, designed to accumulate the total projected future closure and restoration costs over the productive life of the mine.

Accounting policies
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Under IAS 37, the provision in the accounts reflects the net present value of the estimated costs of restoring the environmental disturbance associated with the operations. The costs so provided are capitalised as part of mining assets and amortised accordingly.

In line with the new accounting policy, the amount of R26.9 million was capitalised in July 1999 as property, plant and equipment and a provision for the same amount was raised for rehabilitation obligations. This amount represents the additional provision required to increase the rehabilitation provision to the R88.9 million present value of future rehabilitation costs. The adoption of the policy had no material impact on prior earnings.