



Transforming our organisation: a work in progress

It is, once again, my privilege and pleasure to welcome readers to the annual Implats' Corporate Responsibility Report, which covers the twelve months ended 30 June 2005.

As in our previous publications of this nature, this report aims to keep our stakeholders – who comprise our shareholders, our workforce and their union representatives, our business partners, our suppliers, our customers, the communities where we operate, and various authorities – informed regarding the economic, environmental and social dimensions of our business. Importantly, it takes us a step closer to reaching our objective of expanding our reporting formats gradually with the ultimate target of a comprehensive report that is in accordance with the recommendations of the Global Reporting Initiative (GRI) by 2007 – thereby promoting the compatibility of non-financial information in and across our industry. It does so by including information additional to that provided in prior reports – notably with regards to our engagement with our diverse stakeholder groups.

The period covered by the report has been characterised by intense activity in two key but inter-related areas (over and above our core business activities), namely the transformation of our organisation and the conversion of our mining and prospecting licences – both of which are requirements of the Mining and Petroleum Resources Development Act (detailed on page 17). Indeed, these focus areas form the main themes of this report.

message from our ceo

PERFORMANCE HIGHLIGHTS

Of course, the main aim of this report nevertheless remains a transparent discussion of our approach to managing the issues and challenges we face in the economic, environmental and social spheres, as well as our performance against set objectives in these areas during the reporting period.

From an economic perspective, I am very pleased to report that the group has, yet again, produced an excellent set of financial results.

During the year, gross platinum production decreased by 6% from 1.96 million ounces to 1.85 million ounces. This was expected as the FY2004 figure was inflated by the processing of 232,000 ounces of platinum during the Lonmin smelter refurbishment. Excluding this once-off Lonmin production, headline platinum production actually increased by 5%. The star performer was Impala Platinum, which achieved record platinum production of 1.115 million ounces.

Comparisons between FY2004 and FY2005 reflect the underlying market which included the continued strength of the rand for most of the year under review:

- Sales revenues rose by 6% to R12,541 billion.
- PGM sales volumes were up 6% which went some way towards mitigating the effects of the 10% decline in the average rand/dollar exchange rate achieved for the year of R6.20/\$. Consequently, while dollar revenue per platinum ounce sold increased by 15% on the previous year, rand revenues per platinum ounce increased by only 3.3%.
- Cost of sales rose by 10% to R8,318 billion. The gross operating margin was 34% for the group as a whole, with the gross operating margin for Impala maintained at 42% for the year.
- Unit costs per refined platinum ounce were well controlled at Impala and only increased by 5.3% to R4,251. The Zimbabwean operations were negatively affected by local inflation and a managed exchange rate and thus contributed disproportionately to the significant increase in group unit cost of 9.7% to R4,548 per refined platinum ounce.
- Capital expenditure for the group rose by 9.3% to R1,992 billion.
- Net profit at the headline level increased by 9% to R2,860 million. Including profit on the sale of Lonplats (of R3.2 billion) and the impairment of Marula Platinum (of R850 million after tax) net profit rose by 78% to R5.2 billion.

- The board has declared a final dividend of R18 per share, resulting in a total dividend payout for the year of R23 per share. In dollar terms, this represents a dividend of \$3.72 per share.

We have also met a number of our corporate responsibility objectives for the year under review, and made measurable progress towards others (as detailed under 'Our scorecard' on page 6). These objectives are designed, through self-regulation and continuous improvement, to meet (if not exceed) legislative requirements. This approach not only underscores Implats' ambition to be a good corporate citizen that generates employment opportunities and foreign exchange in a responsible and caring manner, but also our desire to be at the forefront in this respect of the mining industry, both locally and internationally.

Our continuing operations are committed to upholding Implats' corporate values and operating ethics without compromise, thereby ensuring that the group retains a positive image in every aspect of its dealings. A comprehensive third-party audit was initiated during the review period to ensure that the requisite corporate policies are in place and up-to-date, including recruitment procedures and conditions of employment, grievance and disciplinary procedures, environmental and HIV/AIDS policies.

The legal compliance component of this audit process has been completed.

Figure 1: Headline earnings per share (SA cents)

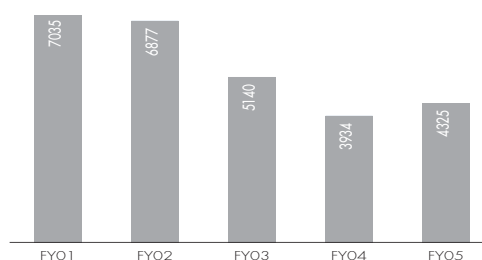
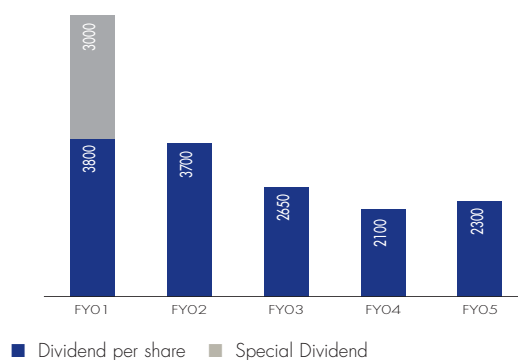


Figure 2: Dividend per share (cps)



■ Dividend per share ■ Special Dividend

Being primarily a mining operation, our most significant challenge remains the safety and health of our employees, where our ongoing quest is to minimise injuries and achieve zero fatalities. However, notwithstanding the group's continued focus on safety, regrettably seven employees lost their lives as a result of occupational accidents during FY2005 (four at our Rustenburg operations, two at Marula Platinum and one at Zimplats). The board of directors and all employees extend their condolences to the families, friends, colleagues and communities of those who lost their lives.

These fatalities underscore the emphasis that continues to be placed on initiatives to improve the safety performance of all our operations, including the inculcation of a behaviour-based safety culture that encourages all employees to be on the lookout for danger both to themselves and their co-workers. Already, these initiatives have led to the group recording the lowest-ever Lost Time Injury Frequency Rate in FY2005, of 3.57.

Environmentally, we remain acutely aware of the potentially hazardous impact of our mining and metallurgical processes on the quality of the air and the water resources at our operations, as well as our impact on the natural landscape. We therefore strive continuously to reduce the effect of our operations through structured air quality, water and land management processes that collectively protect the health and well-being of our people and the communities in which we operate, as well as the physical environment.

In this regard, I am enormously proud to report that Impala Platinum Refineries has retained its ISO 14001 certification for the seventh consecutive year. Both Impala Platinum Rustenburg and Zimplats' Selous Metallurgical Complex have

achieved ISO 14001 certification and retained this status at their verification audits, and significant progress has been made to align the Zimplats' Ngezi operations' environmental management system with ISO 14001. The two Zimplats operations came first and second respectively in the regional environmental audit for 2005, organised through the Association of Mine Managers of Zimbabwe, with the Selous Metallurgical Complex ultimately winning the national finals.

From a social perspective, Implats has made satisfactory progress in managing the impact of the HIV/AIDS epidemic on the group. Impala's Rustenburg operations have maintained a below-industry prevalence rate of 16%.

We have also invested considerable resources in the well-being of our people and in terms of skills development and training. Employment equity remains a focus area, especially the development of opportunities for women in mining.

We also acknowledge our responsibility to contribute financial and other resources to development projects that offer meaningful and sustainable upliftment opportunities to previously disadvantaged people, especially those residing in the communities surrounding our operations and the rural areas from which a large percentage of our labour is sourced. The group works collaboratively with authorities and agencies at various levels to alleviate poverty through education, enterprise development and black economic empowerment initiatives. We also provide support to initiatives that improve access to appropriate healthcare facilities (especially home-based care for HIV/AIDS patients).

OUR SCORECARD

What we said in FY2004		What we achieved in FY2005
Reducing fatalities by 50% per year	✘	Seven lives lost, compared to 10 lives in FY2004.
Reducing the LTIFR by 50% to 2.4 per million man hours worked	~	Achieved a 26% reduction in LTIFR to 3.57 (from 4.8), which is the lowest LTIFR ever recorded by the group.
Producing 2 million ounces of platinum by FY2006	~	As a result of delayed implementation of Two Rivers and Aquarius' Everest Project, we are now on track to achieve 2.1 million ounces of platinum in 2007.
Retaining ISO 14001 certification at Impala's operations and achieving this status throughout the group	~	Retained at Impala and Zimplats' Selous Metallurgical Complex. Not yet attained at Zimplats' Ngezi operations, or Marula Platinum.
Reducing fresh water consumption by a further 5% in FY2005	✘	Achieved a 4.1% overall reduction, excluding Mimosa operations. Marula Platinum achieved a reduction of 25.1%.
Conducting a third-party audit of group policies and procedures in FY2005	~	Legal compliance audit completed, balance is in progress.



A boilermaker at work in our Rustenburg operations.

INDUSTRY TRANSFORMATION

After a concerted effort, applications for converting all old order mining and prospecting rights have been submitted to the Department of Minerals and Energy. These applications were supported by the requisite Social and Labour Plans that, *inter alia*, spell-out our strategies for human resource development, local economic development, and, ultimately, closure of our operations.

Substantial resources were also invested in implementing our employment equity plans, specifically the accelerated growth in the number of women employed at our operations. These initiatives have already started to change the demographic profile of the group and, together with our continued focus on preferential procurement as a sustainable means of black economic empowerment, are certain to yield positive change in the foreseeable future.

REPORTING REQUIREMENTS

As with our 2005 Annual Report, this publication aims to comply with new and additional reporting requirements as they evolve. These currently comprise the revised South African regulations governing the mining industry, the Broad-based Socio-economic Empowerment Charter for the Mining Industry (the Mining Charter), the JSE Securities Exchange Socially Responsible Investment (JSE SRI) Index and the King Report on Corporate Governance for South Africa 2002 (known as King II).



Nickel briquettes in the mouth of the chute, prior to being loaded in drums, at the Base Metals Refinery, Springs.

With regards to the reporting requirements of the Mining Charter in particular, the group's third scorecard has been included on pages 24 to 28.

OUR STRATEGY FOR SUSTAINABLE DEVELOPMENT

At Implats we consider the current transformation of the mining industry to be far more than a legislated requirement in terms of the Minerals and Petroleum Resources Development Act and the associated Mining Charter. Indeed, we believe that transformation is a strategic imperative for the sustainability of the industry, and thus the group.

Accordingly, our strategy for sustainable development centres on issues relating to transformation, as outlined in the Mining Charter. This approach embodies the notion that sustainable development is, by nature, an interdisciplinary concept that draws on the social and physical sciences, as well as law, management and politics. It also endorses the dynamic approach described by the 1987 World Commission on Environment and Development (WCED, also known as the Brundtland Commission) as "a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both the current and future potential to meet human needs and aspirations".

We believe that meeting current needs means fulfilling the following aspects of society:

- Economic needs – which include access to an adequate livelihood as well as economic security when ill, disabled or otherwise unable to secure a livelihood;

- Social, cultural and health needs – which embrace homes that are healthy, safe, affordable and secure, equitable access to quality education and healthcare, and protection from environmental hazards; and
- Political needs – which include the right to freedom of association and political expression in a framework where civil and political rights are respected.

At the same time, we strive to ensure that meeting these needs does not compromise the ability of future generations to meet their own needs by minimising our consumption (and wastage) of non-renewable resources; ensuring the sustainable use of renewable resources (such as fresh water and soils) so as to ensure a natural rate of recharge; and respecting the carrying capacity of the ecosystem – both regionally (i.e. where our operations are located) and globally. In so doing, we aim to contribute to a quality of life that is socially desirable, economically viable and ecologically sustainable, and can therefore be maintained for many generations.

LOOKING FORWARD

Although we have, as a group, achieved much during the year under review in terms of our economic, environmental and social objectives, there is always room for improvement and growth. Accordingly, we remain unwaveringly committed to our strategic goals in these areas, as well as to evaluating all objectives and initiatives continually, to ensure that they remain appropriate.

Our critical performance targets for the year ahead, include:

- Achieving a 33% reduction in LTIFR year-on-year, with a long-term objective of zero injuries.
- Converting our ISO 14001: 1996 certificates to incorporate the requirements of the 2004 standards.
- Reducing fresh water consumption by 5% year-on-year.
- Ensuring continued implementation of our Employment Equity Plans at all South African operations.
- Containing the HIV prevalence rate at our operations to levels lower than the levels reported for similar populations in surrounding areas.
- Finalising sulphur dioxide abatement strategy for Rustenburg operations.

In closing, I express my thanks to our employees who individually and collectively contribute to the realisation of Implats' vision, mission and performance objectives; and to our business associates who help us achieve our ambitions. Through ownership and accountability for our actions, we contribute to a group that continues to perform strongly while consistently meeting its corporate responsibilities.

Keith Rumble
Chief Executive Officer