

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), South African Statements of Generally Accepted Accounting Practice and the South African Companies Act. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial investments, and financial assets and financial liabilities (including derivative instruments) at fair value through the income statement or the statement of changes in equity. The principal accounting policies used by the group are consistent with those of the previous year, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management and the board to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

The following standards issued or revised have not been early adopted by the group and their impact on the results are tabled below:

Summary of standards issued/revised

Standard	Revised/ issued	Description	Early adopted	Retrospective change	2005 Changes	2004 Changes	Impact
IAS 16	2003	Property, plant and equipment	X	√	X	X	As set out below
IAS 21	2003	The effects of changes in foreign exchange rates	X	√	X	X	As set out below
IFRS 4	2004	Insurance contracts	X	√	X	X	As set out below
IFRS 5	2004	Non-current assets held for sale and discontinued operations	X	√	X	X	As set out below

The group will adopt these statements from 1 July 2005:

IAS 16 Property, plant and equipment (revised 2003)

The impact of the early adoption of IAS 16 (revised 2003) would be the separate classification and amortisation/depreciation of significant components of property, plant and equipment. The group is currently in the process of determining the impact of such classification. The future implementations should not substantially affect the financial statements.

IAS 21 The effects of changes in foreign exchange rates (revised 2003)

This standard provides guidance on determining the functional currency of an operation. Although no effect on the group's policies is anticipated, the impact of this standard on the group's Zimbabwean operations is currently being assessed.

IFRS 4 Insurance contracts

The impact of the adoption of the standard is currently being assessed. No material effect on the group's policies is anticipated.

IFRS 5 Non-current assets held for sale and discontinued operations

The implications of the early adoption of IFRS 5 would be the separate disclosure on the face of the income statement of the loss from the discontinued operations of Barplats Investments Limited in 2004. (Note 30). A further impact of an early adoption of the statement would have resulted in the reported profit on sale of Lonmin being higher and the equity accounted earnings for the year being lower by the same amount. Certain non-current assets would be reclassified as held-for-sale (current assets) in the balance sheet.

1.2 Changes in accounting policies

Early adoption of standards:

In 2005, the group undertook the early adoption of the IFRS and the interpretations of standards (IFRIC), which are relevant to its operations, are listed below. The 2004 accounts have been amended in accordance with the relevant requirements:

IFRS 2 (issued 2004)	Share-based payments.
IFRS 6 (issued 2004)	Exploration for and evaluation of Mineral Resources.
IFRIC 1 (issued 2004)	Changes in existing decommissioning, restoration and similar liabilities.
IFRIC 4 (issued 2005)	Determining whether an arrangement includes a lease.
IFRIC 5 (issued 2005)	Rights to interest arising from decommissioning, restoration and environmental rehabilitation funds.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards and interpretations.

The adoption of IFRS6, IFRIC 4 and IFRIC 5 did not result in any changes to the group's reported results.

The early adoption of IFRS 2 has resulted in a change in accounting policy for share-based payments. Until June 2004, the issue of share options to employees, did not result in a charge to the income statement. Subsequent to that date, the group charges the accrued cost of share options outstanding and issued since 7 November 2002 to the income statement (Note 1.18).

The early adoption of IFRS 2 has resulted in:

P121

	2005	2004
Increase in share capital (R million)	22.3	21.7
Decrease in opening retained earnings (R million)	32.6	10.9
Increase in remuneration expenses (R million)	22.3	21.7
Decrease in earnings ¹ per share (cents per share)	41	32

¹ Earnings equals headline, basic and diluted earnings per share.

The early adoption of IFRIC 1 has resulted in a change in the accounting policy for the provision for rehabilitation and restoration costs.

Until June 2004, the provision for rehabilitation and restoration expensed through the income statement was determined using the present value of increases in future rehabilitation costs due to the passage of time as cost of sales and a charge through finance costs. The present value of an increase in the future liability due to additions to surface disturbances increased the rehabilitation asset.

Subsequent to that date, the group charges the unwinding of the discount to the income statement as a finance cost. Changes to the present value of future costs as a result of additional disturbances, estimates and legislation are charged to the asset. The change in policy resulted in a reclassification from operating expenses to finance costs of R7.5 million in 2004. The adoption of IFRIC 1 is applied prospectively as the adjustment to the restoration liability and relevant asset is considered immaterial.

1.3 Consolidation

The consolidated financial statements include those of Impala Platinum Holdings Limited, its subsidiaries, associates, joint ventures and special purpose entities.

Subsidiaries

Subsidiary undertakings, are those companies (including special purpose entities) 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 the date that control ceases.

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

1.3 Consolidation (continued)

Subsidiaries (continued)

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (Refer Note 1.6).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Subsidiary undertakings are accounted for at cost in the company.

Transactions with minorities

Transactions with minorities, where the group already has control over the entity, are accounted for using the 'economic entity model'.

In terms of this accounting model, any surplus or deficit arising from such transactions, compared to the carrying amount of the minorities, is adjusted against other reserves.

Associates

Associates are undertakings in which the group has a long-term interest and over which it exercises significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are accounted for by the equity method of accounting in the group. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (Refer Note 1.6).

The purchase method of accounting is used to account for the acquisition of associates by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Equity accounting involves recognising in the income statement the group's share of the associate's post-acquisition profit or loss for the year, and, recognising in reserves, its share of post-acquisition movements. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received reduce the carrying amount in the investment.

The group's interest in an associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate and includes the excess or deficit of the purchase price over the fair value of attributable assets of the associate at date of acquisition, net of any accumulated impairment loss. In addition, the carrying value of the investment in foreign associates includes any exchange differences arising on translation.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Associated undertakings are accounted for at cost in the company.

1.3 Consolidation (continued)

Joint ventures

The group's interest in jointly controlled entities are accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the group from the joint venture until it re-sells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

Joint ventures are accounted for at cost in the company.

Special purpose entities

Special purpose entities (SPEs) are those undertakings that are created to satisfy specific business needs of the group, which has the right to the majority of the benefits of the SPE and/or is exposed to risk incident to the activities thereof.

SPEs are consolidated in the same manner as subsidiaries when the substance of the relationship indicates that the SPE is controlled by the group.

1.4 Foreign currency translation

P123

Functional and presentation currency

Items included in the financial statements of each entity in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The consolidated financial statements are presented in South African Rand, which is the functional and presentation currency of Impala Platinum Holdings Limited.

Group companies

Income statements of foreign subsidiaries, associates and joint ventures are translated into South African Rand at average exchange rates for the year and the assets and liabilities are translated at rates ruling at the balance sheet date. The exchange differences arising on translation of assets and liabilities of foreign subsidiaries and associates are transferred directly to other reserves. On disposal of the foreign entity such translation differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Transactions and balances

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. Gains and losses arising on settlement of such transactions and from the translation of foreign currency monetary assets and liabilities are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

1.5 Property, plant and equipment

Mining assets

Mining assets are recorded at cost less accumulated amortisation and less any accumulated impairment losses. Expenditure, including evaluation costs, incurred to establish or expand productive capacity, to support and maintain that productive capacity and working costs incurred on mines prior to the commencement of production, are capitalised to mining assets. Interest on borrowings, specifically to finance the establishment of mining assets, is capitalised during the construction phase.

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

Mining exploration

Expenditure on mining exploration in new areas of interest is charged against income as incurred. Costs related to property acquisitions, surface and mineral rights are capitalised to mining assets and are recorded at cost less accumulated amortisation and less any accumulated impairment losses.

Environmental rehabilitation assets

The assets relating to the rehabilitation and closure costs arising from operating activities are measured using the cost model. Changes in the related liability are adjusted to the carrying amount of the assets in the current period. Environmental rehabilitation assets are amortised on a straight line basis over its useful life.

Other items of property, plant and equipment

These assets are recorded at cost less accumulated depreciation and less any accumulated impairment losses. Land is not depreciated. The following assets are depreciated on the straight line basis over their useful lives as follows:

Rolling stock, heavy vehicles and earthmoving equipment	10 years
Motor vehicles	5 years
Information technology assets	3 years
Buildings	30 years

Assets are not depreciated when the residual value equals or exceeds the carrying value.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Refer Note 1.7).

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment loss. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing (Refer Note 1.7).

1.7 Impairment of assets

Assets that have an indefinite useful life which are not subject to amortisation, are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets are considered to be impaired when the higher of the assets' fair value less cost to sell and its value in use is less than the carrying amount.

The recoverability of the long-lived assets is reviewed by management on a regular basis, based on estimates of future discounted cash flows. These estimates are subject to risks and uncertainties including future metal prices and exchange rates. It is therefore possible that changes could occur which may affect the recoverability of the mining assets. The recoverable amounts of non-mining assets are determined by reference to market values. Where the recoverable amount is less than the carrying amount, the impairment is charged against income to reduce the carrying amount to the recoverable amount of the asset. The revised carrying amounts are amortised over the remaining lives of such affected assets. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

An impairment previously recognised will be reversed when changes in circumstances that have an impact on estimates occurred after the impairment was recognised. The reversal of an impairment will be limited to the lower of the newly calculated recoverable amount or the book value that would have existed if the impairment was not recognised. The reversal of an impairment is recognised in the income statement.

1.8 Investments

The group classifies its investments in the following categories: financial assets held for trading at fair value through profit and loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification is dependent on the purpose for which the investments were acquired. Management determines the classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis. Purchases and sales of investments are recognised on the trade date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

P125

Financial assets held for trading at fair value through profit and loss

Investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as financial assets held for trading at fair value through profit and loss, and are included in current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet (Refer Note 1.14). Loans and receivables are subsequently carried at amortised cost using the effective interest method less any accumulated impairment loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity, and are included in non-current assets, except for maturities within 12 months from the balance sheet date which are classified as current assets. Held to maturity investments are subsequently carried at amortised cost using the effective interest method less any accumulated impairment loss.

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

1.8 Investments (continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

The fair values of listed investments are based on current closing market 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 refined to reflect the issuer's specific circumstances.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are reversed through the income statement.

P126

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

1.10 Leases

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

The property, plant and equipment acquired under finance leasing contracts is amortised in terms of the group accounting policy. (Refer Note 1.5).

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 charged to the income statement in the period in which they occur. 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.

1.11 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 group, 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 fair value less cost to complete and sell. 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 the sale of by-products, allocated to main products on a units produced basis. Refined by-products are valued at their fair value less cost to sell. Stocks of metals purchased or recycled by the group are valued at the lower of cost or fair value less cost to sell.

Stores and materials

Stores and materials are valued at the lower of cost or net realisable value, on a first-in-first-out basis. Obsolete, redundant and slow moving stores are identified and written down to net realisable values. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

1.12 Financial instruments

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

The group participates in financial instruments that reduce risk exposure to foreign currency and future metal price fluctuations. The recognition methods adopted are disclosed in the individual policy statements associated with each item.

P127

1.13 Derivative financial instruments

Metal futures, options and lease contracts are entered into to preserve and enhance future revenue streams. Forward exchange contracts are entered into to hedge anticipated future transactions.

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently remeasured at fair value. The method of recognising the resulting gain or loss is dependant on the nature of the item being hedged. On the date that the derivative contract is entered into, the group designates derivatives as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction or a firm commitment (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective are recognised in equity. Changes in the fair value of derivatives that are designated as fair value hedges are recognised in the income statement.

Certain derivative transactions, while providing effective economic hedges under group's risk management policies, do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in the income statement.

1.14 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is charged to the income statement.

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

1.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs are charged to finance costs in the income statement. When borrowings are utilised to fund qualifying capital expenditure, such borrowings costs that are directly attributable to the capital expenditure are capitalised from the point at which the capital expenditure and related borrowing cost are incurred.

1.16 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. Provisions are not recognised for future operating losses.

1.17 Environmental rehabilitation obligations

These long-term obligations result from environmental disturbances associated with the group's mining operations. Estimates are determined by independent environmental specialists in accordance with environmental regulations.

Rehabilitation costs

The net present value of future rehabilitation 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 inflation and changes in the estimates. Discount rates that reflect the time value of money are utilised in calculating the net present value.

A change in the measurement of the liability which is recognised as part of the cost of mining, processing and refining assets and changes in the estimated future outflow of resources, embodying economic benefits which would be required to settle the obligation, is capitalised to the environmental rehabilitation asset. (Refer Note 1.5). A change in the liability resulting from the unwinding of the discount is recognised in the income statement as a finance cost.

Ongoing rehabilitation cost

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

Contributions are made to this 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 Impala Platinum Limited's mines. Income earned on monies paid to the trust is accounted for as investment income. The trust investments are included under held-to-maturity-investments.

The group has control over the trust and it is consolidated as a special purpose entity.

1.18 Employee benefits

Defined benefit and defined contribution retirement plans

The group operates or participates in a number of defined benefit and defined contribution retirement plans for its employees. The pension plans are funded by payments from the employees and by the relevant group companies and contributions to these funds are expensed as incurred. The assets of the different plans are held by independently managed trust funds. These funds are governed by either the South African Pension Fund Act of 1956 or Zimbabwean law. The defined benefit plans are multi-employer plans, where sufficient information is not available to account for them as defined benefit plans, and they are in substance accounted for as defined contribution plans. Defined benefit plans are subject to actuarial valuations at intervals of no more than three years.

1.18 Employee benefits (continued)

Post-employment medical obligations

The group provides post-retirement healthcare benefits to qualifying employees and retirees. The expected costs of these benefits are accrued over the period of employment. Valuations of these obligations are carried out annually by independent qualified actuaries. Actuarial gains or losses as a result of these valuations, are recognised in the income statement as incurred.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Bonus plans

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

Equity compensation plans

Equity-settled share option incentive scheme

The group's share option plan provides for the granting of options to key employees who are able to purchase shares in the holding company at a price equal to the average market price of the five trading days preceding the date upon which the Remuneration Committee approved the granting of the options.

The scheme is administered through the Impala Share Incentive Trust. Shares are issued to the trust as required. Employees are entitled to exercise their options at the option price.

The maximum number of share options outstanding in terms of the share scheme may not exceed 3.5% of the issued share capital of Impala Platinum Holdings Limited.

Vesting of options first occurs two years after the granting of the options, limited to a maximum of 25% of the total options granted. In subsequent years an additional 25% per year vests. All outstanding options expire within 10 years from the date of granting the options.

Cash-settled share appreciation rights scheme

The group allocates to selected executives and employees notional shares in the holding company. These notional shares will confer the conditional right on a participant to be paid a cash bonus equal to the appreciation in the share price from the date of allocation to the date of surrender of the notional share. Notional shares are first surrenderable after two years of allocation to a maximum of 25% of the allocation. In subsequent years an additional 25% becomes surrenderable. All outstanding notional shares becomes surrenderable after 10 years from date of allocation.

Measurement

- *Equity-settled share option incentive scheme*

The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined with reference to the fair value of the options granted on grant date and is expensed on a straight line basis over the vesting period. The fair value is determined by using the Binomial option valuation model and assumptions used to determine the fair value is detailed in Note 3. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity over the remaining vesting period.

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

1.18 Employee benefits (continued)

- Cash settled compensation plans

The fair value of employee services received in exchange for the allocation of notional shares are recognised as an expense. A liability equal to the portion of the services received is determined and recognised at each balance sheet date. The binomial option valuation model is used to determine the fair value and the assumptions are detailed in Note 3.

1.19 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and deferred income tax liabilities of the same taxable entity are offset when they relate to taxes levied by the same taxation authority and the entity has a legally enforceable right to set off current tax assets against current tax liabilities.

The principal temporary differences arise from amortisation and depreciation on property, plant and equipment, provisions, post-retirement medical benefits, tax losses carried forward and fair value adjustments on assets acquired from business combinations.

1.20 Revenue recognition

Revenue comprises the fair value in respect of the sale of metals produced and metals purchased and toll income received by the group. Revenue is recognised when the risks and rewards of ownership, net of sales taxes and discounts, are transferred.

Sales of metals mined and metals purchased

Sales are recognised when a group entity has delivered products to the customer and collectibility of the related receivables is reasonably assured.

Toll income

Toll refining income is recognised at date of declaration or dispatch of metal from the refinery in accordance with the relevant agreements with customers.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised either as cash is collected or on a cost-recovery basis as conditions warrant.

Dividend income

Dividend income is recognised at the accrual date, when the shareholder's right to receive payment is established.

Government assistance

Government assistance is accounted for applying the income approach and recognised through profit and loss on an accrual basis, in as far as the conditions attached to such assistance will be met.

1.21 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. All income and expenses excluded from the gross profit calculation are not allocated to segments.

The group is an integrated PGM and associated base metal producer. On a primary basis, the business segments are:

- mine-to-market primary PGM producer, including the marketing of metals produced by the group (Impala);
- mine-to-concentrate local and foreign primary PGM producers (Marula and Zimbabwe) and
- toll refiner for third party material (Impala Refining Services).

1.22 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the board of directors.

2 Financial risk management

2.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest-rate risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group, from time to time, uses derivative financial instruments to hedge certain risk exposures.

P131

Risk management is carried out by a central treasury department (group treasury/hedging committee) under policies approved by the Board of Directors, which identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The risk committee approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity.

2.1.1 Market risk

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, the group, from time to time, uses forward contracts within board approval limits. Group treasury/hedging committee is responsible for managing the net position in each foreign currency.

Securities price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the consolidated balance sheet as available-for-sale financial assets. Group treasury continually monitor this exposure.

Commodity price risk

The group is exposed to fluctuations in metal prices. From time to time, the group enters into metal futures, options or lease contracts to manage the fluctuations in metal prices thereby preserving and enhancing its revenue streams. At 30 June 2005 the group had no material metal futures, options or lease contracts in place (2004: nil).

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

2.1.2 Credit risk

The group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The group has policies that limit the amount of credit exposure to any single financial institution.

The potential concentration of credit risk consists mainly of cash and cash equivalents, trade debtors and other receivables.

The group limits its counter party exposures from its money market investment operations by only dealing with well-established financial institutions of high quality credit standing. The credit exposure to any one counter party is managed by setting exposure limits which are reviewed regularly by the board of directors.

The group is exposed to credit-related losses in the event of non-performance by counter parties to derivative instruments. The counter parties to these contracts are major financial institutions. The group continually monitors its positions and the credit ratings of its counter parties and limits the amount of contracts it enters into with any one party.

Trade debtors comprise a number of customers, dispersed across different geographical areas. Ongoing credit evaluations are performed on the financial condition of these and other receivables. Trade debtors are presented net of the allowance for impairment.

2.1.3 Interest rate risk

The group monitors its exposure to fluctuating interest rates. Cash and cash equivalents are primarily invested with short-term maturity dates. The group's primary exposure in respect of borrowings is detailed in Note 15. At 30 June 2005 (2004: nil), the group did not consider there to be any significant concentration of interest rate risk.

2.1.4 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, group treasury/hedging committee aims to maintain flexibility in funding by keeping committed credit lines available.

2.2 Accounting for derivative financial instruments and hedging activities

The group's risk management policy on hedging is not prescriptive regarding the available financial instruments to be used, but financial limits and exposures are set by the Board. Due to the limited extent of these hedges, hedge accounting is not applied and therefore changes in the fair value of any derivative instruments are recognised in the income statement immediately.

2.3 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The listed market price used for financial assets held by the group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. 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.

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

3 Critical accounting estimates and judgements

Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of assets

The group tests whether assets have suffered any impairment, in accordance with the accounting policy stated in Note 1.7. The recoverable amounts of cash-generating units have been derived from value-in-use calculations. These calculations require the use of estimates of future commodity prices and exchange rates. Estimates are based on management's interpretation of market forecasts.

The main assumptions include:

- long-term real revenue per platinum ounce sold of R6,700 (2004: R7,170) per ounce and
- long-term real discount rate, a range of 8% to 10% (2004: 10% to 12%) for South African and 13% to 15% (2004: 15% to 17%) for Zimbabwean assets.

Provisions

Provisions for post-retirement medical liability and future rehabilitation cost have been determined, based on calculations which require the use of estimates. (Note 17, 18)

Post-employment medical benefits

Actuarial parameters used by independent valuers assume 5.88% (2004: 7.35%) as the long-term medical inflation rate and an 8.0% (2004: 9.5%) risk-free interest rate corresponding to the yields on long-dated high-quality bonds.

P133

Future rehabilitation obligation

The net present value of current rehabilitation estimates is based on the assumption of a long-term real interest rate of 4% (2004: 4%)

Share-based payments

The measurement of the fair value of employee services received as consideration for equity instruments of the company, is calculated using the Binomial option pricing model. The average inputs into this model are as follows:

	Equity settled share option scheme		Cash settled share appreciation scheme	
	2005	2004	2005	2004
Weighted average share price on grant date (R)	513.50	539.20	527.59	–
Weighted average share price on valuation date ¹	513.50	539.20	597.00	–
Weighted average exercise price (R) ²	507.42	537.39	508.87	–
Expected volatility ³	39.13	40.92	29.44	–
Dividend yield (%)	4.09	4.62	3.45	–
Risk-free interest rate (%)	8.35	9.40	7.67	–

¹ Weighted average share price for the valuation of equity-settled shares is calculated taking into account the market price on all grant dates. The value of cash settled share appreciation rights are calculated at the year-end closing price.

² The weighted average exercise price for equity-settled and cash-settled shares is calculated taking into account the exercise price on each grant date.

³ Expected volatility for equity settled shares is the average implied volatility on Implats shares on each grant date. Expected volatility for cash settled share appreciation rights scheme is the implied six-month volatility on year end.

No comparatives for the cash settled scheme are supplied as the scheme was implemented in the current financial year.

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand million unless otherwise stated)							
Year ended 30 June 2005	Impala segment	Marula segment	Zimbabwe segment	Impala Refining Services segment	Inter-segment adjustment	Total	
4 Segment information							
Primary reporting format – business segments							
Sales from:							
Metals mined	8,396.8		89.8			8,486.6	
Metals purchased	3,643.8			3,892.2	(3,630.7)	3,905.3	
Toll income				180.1	(31.2)	148.9	
Inter-company concentrate sales		237.0	911.1		(1,148.1)	–	
Total sales	12,040.6	237.0	1,000.9	4,072.3	(4,810.0)	12,540.8	
Segment operating expenses for:							
Metals mined	4,978.9	360.4	786.8		(31.2)	6,094.9	
Metals purchased	3,632.1			3,635.6	(4,778.8)	2,488.9	
Other cost				188.8		188.8	
Gross cost	8,611.0	360.4	786.8	3,824.4	(4,810.0)	8,772.6	
(Increase)/decrease in metal inventories	(103.2)		(15.4)	(363.9)	27.7	(454.8)	
Cost of sales	8,507.8	360.4	771.4	3,460.5	(4,782.3)	8,317.8	
Gross profit	3,532.8	(123.4)	229.5	611.8	(27.7)	4,223.0	
Segment assets							
Segment assets	13,177.6	1,167.1	2,013.8	2,778.5		19,137.0	
Unallocated assets						778.2	
Associates						901.2	
Total assets						20,816.4	
Segment liabilities							
Segment liabilities	1,846.5	21.2	200.4	1,550.2		3,618.3	
Unallocated liabilities						2,928.0	
Total liabilities						6,546.3	
Other segment items							
Capital expenditure (mining, rehabilitation and other)	1,696.8	117.7	194.3			2,008.8	
Impairment of mining assets		(1,033.8)				(1,033.8)	
Depreciation	2.1		6.6	0.6		9.3	
Amortisation	491.8	66.3	70.1			628.2	
Statistical information							
Total metals produced							
Platinum	(000 oz)	1,115		733		1,848	
Palladium	(000 oz)	515		514		1,029	
Rhodium	(000 oz)	130		104		234	
Nickel	(000 tonnes)	7.9		8.1		16.0	
PGM in concentrate produced							
included in IRS refined metal	(000 oz)		77.0	255.9		332.9	
Gross margin analysis							
Metals mined	(%)	41.9				41.9	
Metals purchased – Impala	(%)	0.3				0.3	
Metals purchased – IRS				15.0		15.0	
Inter-company concentrate sales	(%)		(52.1)	22.9		8.6	

(All amounts in rand million unless otherwise stated)	Impala segment	Marula segment	Barplats disposed segment	Zimbabwe segment	Impala Refining Services segment	Inter-segment adjustment	Total
Year ended 30 June 2004							
4 Segment information (continued)							
Primary reporting format – business segments (continued)							
Sales from:							
Metals mined	7,679.2			71.5			7,750.7
Metals purchased	3,419.5				3,480.0	(3,176.8)	3,722.7
Toll income					371.5	(35.8)	335.7
Inter-company concentrate sales		94.4	112.9	864.4		(1,071.7)	–
Total sales	11,098.7	94.4	112.9	935.9	3,851.5	(4,284.3)	11,809.1
Segment operating expenses for:							
Metals mined	4,656.8	111.3	117.8	597.0			5,482.9
Metals purchased	3,421.2				3,122.4	(4,284.4)	2,259.2
Other cost					201.7		201.7
Gross cost	8,078.0	111.3	117.8	597.0	3,324.1	(4,284.4)	7,943.8
Increase in metal inventories	(160.9)			(33.3)	(188.6)	(11.6)	(394.4)
Cost of sales	7,917.1	111.3	117.8	563.7	3,135.5	(4,296.0)	7,549.4
Gross profit	3,181.6	(16.9)	(4.9)	372.2	716.0	11.7	4,259.7
Segment assets							
Segment assets	8,580.5	2,203.2		1,724.7	1,654.3		14,162.7
Unallocated assets							570.6
Associates							2,304.6
Total assets							17,037.9
Segment liabilities							
Segment liabilities	1,709.3	97.4		163.3	1,024.9		2,994.9
Unallocated liabilities							3,230.1
Total liabilities							6,225.0
Other segment items							
Capital expenditure (mining, rehabilitation and other)	1,200.8	504.7	3.8	142.9			1,852.2
Depreciation	3.6				4.1		7.7
Amortisation	481.5	16.6	14.7	59.5			572.3
Statistical information							
Total metals produced							
Platinum (000 oz)	1,090				871		1,961
Palladium (000 oz)	501				545		1,046
Rhodium (000 oz)	116				135		251
Nickel (000 tonnes)	6.9				9.5		16.4
PGM in concentrate produced included in IRS refined metal (000 oz)							
		36.6	37.3	249.8			323.7
Gross margin analysis							
Metals mined (%)	41.5						41.5
Metals purchased – Impala (%)	0.0						0.0
Metals purchased – IRS (%)					18.6		18.6
Inter-company concentrate sales (%)		(17.9)	(4.3)	39.8			30.7

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

4 Segment information (continued)

Primary reporting format – business segments (continued)

Notes to business segment analysis:

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, receivables and operating cash. They exclude deferred taxation, investments and derivatives held for trading or designated as hedges of borrowings.

Segment liabilities comprise operating liabilities. They exclude items such as taxation and corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment (Note 5), including additions resulting from acquisitions through business combinations.

Sales

Metals mined

Reflect the mine-to-market sales primarily from the Impala Platinum mining operations.

Metals purchased

Revenue from metals purchased is recognised within two separate legal entities:

– for Impala Platinum this incorporates sales of metals purchased principally from IRS R3,630.7 million (2004: R3,176.8 million).

– for Impala Refining Services this includes sales from purchases of metals from third party refining customers. The majority of sales are to Impala Platinum, and a portion directly to the market.

Toll income

Fees earned by IRS for treatment of metals from third party refining customers.

Inter-company concentrate sales

Comprises sales of concentrate from Marula and Implats' Zimbabwe mining activities to IRS.

Segment operating expenses for

Gross cost

Comprises total costs associated with the mining, refining and purchase of metals.

Inter-segment adjustments

Elimination of inter-segment sales, purchases and unrealised profit in the group.

Inter-segment transfers

Inter-segment transfers are based on market related prices.

Secondary reporting format – geographical segments

Although the group's business segments are managed on a worldwide basis, they operate in two geographical areas.

South Africa is the home country of the parent company and the main operating company. The areas of operation are principally mining and toll refining activities in South Africa and Zimbabwe.

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

4 Segment information (continued)

Analysis of sales by destination

Main products

Asia	3,762.3	3,400.5
North America	3,542.9	3,044.0
Europe	1,715.2	1,641.9
South Africa	726.9	820.6
	<u>9,747.3</u>	<u>8,907.0</u>

By-products

South Africa	1,972.5	1,873.4
North America	429.9	238.8
Asia	134.7	331.6
Europe	107.5	122.6
	<u>2,644.6</u>	<u>2,566.4</u>

Toll income

South Africa	101.4	324.5
North America	47.1	9.9
Asia	0.1	1.1
Europe	0.3	0.2
	<u>148.9</u>	<u>335.7</u>
	<u>12,540.8</u>	<u>11,809.1</u>

P137

Sales and the toll income are allocated based on the country in which the customer is located.
The Zimbabwean operations did not contribute more than 10% of consolidated sales.

Analysis of sales by category

Sales of goods

Precious metals	10,892.9	10,051.3
Base metals	1,499.0	1,422.1

Revenue from services

Toll refining	148.9	335.7
	<u>12,540.8</u>	<u>11,809.1</u>

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

	Sales		Total assets		Capital expenditure	
	2005	2004	2005	2004	2005	2004

4 Segment information (continued)

Other segment information

South Africa	12,451.0	11,737.6	17,896.2	13,000.4	1,814.5	1,709.3
Zimbabwe	89.8	71.5	2,013.8	1,724.7	194.3	142.9
Other			5.2	8.2		
Investment in associates			901.2	2,304.6		
	<u>12,540.8</u>	<u>11,809.1</u>	<u>20,816.4</u>	<u>17,037.9</u>	<u>2,008.8</u>	<u>1,852.2</u>

Total assets and capital expenditure are allocated according to the location of the asset.

Sales are allocated based on the country in which the sale originates.

(All amounts in rand millions unless otherwise stated)

	Year ended 30 June	
	2005	2004

5 Property, plant and equipment

Mining assets

These comprise expenditure on shafts, plant and equipment, mining development and general capital expenditure.

Cost

Opening book amount	12,441.6	11,086.6
Disposal of subsidiary	–	(215.7)
Exchange adjustment on translation of foreign subsidiaries and joint venture	105.5	(236.0)
Additions	1,978.5	1,794.7
Addition to rehabilitation asset (Note 18)	13.3	27.5
Disposals	(34.2)	(15.5)
	<u>14,504.7</u>	<u>12,441.6</u>

Accumulated amortisation

Opening book amount	2,848.8	2,308.0
Exchange adjustment on translation of foreign subsidiaries and joint venture	13.5	(18.5)
Charge for the year	628.2	572.3
Impairment of assets	1,033.8	–
Disposals	(4.2)	(13.0)
	<u>4,520.1</u>	<u>2,848.8</u>

Net book amount

	<u>9,984.6</u>	<u>9,592.8</u>
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(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

5 Property, plant and equipment (continued)

Other assets

These comprise expenditure on freehold land and buildings, plant and equipment, motor vehicles, furniture, and leased equipment.

Cost

Opening book amount	63.0	42.1
Exchange adjustment on translation of foreign subsidiaries and joint venture	3.0	(6.6)
Additions	17.0	30.0
Disposals	(6.7)	(2.5)
	<u>76.3</u>	<u>63.0</u>

Accumulated depreciation

Opening book amount	20.2	11.8
Exchange adjustment on translation of foreign subsidiaries and joint venture	1.2	(2.1)
Charge for the year	9.3	7.7
(Disposals)/adjustment	(4.8)	2.8
	<u>25.9</u>	<u>20.2</u>

Net book amount

	<u>50.4</u>	<u>42.8</u>
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Closing net book amount

	<u>10,035.0</u>	<u>9,635.6</u>
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The recoverable amount of a cash generating unit (CGU) is derived from value-in-use calculations. The calculations use cash flow projections, based on the life-of-mine plan, where cash flow estimates are subject to risks and uncertainties regarding future metal prices and exchange rates.

The finalisation of a revised mining plan for the Marula CGU indicated that the carrying value of the asset might not be recoverable, resulting in an amount of R1,033.8 million being written down as an impairment loss. This is R417.5 million less than the amount reported in the interim results for the period ended December 2004. The adjustment is as a result of the re-evaluation of the long-term assumptions of the group's business planning cycle for the next five years.

Long-term real key assumptions (Marula specific)	June 2005	Dec 2004	June 2004
Revenue per platinum ounce sold	6,450	6,100	7,000
Discount rate (%)	8.0	8.0	10.0
R/US\$ exchange rate	6.5	6.9	8.5

6 Investments in associates

i) Lonplats (comprising Western Platinum Limited and Eastern Platinum Limited)

Share of post acquisition retained income	3,082.4	2,874.9
Shares at cost	430.8	430.8
Accumulated amortisation of goodwill arising on acquisition	(102.9)	(102.9)
Dividends received	(1,776.6)	(1,741.4)
Sale of investment	(1,633.7)	–
Net book amount	<u>–</u>	<u>1,461.4</u>

Goodwill included in carrying value:

At cost		185.0
Accumulated amortisation		(102.9)
Net book amount	<u>–</u>	<u>82.1</u>

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

6 Investments in associates(continued)

i) Lonplats (comprising Western Platinum Limited and Eastern Platinum Limited) (continued)

Shares beneficially owned in the undermentioned companies involved in the business of mining, refining and marketing of PGMs.

Number of shares

Western Platinum Limited

Ordinary shares

7,319,924

Effective holding: 27.1%

Eastern Platinum Limited

Ordinary shares

149,110

Effective holding: 27.1%

Summarised balance sheet as at 31 March

Capital and reserves

5,071.8

Non-current liabilities

2,059.8

Current liabilities

605.9

7,737.5

Non-current assets

7,036.3

Current assets

701.2

7,737.5

The associate companies prepare their financial statements to 30 September to conform to the financial year of their holding company. Only publicly available information for these associate companies has been used for equity accounting purposes. Consequently, results for the six months to September 2004 (2004: 12 months to 31 March 2004) have been included in the equity accounted earnings for the year. The associates were sold on 30 September 2004.

ii) Two Rivers Platinum (Proprietary) Limited

Shares at cost

45.0

45.0

Shareholder's loan

354.1

271.8

Net book amount

399.1

316.8

The company holds various PGM mineral rights. The results of the trial mining were evaluated towards the end of calendar year 2004 and development of the mine was approved by shareholders during the second half of the financial year.

Shareholding

Number of shares

Ordinary shares

270

270

Effective holding: 45.0%

There was no change in the percentage interest in the associate during the year ended 30 June 2005.

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

6 Investments in associates (continued)

ii) Two Rivers Platinum (Proprietary) Limited (continued)

Summarised balance sheet as at 30 June

Capital and reserves	102.0	101.6
Non-current liabilities	788.1	604.3
Current liabilities	26.4	5.6
	<u>916.5</u>	<u>711.5</u>

Non-current assets	860.0	690.0
Current assets	56.5	21.5
	<u>916.5</u>	<u>711.5</u>

The results of the associate are based on audited financial statements.

iii) Aquarius Platinum (South Africa) (Proprietary) Limited

Share of results	56.1	53.6
Unearned profit in the group	(16.4)	(10.1)
	<u>39.7</u>	<u>43.5</u>
Shares at cost	43.5	16.9
Shareholder's loan	418.9	466.0
Net book amount	<u>502.1</u>	<u>526.4</u>

Impala Platinum Holdings Limited has provided a guarantee to Investec Bank Limited on behalf of Aquarius Platinum (South Africa) (Proprietary) Limited for a loan facility granted of R146.3 million (2004: R175.0 million), of which nil (2004: R175.0 million) had been utilised at year end.

This guarantee is set to expire upon conclusion of certain project completion tests relating to the Marikana project. If the project completion tests are not met, the guarantee will reduce proportionally in line with the loan repayments to Investec Bank Limited, which started at the end of calendar year 2004.

Shares beneficially owned in the company involved in the business of mining and marketing of PGMs.

Shareholding		
Number of shares		
Ordinary shares	280	250
Effective holding: 20.0% (2004: 25%)		

As a result of Aquarius Platinum (SA) Pty Limited's recent black economic empowerment (BEE) transaction, the group invested an additional R71.5 million in equity and shareholder's loan. This transaction ensured the investment was maintained at 20% following the BEE transaction.

Summarised balance sheet as at 30 June

Capital and reserves	441.6	231.5
Non-current liabilities	2,496.9	2,171.4
Current liabilities	465.6	388.0
	<u>3,404.1</u>	<u>2,790.9</u>

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

6 Investments in associates (continued)

iii) Aquarius Platinum (South Africa) (Proprietary) Limited (continued)

Summarised balance sheet at 30 June (continued)

Non-current assets	2,576.6	2,191.4
Current assets	827.5	599.5
	<u>3,404.1</u>	<u>2,790.9</u>

The equity accounted results of the associate for the year are based on audited financial statements.

Summary of investments in associates

Lonplats (comprising Western Platinum Limited and Eastern Platinum Limited)	–	1,461.4
Two Rivers Platinum (Proprietary) Limited	399.1	316.8
Aquarius Platinum (South Africa) (Proprietary) Limited	502.1	526.4
Total investments in associates	<u>901.2</u>	<u>2,304.6</u>

P142

7 Available-for-sale financial investments

Investment in listed shares

Comprise shares in the following listed company

Aquarius Platinum Limited

Beginning of the year	171.7	229.7
Exchange differences	38.7	(27.7)
Share price movement	51.3	(30.3)
End of the year	<u>261.7</u>	<u>171.7</u>

During the year, the group maintained its strategic shareholding in Aquarius Platinum Limited, holding 7,141,966 shares (2004: 7,141,966) which amounts to approximately 8.6% (2004: 8.6%) of the issued share capital of that company. The shares are listed on the Australian Stock Exchange and the London Stock Exchange. The fair value of these shares as at the close of business on 30 June 2005 by reference to Stock Exchange quoted prices and closing exchange rates was R261.7 million (2004: R171.7 million).

Investment in unlisted shares

Shares beneficially owned in the undermentioned concern at fair value:

Silplat (Proprietary) Limited	14.7	14.7
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Total available-for-sale investments

<u>276.4</u>	<u>186.4</u>
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8 Held-to-maturity investments

Investment in interest-bearing instruments

<u>99.3</u>	<u>89.0</u>
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The investment is held through the Impala Pollution, Rehabilitation and Closure Trust Fund (Note 18). The fund is an irrevocable trust under the group's control. The funds are invested primarily in interest-bearing instruments.

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

9 Other receivables

Loans

BEE companies	617.5	–
Fair value adjustment	(103.8)	–
	<u>513.7</u>	<u>–</u>
Barplats Investments Limited	73.0	114.7
Less: current portion of loan (Note 11)	(36.5)	(45.9)
	<u>36.5</u>	<u>68.8</u>
	<u>550.2</u>	<u>68.8</u>

As an integrated part of the sale of the group's share in Lonplats, an amount of R617.5 million was made available as loans to the following BEE companies in equal amounts:

- Andisa Incwala Investments (Proprietary) Limited,
- Dema Incwala Investments (Proprietary) Limited and
- Vantage Capital Incwala Investments (Proprietary) Limited.

These loans are repayable within five to seven years and are structured into interest free and interest bearing. The interest-bearing loans bear interest in years 3 and 4 at the Johannesburg Interbank Acceptance Rate (JIBAR) plus 1%, in year 5 at JIBAR plus 2%, and thereafter at JIBAR plus 3%. The loans are secured by a guarantee from Lonmin plc. In terms of the group's accounting policy these loans were fair valued on initial recognition using the effective interest rate method.

The Barplats Investments Limited loan bears interest at JIBAR plus 3% nominal annual, compounded monthly in arrears. The loan capital is repayable in two equal annual instalments on 31 May 2006 and 31 May 2007. The loan is secured by a mortgage bond over property.

Prepayments

Royalty prepayment	68.8	73.7
Charged to the income statement during the year	(4.9)	(4.9)
	<u>63.9</u>	<u>68.8</u>
Less: current portion of prepayment (Note 11)	(4.9)	(4.9)
	<u>59.0</u>	<u>63.9</u>

Royalty prepayment represents the payment of royalties settled through an issue of shares to the mineral right holders of the Impala mining lease area during 1999.

Total other receivables	<u>609.2</u>	<u>132.7</u>
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10 Inventories

Refined metal		
At cost	461.9	290.7
At fair value less cost to sell	46.3	34.6
	<u>508.2</u>	<u>325.3</u>
In-process metal	1,030.8	790.9
Exchange adjustment on translation of foreign subsidiaries and joint venture	10.1	(15.9)
Metal inventories	<u>1,549.1</u>	<u>1,100.3</u>
Stores and materials inventories	172.0	129.5
	<u>1,721.1</u>	<u>1,229.8</u>

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

11 Trade and other receivables

Trade receivables	2,219.6	1,362.2
Receivables from related parties (Note 39)	341.9	246.3
Advances and loan facilities provided to related parties (Note 39)	340.6	245.8
Employee receivables	92.1	84.4
South African Revenue Services (Value Added Tax)	97.6	53.3
Current portion of loans (Note 9)	36.5	45.9
Prepayments	24.9	37.6
Interest receivable	21.6	1.9
Other receivables	10.2	163.9
Current portion of royalty prepayment (Note 9)	4.9	4.9
	3,189.9	2,246.2

Trade and other foreign receivables include advances of R1,373.9 million (2004: R789.8 million) to customers which are secured by in-process metal inventories held as collateral against these advances.

The uncovered foreign currency denominated balances, included above, were as follows:

Trade and other receivables (US\$ million)	300.9	208.3
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The credit exposures by country are as follows:

North America	1,255.2	624.6
South Africa	749.0	544.0
Asia	120.7	159.9
Europe	94.7	33.7
	2,219.6	1,362.2

Other receivables primarily represent a South African exposure.

12 Cash and cash equivalents

Short-term bank deposits	3,541.1	900.4
Cash at bank	443.2	303.8
	3,984.3	1,204.2

The weighted average effective interest rate on short-term bank deposits was 7.4% (2004: 8.4%) and these deposits have an average maturity of 90 days (2004: 30 days).

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

Cash and cash equivalents	3,984.3	1,204.2
Bank overdrafts (Note 15)	–	(17.2)
	3,984.3	1,187.0

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

12 Cash and cash equivalents (continued)

The uncovered foreign currency denominated balances as at 30 June were as follows:

Bank balances (US\$ million)	102.1	61.0
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The credit exposures by country are as follows:

South Africa	3,826.6	1,006.3
Europe	134.0	141.8
Zimbabwe	6.9	6.5
Asia	1.8	4.2
Mauritius	15.0	45.4
	3,984.3	1,204.2

13 Share capital

Share capital and share premium

Authorised amount	20.0	20.0
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P145

The total authorised ordinary share capital comprises 100 million shares (2004: 100 million shares) with a par value of 20 cents each. All issued shares are fully paid.

	Number of shares issued (million)	Ordinary shares (R million)	Share premium (R million)	Treasury shares (R million)	Total (R million)
At 30 June 2003	66.594	13.3	604.5		617.8
Adjustment for IFRS2 adoption			10.9		10.9
Restated opening balance:					
At 30 June 2003	66.594	13.3	615.4		628.7
Consolidation of share trust	(0.084)		(18.7)		(18.7)
Issued by the share option scheme	0.103		26.2		26.2
Equity compensation plans			21.7		21.7
At 30 June 2004	66.613	13.3	644.6		657.9
Issued by the share option scheme	0.155	0.1	53.2		53.3
Treasury shares purchased	(1.230)			(613.1)	(613.1)
Equity compensation plans			22.3		22.3
At 30 June 2005	65.538	13.4	720.1	(613.1)	120.4

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

13 Share capital (continued)

Share capital and share premium (continued)

Up to 10% of the unissued shares may be issued by the directors at their discretion until the next annual general meeting. The Directors' report sets out additional details in respect of the share option scheme.

The group acquired, through a subsidiary, 1,230,622 of its own shares, in terms of an approved share buy-back scheme, through purchases on the JSE Limited during the period under review for an amount of R613.1 million (2004: nil) at an average price of R498.22 per share. The shares are held as 'treasury shares' which reduce shareholders' equity.

Share options

Movement in the number of share options outstanding was as follows (000):

	2005		2004	
	Number (000)	Weighted average exercise price R	Number (000)	Weighted average exercise price R
At beginning of year	1,094.4	501.82	962.7	467.58
Granted	141.5	509.07	335.4	548.52
Exercised	(155.3)	348.38	(102.4)	259.25
Expired	(1.5)	599.57	–	–
Forfeited	(201.5)	525.00	(101.3)	574.57
At end of year	<u>877.6</u>	<u>524.66</u>	<u>1,094.4</u>	<u>501.82</u>
Exercisable	224.0	521.95	135.1	360.82
Not yet exercisable	653.6	524.49	959.3	521.68
	<u>877.6</u>	<u>524.66</u>	<u>1,094.4</u>	<u>501.82</u>

Refer to the Directors' report for details on share options held by directors and key management personnel.

The number of shares held by the Trust at year end totalled 77,003 (2004: 8,350).

13 Share capital (continued)

Share options (continued)

Share options outstanding (number in thousands) at the end of the year have the following terms:

Option price rand per share	Vesting years								Total number
	2001 – 2003	2004	2005	2006	2007	2008	2009	2010	
52.50	1.4								1.4
57.50	2.5								2.5
146.00	6.0	4.5							10.5
200.00	3.4	3.2	4.5						11.1
281.00				11.0					11.0
344.00	0.8	1.8	3.9	9.6					16.1
381.00			5.3	7.1	7.1	7.1			26.6
401.00				4.5	4.5	4.5			13.5
430.30				4.0	4.0	4.0	4.0		16.0
461.68					2.0	2.0	2.0	2.0	8.0
475.25					1.2	1.2	1.3	1.2	4.9
482.61				1.1	1.1	1.1	1.1		4.4
483.48					2.4	2.4	2.4	2.5	9.7
484.10			9.2	16.6	13.5	13.5			52.8
505.25					2.4	2.4	2.4	2.5	9.7
507.00	6.3	30.4	39.4	45.5	44.7				166.3
507.12			6.2	9.7	9.7	9.7	9.7		45.0
515.82			0.5	4.8	4.8	4.8	4.8		19.7
522.00		0.5	0.5	0.5	0.5				2.0
536.37					5.5	5.5	5.5	5.6	22.1
539.40				1.0	1.0	1.0	1.0		4.0
544.25					1.0	1.0	1.0	1.0	4.0
556.00		4.4	5.0	4.8	4.8				19.0
568.99			0.5	0.5	0.5	0.5			2.0
579.00			2.1	2.1	2.1	2.1			8.4
587.00			1.1	15.9	15.9	15.9	15.9		64.7
589.99			1.6	0.9	0.9	0.9			4.3
594.25		0.7	15.8	14.6	14.6	14.6			60.3
600.00		0.7	61.9	61.9	61.9	61.9			248.3
611.48				2.3	2.3	2.3	2.4		9.3
Total 2005	20.4	46.2	157.5	218.4	208.4	158.4	53.5	14.8	877.6
Total 2004	29.0	117.4	218.7	257.2	233.5	176.9	61.7		1,094.4

P147

The share option scheme was closed to future issues with effect from October 2004.

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

14 Other reserves

	Fair value adjustment: investments	Translation of foreign subsidiaries	Acquisition equity adjustment	Total
Balance 1 July 2003	200.6	(161.8)		38.8
Revaluation (Note 7)	(58.0)			(58.0)
Deferred tax charged to equity (Note 16)	9.4			9.4
Currency translation differences		(265.8)		(265.8)
Acquisition of Implats Holdings Limited (formerly Zimbabwe Platinum Mines Limited) minorities (Note 38)			(350.7)	(350.7)
Balance 30 June 2004	152.0	(427.6)	(350.7)	(626.3)
Revaluation (Note 7)	90.0			90.0
Deferred tax charged to equity (Note 16)	(13.4)			(13.4)
Currency translation differences		103.2		103.2
Deferred tax charged to equity (Note 16)		(30.6)		(30.6)
Acquisition of Implats Holdings Limited (formerly Zimbabwe Platinum Mines Limited) minorities (Note 38)			(29.0)	(29.0)
Balance 30 June 2005	228.6	(355.0)	(379.7)	(506.1)

15 Borrowings

Current

Indwa Investments Limited	–	500.0
Absa Bank Limited	3.3	51.4
Bank overdrafts (Note 12)	–	17.2
	3.3	568.6

Total borrowings

	3.3	568.6
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The Indwa Investments Limited loan facility bore interest at 8.4% per annum and was repaid during the year.

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

15 Borrowings (continued)

The Absa Bank loan, which is US dollar-denominated, was obtained to finance the Ngezi/SMC Project and was payable over two years commencing March 2003. The loan bears interest at London Interbank Offer Rates (LIBOR) plus 5% per annum. The average interest rate during the year was 8.75% (2004: 7.55%). The debt is secured by project sales revenue, guarantees by the group, a pledge and cession of the Special Mining Lease No. 1 mining agreement, mineral rights pertaining to the Ngezi South Claims and a pledge of shares in the following subsidiaries:

- Zimbabwe Platinum Mines (Private) Limited (formerly Makwiro Platinum Mines (Private) Limited)
- Hartley Minerals Zimbabwe (Private) Limited
- Hartley Platinum Mines (Private) Limited

The effective interest rates for the year were as follows:

	%	%
Bank loans (R)	7.40	8.30
Bank loans (US\$)	7.50	6.36

Borrowing powers

In terms of the articles of association of the companies in the group, the borrowing powers of the group are determined by the directors but are limited to ordinary shareholders' interest.

Ordinary shareholders' interest	14,110.3	10,684.8
Currently utilised	3.3	568.6

16 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Deferred tax assets

– Deferred tax asset to be recovered after more than 12 months	–	(9.4)
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Deferred tax liabilities – net

Deferred tax assets:

– Deferred tax asset to be recovered after more than 12 months	(272.8)	(131.0)
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Deferred tax liabilities:

– Deferred tax liability to be recovered after more than 12 months	2,653.9	2,402.9
	<u>2,381.1</u>	<u>2,271.9</u>

Deferred income taxes are calculated at the prevailing tax rates of the different fiscal authorities where the asset or liability originates.

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

16 Deferred income tax (continued)

The movement in the deferred income tax account is as follows:

At the beginning of the year	2,262.5	1,886.7
Acquisition of interest in subsidiaries and joint venture	–	56.7
Exchange adjustment on translation of foreign subsidiaries and joint venture	4.6	(10.9)
Fair value adjustment to loans	(39.0)	–
Tax charged to equity (Note 14)	44.0	(9.4)
Income statement charge (Note 32)	109.0	339.4
Net deferred tax liability at the end of the year	2,381.1	2,262.5

Deferred tax assets and liabilities are attributable to the following items:

Deferred tax liabilities

Property, plant and equipment	2,621.1	2,356.4
Other	32.8	46.5
	2,653.9	2,402.9

Deferred tax assets

Substantially long-term provisions	(75.0)	(123.5)
Other	(197.8)	(16.9)
	(272.8)	(140.4)
Net deferred tax liability	2,381.1	2,262.5

17 Provision for employee benefit obligations

Pension and provident plans

Independent funds provide pension and other benefits to all permanent employees and their dependants.

At the end of the financial year the following funds were in existence:

– Impala Provident Fund	– Mine Employees Pension Fund (industry fund)
– Impala Platinum Refineries Provident Fund	– Mining Industry Pension Fund Zimbabwe (industry fund)
– Impala Workers Provident Fund	– National Social Security Scheme Zimbabwe (industry fund)
– Impala Supplementary Pension Fund	– Old Mutual – Zimasco Pension Fund
– Sentinel Pension Fund (industry fund)	– Novel Platinum Pension Fund

Post-employment medical benefits

The amounts recognised in the income statement were as follows:

Current service cost	2.9	3.0
The total charge was included in operating expenses (Note 25)		

Movement in the liability recognised in the balance sheet:

At beginning of year	62.3	63.5
Total expense – as shown above	2.9	3.0
Contributions paid	(5.5)	(4.2)
At end of year	59.7	62.3

Cash settled share appreciation rights liability

At beginning of year	–	–
Charge to income statement (Note 25)	4.9	–
	4.9	–

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

17 Provision for employee benefit obligations (continued)

Share appreciation rights, net of options forfeited, were granted to employees during the year at an average exercise share price of R508.87 per share (2004: nil) and expire during 2015 (2004: nil).

Movement in the number of share appreciation rights outstanding

was as follows (000):	2005	2004
At beginning of year	–	–
Granted	400.0	–
At end of year	400.0	–

Share appreciation rights outstanding (number in thousands) at the end of the year have the following terms:

Price per share	Vesting years				Total number
	2007	2008	2009	2010	
461.68	1.7	1.7	1.6	1.6	6.6
498.91	0.7	0.8	0.9	0.9	3.3
507.12	7.6	7.6	7.6	7.6	30.4
509.97	90.0	89.9	89.9	89.9	359.7
Total	100.0	100.0	100.0	100.0	400.0

The input parameters were the same as for the calculation of the share option scheme (Note 3)

The total intrinsic value was R35.3 million (2004: nil) as determined by the year-end share price of R597.00.

Total employee benefit obligations	64.6	62.3
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18 Provision for future rehabilitation

Future rehabilitation obligation

At beginning of year	207.3	200.2
Disposal of subsidiary (Note 30)	–	(24.2)
Exchange adjustment on translation of foreign subsidiaries and joint venture	1.9	(1.0)
Present value of additional rehabilitation obligations (Note 5)	13.3	27.5
Charge to income statement (Note 28)	16.9	11.6
	239.4	214.1
Less: utilised during year	(4.5)	(6.8)
At end of year	234.9	207.3

Current cost rehabilitation estimate is R524.9 million (2004: R455.7 million)

The movement of the investment in the Impala Pollution, Rehabilitation and Closure Trust Fund, is as follows:

At beginning of year	89.0	74.9
Interest accrued (Note 27)	10.3	5.8
Contributions	–	8.3
At end of year	99.3	89.0

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

18 Provision for future rehabilitation (continued)

Future value of rehabilitation obligation	1,913.8	1,830.9
Future value of rehabilitation trust investment	(960.1)	(964.2)
Future net environmental rehabilitation obligation	<u>953.7</u>	<u>866.7</u>

The future value of the rehabilitation obligation was calculated by inflating the current rehabilitation cost over 25 years to an estimated future rehabilitation cost.

The future value of the rehabilitation trust investment was calculated by assuming that the present balance in the rehabilitation trust will be invested at a risk-free rate over 25 years. The shortfall will be funded by contributions to the trust.

Guarantees have been provided to the various Minerals and Energy Departments (DME) to satisfy the requirements of the Minerals and Petroleum Resources Development Act with respect to environmental rehabilitation (Note 36).

P152

19 Trade and other payables

Trade payables	1,971.1	1,542.5
Payables to related parties (Note 39)	566.6	471.0
Royalties payable	385.8	395.0
Forward commitments (Note 37)	306.7	158.7
Leave liability	188.6	180.0
Other payables	163.6	127.9
	<u>3,582.4</u>	<u>2,875.1</u>

The uncovered foreign currency denominated balances as at 30 June were as follows:

Trade and other payables (US\$ million)	175.4	15.9
Forward commitments (US\$) (Note 37)	46.0	25.7
	<u>221.4</u>	<u>41.6</u>

Royalties payable

Comprises the accrual for royalty payments to the holders of mineral rights. The calculation is based on mining taxable income and is only finalised once that has been assessed by the South African Revenue Services. Payments are made in accordance with an agreed schedule.

Leave liability

Employee entitlements to annual leave are recognised on an ongoing basis. The liability for annual leave as a result of services rendered by employees is accrued up to the balance sheet date.

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

20 On-mine operations

On-mine costs exclude amortisation and comprise the following principal categories:

Labour	2,253.6	2,009.4
Materials and other mining costs	1,664.9	1,492.4
Utilities	191.0	165.9
	<u>4,109.5</u>	<u>3,667.7</u>

21 Concentrating and smelting operations

Concentrating and smelting costs exclude amortisation and comprise the following principal categories:

Labour	201.6	173.6
Materials and other costs	611.5	551.1
Utilities	230.2	242.7
	<u>1,043.3</u>	<u>967.4</u>

P153

22 Refining operations

Refining costs exclude amortisation and comprise the following principal categories:

Labour	215.2	205.8
Materials and other costs	230.9	238.7
Utilities	56.0	32.7
	<u>502.1</u>	<u>477.2</u>

23 Net foreign exchange transaction (gains)/losses

The exchange differences charged to the income statement are included as follows:

Sales	(33.7)	198.9
Forward cover contracts	1.2	17.1
	<u>(32.5)</u>	<u>216.0</u>

24 Other operating expenses

Other costs comprise the following principal categories:

Corporate costs	211.7	189.6
Selling and promotional expenses	107.2	65.8
	<u>318.9</u>	<u>255.4</u>

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

25 Employee benefit expense

Employment costs

Wages and salaries	2,638.4	2,368.7
Other post retirement benefits (Note 17)	2.9	3.0
Pension costs – defined contribution plans (Note 17)	91.2	80.3
Share based compensation	27.2	21.7
– Equity settled (Note 13)	22.3	21.7
– Cash settled (Note 17)	4.9	–
	2,759.7	2,473.7

26 Other (income)/expenses

Exploration expenditure	6.4	8.4
Government assistance – export incentive	(93.4)	(16.4)
Sale of toll-refining and concentrate purchasing agreement	(101.6)	–
Insurance commissions	(102.3)	–
Other	(1.3)	(3.4)
	(292.2)	(11.4)

27 Other gains – net

Other gains consist of the following principal categories:

Interest income		
Short-term bank deposits	202.3	65.0
Effective interest on fair value adjusted loans	30.7	–
Rehabilitation and Closure Trust Fund (Note 18)	10.3	5.8
Loans and advances	1.8	11.8
Settlement discounts	11.4	9.3
Interest-bearing securities	–	8.0
Employee loans	5.8	6.9
Other	0.1	0.6
	262.4	107.4
Fair value (losses)/gains on financial instruments	(17.1)	18.1
Dividends received	1.0	11.2
Metal lease fees	3.5	1.9
	(12.6)	31.2
Total other gains – net	249.8	138.6

28 Finance costs

Bank borrowings	(37.2)	(56.4)
Debentures	–	(3.9)
Other	(0.2)	(2.7)
Rehabilitation obligation – unwinding of discount (Note 18)	(16.9)	(11.6)
	(54.3)	(74.6)

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

29 Share of profit of associates

Lonplats (comprising Western Platinum Limited and Eastern Platinum Limited) (Note 6 i)	207.5	289.5
Aquarius Platinum (South Africa) (Proprietary) Limited (Note 6 iii)	(3.8)	38.9
	<u>203.7</u>	<u>328.4</u>

30 Sale of subsidiaries/associate

i) Barplats Investments Limited

Barplats, a subsidiary and reporting segment, was sold on 31 May 2004.

The income statement of Barplats for the 11 months ended 31 May 2004 was as follows:

Sales	112.9
Operating expenses	(107.5)
Other expenses	(33.5)
Tax	0.0
Loss for the period	<u>(28.1)</u>
Profit on sale of subsidiary	322.3
Net result of discontinued operation	<u>294.2</u>

Barplats business segment

Balance sheet as at 31 May 2004

Non-current assets	206.2
Current assets	1.3
Total assets	<u>207.5</u>

Capital and reserves attributable to the equity holders of the holding company	67.2
Non-current liabilities	24.2
Current liabilities	116.1
Total equity and liabilities	<u>207.5</u>

Cash flow statement for the 11 months ended 31 May 2004

Cash flows from operating activities	(29.5)
Cash flows from investing activities	(3.0)
Cash flows from financing activities	32.5
Net movement in cash and cash equivalents	<u>-</u>

Notes to the consolidated financial statements Implats group – Year ended 30 June 2004

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

30 Sale of subsidiaries/associate (continued)

i) Barplats Investments Limited (continued)

Cash effect of sale of subsidiary

Property, plant and equipment	215.7
Inventories	0.2
Trade and other receivables	2.1
Cash and cash equivalents	0.2
Provision for future rehabilitation	(24.2)
Trade and other payables	(116.1)
Book value of net assets sold	77.9
Minority interest	(11.4)
Profit on sale of subsidiary	322.3
Proceed from sale of investment	388.8
Cash balance disposed	(0.2)
Net cash effect	388.6

ii) Lonplats (comprising Western Platinum Limited and Eastern Platinum Limited)

Proceeds from disposal of Lonplats	4,919.8
Less: carrying value of investment	(1,633.7)
Less: transaction costs and fair value adjustment on BEE loans	(131.1)
Profit on sale of associate	3,155.0

31 Profit before tax

The following items have been charged in arriving at profit before tax:

Auditors' remuneration

Fees for audit services	3.9	2.9
Fees for other services	1.2	0.2

Provisions

Post-retirement medical benefits (Note 17)	2.9	3.0
Rehabilitation obligation finance cost – unwinding of discount (Note 18)	16.9	11.6

Amortisation of assets

Mining assets (Note 5)	628.2	572.3
Depreciation of other assets (Note 5)	9.3	7.7
Repairs and maintenance expenditure on property, plant and equipment	163.9	161.5
Operating lease rentals	2.0	1.5
Professional fees	28.1	57.9
Employee benefit expense (Note 25)	2,759.7	2,473.7

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

32 Income tax expense

Current tax		
Mining	472.5	395.0
Non-mining	319.1	223.2
	<u>791.6</u>	<u>618.2</u>
Deferred tax (Note 16)		
Current year	178.8	360.9
Change in rate	(69.8)	(21.5)
	<u>109.0</u>	<u>339.4</u>
Secondary tax on companies	170.9	140.3
Foreign tax	8.9	43.4
	<u>179.8</u>	<u>183.7</u>
Tax for the year	<u>1,080.4</u>	<u>1,141.3</u>

The tax of the group's profit differs as follows from the theoretical charge that would arise using the basic tax rate for South African companies:

	%	%
Normal tax rate for companies	29.0	30.0
Adjusted for:		
Disallowable expenditure	2.8	0.4
Exempt income	(14.4)	(2.4)
Effect of change in tax rate	(1.1)	-
Effect of different tax rates of associates	(0.9)	(2.4)
Effect of different tax rates of foreign subsidiaries	(1.0)	(1.3)
Secondary tax on companies	2.7	3.4
Effective tax rate	<u>17.1</u>	<u>27.7</u>

33 Earnings per share

Basic earnings per share is calculated by dividing the net profit by the weighted average number of ordinary shares in issue during the year.

Profit attributable to equity holders of the company	5,237.6	2,941.3
Weighted average number of ordinary shares in issue (millions)	<u>66.129</u>	<u>66.580</u>
Basic earnings per share (cents)		
From continuing operations	3,463	3,976
From sale of Lonplats (2004: sale of Barplats)	4,457	442
	<u>7,920</u>	<u>4,418</u>

P157

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

33 Earnings per share (continued)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares as a result of share options granted to employees under the share option scheme. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Profit attributable to equity holders of the company	5,237.6	2,941.3
Weighted average number of ordinary shares in issue (millions)	66.129	66.580
Adjustments for share options (millions)	0.054	0.117
Weighted average number of ordinary shares for diluted earnings per share (millions)	66.183	66.697

Diluted earnings per share (cents)

From continuing operations	3,460	3,969
From sale of Lonplats (2004: sale of Barplats)	4,454	441
	7,914	4,410

The calculation for headline earnings per share is based on the basic earnings per share calculation adjusted for the following items:

Profit attributable to equity holders of the company	5,237.6	2,941.3
Add: impairment of assets net of tax	849.8	–
Less: sale of toll refining contract net of tax	(72.1)	–
Less: profit on sale of Lonplats (2004: Barplats Investments Limited)	(3,155.0)	(322.3)
Headline earnings	2,860.3	2,619.0

Headline earnings per share (cents)

– basic	4,325	3,934
– diluted	4,322	3,927

34 Dividend per share

At the Board meeting on 26 August 2005, a final dividend in respect of 2005 of 1,800 cents per share amounting to a total dividend of R1,203.2 million was approved. Secondary Tax on Companies (STC) on the dividend will amount to R150.4 million.

These financial statements do not reflect this dividend and related STC payable. The dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 30 June 2006.

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

34 Dividend per share (continued)

Dividends paid

Final dividend No. 73 for 2004 of 1,600 (2003: 1,750) cents per share	1,062.6	1,165.4
Interim dividend No. 74 for 2005 of 500 (2004: 500) cents per share	332.2	332.6
	<u>1,394.8</u>	<u>1,498.0</u>

Dividend cover relating to dividends paid and proposed in the financial year

Based on net profit	3.4	2.1
Based on headline earnings (Note 33)	<u>1.9</u>	<u>1.9</u>

35 Cash generated from operations

Reconciliation of net profit to cash generated from operations:

Profit attributable to equity holders of the company	5,237.6	2,941.3
Adjustments for:		
Profit on disposal of associate/subsidiary (Note 30)	(3,155.0)	(322.3)
Minority interest	16.3	17.4
Income tax expense (Note 32)	1,080.4	1,141.3
Depreciation (Note 31)	9.3	7.7
Amortisation (Note 31)	628.2	572.3
Fair value loss/(gain) financial instruments (Note 27)	17.1	(18.1)
Interest income (Note 27)	(262.4)	(107.4)
Dividend income (Note 27)	(1.0)	(11.2)
Finance cost (Note 28)	54.3	74.6
Share of results of associates (Note 29, 6)	(203.7)	(328.4)
Retirement benefit obligations (Note 17)	2.9	3.0
Payments made for post-retirement benefits (Note 17)	(5.5)	(4.2)
Payments made for rehabilitation (Note 18)	(4.5)	(6.8)
Impairment of fixed assets (Note 5)	1,033.8	-
Equity compensation (Note 25)	27.2	21.7
Amortisation of prepaid royalty (Note 9)	4.9	4.9
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(481.2)	(398.5)
Trade and other receivables	(915.0)	(639.1)
Payables	32.6	(461.6)
Accruals	639.2	661.0
Cash generated from operations	<u>3,755.5</u>	<u>3,147.6</u>

P159

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

36 Contingent liabilities and guarantees

At year end the group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

Related party contingencies

Aquarius Platinum (South Africa) (Proprietary) Limited (Note 6 iii)	146.3	175.0
Zimbabwe Platinum Mines (Private) Limited (formerly Makwiro Platinum Mines (Private) Limited)	3.3	51.4
Collateral security for employee housing	3.2	7.3
Withholding tax on dividends	16.0	–
Department of Minerals and Energy	288.0	103.7
Registrar of medical aids	5.0	5.0
Total contingencies	461.8	342.4

Due to uncertainties regarding the timing and amounts, potential outflows cannot be quantified.

P160

37 Commitments

Commitments at the balance sheet date, but not recognised in the financial statements, are as follows:

Mining property, plant and equipment

Commitments contracted for	2,595.5	603.2
Approved expenditure not yet contracted	6,877.9	1,844.4
	9,473.4	2,447.6

Not later than 1 year	2,191.8	625.0
Later than 1 year not later than 5 years	7,268.4	1,822.6
Later than 5 years	13.2	–
	9,473.4	2,447.6

Operating lease rentals for mining accommodation

Not later than 1 year	2.1	2.3
Later than 1 year but not later than 5 years	10.1	10.8
Later than 5 years	6.2	10.2
	18.4	23.3

This expenditure will be funded internally and if necessary, from borrowings.

The forward commitments, recognised in the financial statements, are as follows:

Metal purchase commitments

From time to time, in order to finance third party refining, Impala Refining Services Limited sells refined metal, held on behalf of third parties, into the market with a commitment to repurchase at a later date.

Foreign currency US\$ millions (Note 19)	46.0	25.7
Fair value R millions (not later than 1 year) (Note 19)	306.7	158.7

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

38 Business combinations

Zimplats Holdings Limited (formerly Zimbabwe Platinum Mines Limited)

During the year, a further 1.3 million (2004: 32.3 million) shares were acquired for an amount of R22.2 million (2004: R631.9 million) [AU\$4.8 million (2004: AU\$135.2 million)]

A restructuring of the shareholding in the Zimplats group, resulted in 14.8 million shares being issued to Impala Platinum Holdings Limited for its holding in Zimbabwe Platinum Mines (Private) Limited (formerly Makwiro Platinum Mines (Pvt) Limited). The total value of this transaction was R244.9 million. The percentage holding after these changes is 86.9% in Zimplats Holdings Limited.

Details of the transactions are as follows:

Purchase consideration:

Cash paid	22.2	631.9
Transfer to investment in Zimplats Holdings Limited	244.9	–
	<u>267.1</u>	<u>631.9</u>
Value of investment in Zimbabwe Platinum Mines (Private) Ltd (formerly Makwiro Platinum Mines Limited)	(244.9)	–
Carrying value of minorities acquired	6.8	(281.2)
Movement in other reserves (Note 14)	<u>29.0</u>	<u>350.7</u>

P161

39 Related party transactions

The following transactions were carried out with related parties:

Sales of goods and services to associates

Sales of services

Refining fees	9.8	255.4
Interest	–	5.5
	<u>9.8</u>	<u>260.9</u>

Purchases of goods and services from associates

Purchases of mineral concentrates	<u>1,187.8</u>	<u>1,314.6</u>
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Key management compensation

Key management compensation has been disclosed in the directors report.

Year-end balances arising from sales/purchases of goods/services

Payables to associates (Note 19)	<u>566.6</u>	<u>471.0</u>
Receivables from associates (Note 11)	<u>341.9</u>	<u>246.3</u>

Notes to the consolidated financial statements Implats group – Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

39 Related party transactions (continued)

Loans to related parties

Loans to directors and key management of the company have been disclosed in the Directors' report.

Loans to associates:

Beginning of the year	245.8	70.0
Loans advanced during year	5,698.1	1,129.5
Loan repayments received	(5,604.5)	(953.7)
Interest charged	9.8	4.7
Interest received	(8.6)	(4.7)
End of the year (Note 11)	340.6	245.8

Contingencies

Guarantees provided (Note 36)	146.3	175.0
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Share options granted to directors

The aggregate number of share options granted to the directors and key management is disclosed in the directors report.

40 Principal subsidiaries

The principal subsidiaries of the group are set out in Annexure A.

41 Interest in joint venture

The group has a 50% interest in a joint venture, Mimosa Investments Limited, which is involved in the business of mining PGMs. The following amounts represent the group's 50% share of the assets and liabilities and sales and results of the joint venture and are included in the consolidated balance sheet and income statement:

Property, plant and equipment	412.8	364.5
Current assets	88.8	8.4
	501.6	372.9
Provisions for liabilities and charges	(41.7)	(43.6)
Current liabilities	(53.7)	(67.8)
	(95.4)	(111.4)
Net assets	406.2	261.5
Sales	304.9	246.7

Inter-group sales are eliminated on consolidation.

(All amounts in rand millions unless otherwise stated)

Year ended 30 June
2005 2004

41 Interest in joint venture (continued)

Profit before tax	97.5	108.5
Income tax expense	(2.4)	(16.2)
Profit after tax	<u>95.1</u>	<u>92.3</u>
Capital commitments – approved expenditure not yet contracted	40.7	7.5
– commitments contracted for	–	193.5
	<u>40.7</u>	<u>201.0</u>

There are no contingent liabilities relating to the group's interest in the joint venture.

42 Events after the balance sheet date

Post balance sheet events are disclosed in the Directors' report.