

financial review

key features for the year

- **Headline earnings up 10% to 4,325 cents per share**
- **Gross margin of 34%**
- **Profit on the sale of Lonplats of R3.16 billion**
- **Marula impairment of R1.0 billion before deferred taxation reversal**
- **Total dividend for the year of 2,300 cents per share**

Implats' results for the 2005 financial year reflect an excellent operating performance. The gross operating margin for the group was 34%, slightly lower than the margin of 36% recorded the previous year. Headline profit of R2.86 billion was 9% higher. The 78% increase in net profit to R5.3 billion includes the profit from the sale of the investment in Lonplats of R3.16 billion, the sale of the Messina IRS contract to Lonplats for a net amount of R72 million, and an impairment of R1.03 billion less the associated deferred tax reversal of R184 million for the Marula Platinum assets.

Results for the year

Sales increased by 6% in rand terms to R12.54 billion, and in dollar terms by 18% from \$1.72 billion to \$2.02 billion. Of the major earnings drivers, volumes and metal prices resulted in positive variances, while the exchange rate had a significant negative variance effect on sales:

- **Volumes:** Platinum and palladium sales rose 4% and 13% respectively for the year to June 2005 while nickel sales volumes were 8% lower, the net result was a positive variance of R208 million.

- **Metal prices:** An increase in the dollar prices of all major metals resulted in a 15% increase in the basket price received (average dollar revenue per platinum ounce sold) to \$1,279 per ounce compared to \$1,116 per ounce for the previous financial year. This resulted in a positive variance of R1,870 million.
- **Exchange rate:** The continued strengthening of the rand caused a negative exchange rate variance of R1,346 million for the year. The average rate achieved during the period was R6.20 per dollar compared to an average of R6.88 per dollar for the 2004 financial year.

Cost of sales

Total cost of sales increased by 10% to R8.32 billion compared to R7.55 billion for the previous financial year. This was mainly due to:

- a 5% rise in headline platinum production;
- an annual wage adjustment of 8%; and
- higher operating costs at the Zimbabwean operations.

The group unit cost per platinum ounce rose to R4,548, up 9.7% from the R4,144 per ounce for the 2004 financial year. The Impala unit cost per platinum ounce, which represents the majority of the business, rose by 5.3%.

Exchange rate transaction gains for the period amounted to R33 million versus a R216 million loss for the previous financial year. The applicable exchange rate for the translation of debtors/advances at 30 June 2005 was R6.66/\$ compared to R6.17/\$ on 30 June 2004, a weakening of 8%.

Operating margins (%)

Entity	Source	FY2005	FY2004
Impala	Mine-to-market	41.9	41.5
Zimplats	Mine-to-matte*	19.9	35.7
Mimosa	Mine-to-concentrate*	29.9	51.3
IRS	Matte/concentrate-to-market and toll	15.0	18.6
Implats		33.7	36.1

* Including the export incentive receipts, margins were 27.7% for Zimplats and 42.9% for Mimosa.

gross cash position at year-end

FY01	3,038
FY02	3,150
FY03	2,325
FY04	1,204
FY05	3,984

average rand/dollar exchange rate achieved

FY01	7.68
FY02	10.16
FY03	9.06
FY04	6.88
FY05	6.20

Contributions to earnings

Implats' income is derived from three distinct sources: mine-to-market operations, IRS and equity income from investments.

- Mine-to-market operations:** Revenue is generated by operations owned, managed or jointly managed by Implats, namely: Impala Platinum, Marula Platinum, Zimplats and Mimosa. Gross margins for the financial year for the Impala segment were 41.9%, up slightly from 41.5%, for 2005. The margins for both Zimbabwean operations were down as a result of operating cost increases. Margins at Marula, which is still in a ramp-up phase, render a comparison meaningless at this stage.
- IRS:** Income is generated by the processing of concentrate or matte purchased and toll treatment. IRS margins of 15% for the year were lower as a result of a decline in toll income. These lower margins also reflect IRS's reduced risk and lower level of capital intensity.
- Equity income:** Income is generated by those companies in which Implats has, or had, equity accountable interests and include Lonplats, Aquarius Platinum and Two Rivers. For the 2005 financial

year, equity accounted income amounted to R204 million. The Two Rivers project has been approved and will be included in the mine-to-market segment once operational.

Impala Platinum continued to be the major contributor to earnings, accounting for 77% of headline profit for the period under review. A 16% decline in platinum production through IRS for the 2005 financial year and a forex gain of R113 million, resulted in profit from IRS increasing by 18% to R466 million. This represents 16% of headline profit, compared to 15% the previous year. The contributions from the Zimplats/Mimosa operations decreased substantially as a result of increased unrealised profit in group inventories and operating costs.

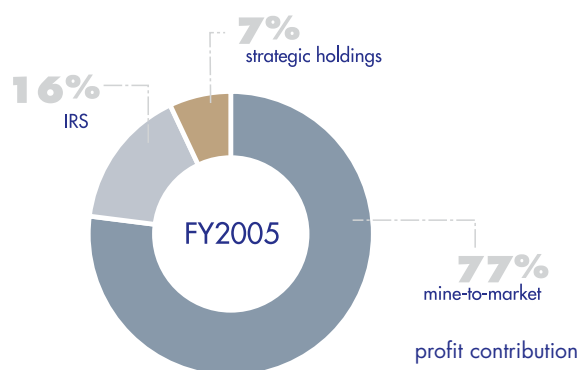
Earnings from Implats' investment in Lonplats made a final contribution to group income. Attributable income decreased to R208 million and the contribution to group earnings reduced to 7% from 11% compared to the previous financial year as this investment was only equity accounted for six months. Dividends received from this investment for the period under review totalled R35 million.

Contributions to net profit from the various companies (Rm)

	FY2005	% contribution	FY2004	% contribution
Impala Platinum	2,201	76.9	1,678	64.1
IRS	466	16.3	394	15.0
Gazelle Platinum Limited – other*	(90)	(3.1)	–	–
Gazelle Platinum Limited – Lonplats	208	7.3	290	11.1
Aquarius Platinum (SA)	(4)	(0.1)	39	1.5
Barplats	–	–	(27)	(1.0)
Marula Platinum	(105)	(3.7)	(23)	(0.9)
Mimosa	95	3.3	112	4.3
Zimplats	90	3.1	156	6.0
Headline earnings	2,861	100.0	2,619	100.0
Profit from sale of investments/subsidiaries	3,155		322	
Profit from sale of IRS contract	72		–	
Impairment of assets	(850)		–	
Attributable earnings	5,238		2,941	

* Exchange loss and interest received on Lonplats receipts

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Implats' share in Lonplats was sold for an amount of R4.9 billion (\$763 million). As an integral part of this transaction, R617.5 million was made available as loans to various BEE companies. These loans are repayable within five to seven years and are structured into interest-free and interest-bearing portions.

The contribution from AQP(SA) for the 2005 financial year was a negative R4 million, compared to a positive contribution of R39 million the previous year. This was a result of the operating loss recorded by the Marikana mine and higher unrealised profit in group inventories.

Earnings

Headline earnings for the financial year increased by 10% to 4,325 cents per share compared to 3,934 cents in the 2004 financial year. This was mainly as a result of the 3% increase in the rand revenue per platinum ounce sold during FY2005. The effect of the decrease in the corporate tax rate from 30% to 29% announced by the South African fiscus during the period under review, allowed the company to benefit from a once-off non-cash adjustment to deferred taxation of R69.8 million.

A 10% change in the rand revenue per platinum ounce sold and received for a complete year (basket price) would result in a 30% change in headline earnings.

There was a slight decrease in the number of weighted shares in issue to 66.1 million shares, as a result of the share buy-back.

Dividends

The total dividend proposed for the year is 2,300 cents per share, comprising an interim dividend per share of 500 cents, which was paid in March 2004, and a final dividend per share of 1,800 cents. This is 10% higher than the total dividend declared and proposed in the last financial year of 2,100 cents a share.

Dividend remains at 1.9 times cover on headline earnings which is in line with the board's stated dividend policy.

Balance sheet, structure and cash flow

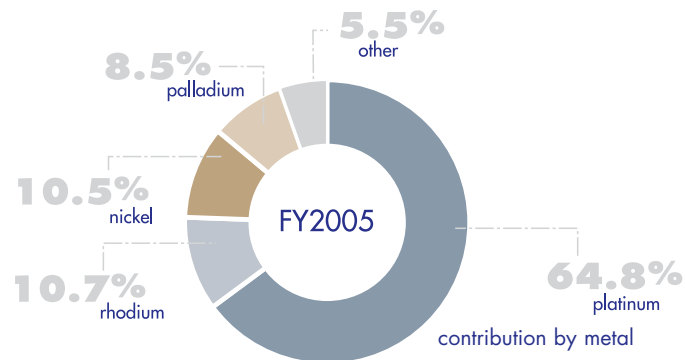
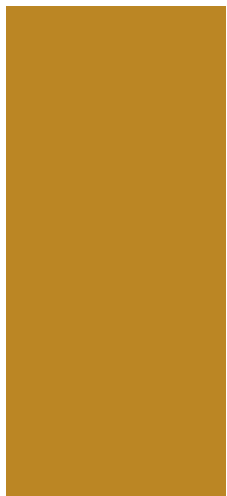
The group generated cash from operating activities of R2.79 billion during the year to June 2005 and net cash from investing activities of R2.50 billion. After funding the group's capital expenditure programmes, dividends and investments at the end of June 2005, the net closing cash position was R3.98 billion compared to R636 million at the end of June 2004. The group acquired 1.2 million of its own shares in terms of an approved share buy-back scheme for an amount of R613.1 million.

Contribution to attributable production (000 oz)

	FY2005 Platinum	FY2004 Platinum	FY2005 PGMs	FY2004 PGMs
Impala Platinum	1,115	1,090	2,062	1,976
IRS*	733	871	1,487	1,749
Lonplats (27.1%)	139	269	267	505
Total ounces in which Implats group has an economic interest	1,987	2,230	3,816	4,230
Less: Lonplats	(139)	(269)	(267)	(505)
Gross Implats production	1,848	1,961	3,549	3,725
Less: IRS metal returned to toll contracts	(246)	(501)	(479)	(1,012)
Retained for sale by Implats group	1,602	1,460	3,070	2,713

* Lonplats material treated included in IRS production

Note: In line with the attributable earnings stream, it should be noted that for FY2005, Implats had a total economic interest in about 2.0 million ounces of platinum and 3.8 million ounces PGMs.



The group will continue to examine its forward capital and investment requirements, and to balance this with its cash generative potential. Implats has maintained a strong balance sheet despite the recent strength of the rand against all foreign currencies. This has enabled Implats to fund its project pipeline. Implats, through its interests in Zimplats, Mimosa and Two Rivers, is in the process of finalising its debt financing: Zimplats, approximately R65 million; Two Rivers, R700 million (Implats' share – R315 million) and Mimosa, R65 million (Implats share – R32.5 million).

Assets are reviewed for impairment when a change in circumstances indicates that the carrying amount may not be recoverable. In terms of Implats' accounting policy, the recoverability of long-lived assets is derived from estimates of future discounted cash flows. These estimates are subject to risk and uncertainty, including future metal prices and exchange rates. During the year under review, exchange rates and the finalisation

of a viable future mining plan at Marula indicated this would have an impact on discounted cash flows with the result that the carrying amount of the Marula project might not be recoverable and the assets could be considered impaired. As a result, an amount of R1.034 billion (R850 million net of tax) was written down as an impairment charge.

Capital expenditure

Group capital expenditure amounted to R1.99 billion for the year. Capital expenditure at the Impala Platinum segment was R1.69 billion compared to R1.2 billion in the previous period. This was largely accounted for by expenditure on the decline projects and the 16 and 20 Shaft projects. An amount of R118 million was spent on Marula Platinum and R181 million on the Zimbabwean operations.