

## Consolidated balance sheet

As at 30 June

(All amounts in rand millions unless otherwise stated)

	Notes	2006	2005
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	12,270.1	10,035.0
Investments in associates	6	1,167.9	901.2
Available-for-sale financial investments	7	761.1	276.4
Held-to-maturity-investments	8	108.2	99.3
Other receivables	9	611.3	609.2
		<u>14,918.6</u>	<u>11,921.1</u>
<b>Current assets</b>			
Inventories	10	2,936.0	1,721.1
Trade and other receivables	11	3,585.6	3,189.9
Cash and cash equivalents	12	1,864.4	3,984.3
		<u>8,386.0</u>	<u>8,895.3</u>
<b>Total assets</b>		<u>23,304.6</u>	<u>20,816.4</u>
<b>Equity</b>			
<b>Capital and reserves attributable to the equity holders of the holding company</b>			
Share capital	13	362.6	120.4
Other reserves	14	114.0	(506.1)
Retained earnings		13,373.5	14,496.0
Ordinary shareholders interest		13,850.1	14,110.3
<b>Minority interest</b>		<u>214.8</u>	<u>159.8</u>
<b>Total equity</b>		<u>14,064.9</u>	<u>14,270.1</u>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	15	11.3	–
Deferred income tax liabilities	16	2,922.8	2,381.1
Provision for employee benefit obligations	17	187.5	64.6
Provision for future rehabilitation	18	335.4	234.9
Derivative financial instruments	19	38.2	–
		<u>3,495.2</u>	<u>2,680.6</u>
<b>Current liabilities</b>			
Trade and other payables	20	4,741.1	3,582.4
Current income tax liabilities		926.9	280.0
Borrowings	15	11.3	3.3
Derivative financial instruments	19	65.2	–
		<u>5,744.5</u>	<u>3,865.7</u>
<b>Total liabilities</b>		<u>9,239.7</u>	<u>6,546.3</u>
<b>Total equity and liabilities</b>		<u>23,304.6</u>	<u>20,816.4</u>

The consolidated financial statements have been approved for issue by the board of directors on 25 August 2006.

The notes on pages 125 to 163 are an integral part of these consolidated financial statements.

## Consolidated income statement

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

	Notes	2006	2005
<b>Sales</b>	4	17,500.2	12,540.8
On-mine operations	21	(4,722.7)	(4,109.5)
Concentrating and smelting operations	22	(1,129.6)	(1,043.3)
Refining operations	23	(545.2)	(502.1)
Amortisation of mining assets		(622.5)	(628.8)
Metals purchased		(4,326.2)	(2,488.9)
Increase in metal inventories	10	1,161.0	454.8
<b>Cost of sales</b>		<u>(10,185.2)</u>	<u>(8,317.8)</u>
<b>Gross profit</b>		7,315.0	4,223.0
Net foreign exchange transaction gains	24	177.8	32.5
Other operating expenses	25	(340.0)	(318.9)
Other (expenses)/income	27	(147.6)	292.2
Other gains – net	28	303.8	249.8
Finance costs	29	(58.5)	(54.3)
Share of profit of associates	30	114.8	203.7
Royalty expense		(851.8)	(414.9)
Profit from sale of investment in Lonplats	31	–	3,155.0
BEE compensation charge	32	(95.3)	–
Reversal of impairment/(impairment) of assets	5	583.1	(1,033.8)
<b>Profit before tax</b>	33	7,001.3	6,334.3
Income tax expense	34	(2,616.2)	(1,080.4)
<b>Profit for the year</b>		<u>4,385.1</u>	<u>5,253.9</u>
<b>Profit attributable to:</b>			
Equity holders of the company		4,345.4	5,237.6
Minority interest		39.7	16.3
		<u>4,385.1</u>	<u>5,253.9</u>
<b>Earnings per share (expressed in cents per share)</b>	35		
– basic		6,607	7,920
– diluted		<u>6,589</u>	<u>7,914</u>
<b>Dividends to group shareholders (expressed in cents per share)</b>	36		
– final dividend June 2006/5 proposed		2,200	1,800
– interim dividend December 2005/4 paid		1,000	500
– special dividend paid		5,500	–
		<u>8,700</u>	<u>2,300</u>

The notes on pages 125 to 163 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in shareholders' equity

(All amounts in rand millions unless otherwise stated)	Notes	Attributable to equity holders of the Company			Total	Minority interest	Total equity
		Share capital	Other reserves	Retained earnings			
<b>Balance at 30 June 2004</b>		<b>657.9</b>	<b>(626.3)</b>	<b>10,653.2</b>	<b>10,684.8</b>	<b>128.1</b>	<b>10,812.9</b>
Fair value gains, net of tax:							
– Available-for-sale financial investments	14		76.6		76.6		76.6
Currency translation differences, net of tax	14		72.6		72.6	8.6	81.2
Net income recognised directly in equity			149.2		149.2	8.6	157.8
Profit for the year				5,237.6	5,237.6	16.3	5,253.9
Total recognised income for 2005			149.2	5,237.6	5,386.8	24.9	5,411.7
Employee share option scheme:							
– Proceeds from shares issued	13	53.3			53.3		53.3
– Fair value of employee service	13	22.3			22.3		22.3
Purchase of treasury shares by subsidiary	13	(613.1)			(613.1)		(613.1)
Final dividend relating to 2004	36			(1,062.6)	(1,062.6)		(1,062.6)
Interim dividend relating to 2005	36			(332.2)	(332.2)		(332.2)
Transactions with minorities:							
– Purchase of additional shares in Zimplats Holdings Limited	40		(29.0)		(29.0)	6.8	(22.2)
		(537.5)	(29.0)	(1,394.8)	(1,961.3)	6.8	(1,954.5)
<b>Balance at 30 June 2005</b>		<b>120.4</b>	<b>(506.1)</b>	<b>14,496.0</b>	<b>14,110.3</b>	<b>159.8</b>	<b>14,270.1</b>
Fair value gains, net of tax:							
– Available-for-sale financial investments	14		414.4		414.4		414.4
Currency translation differences, net of tax	14		110.7		110.7	16.3	127.0
Net income recognised directly in equity			525.1		525.1	16.3	541.4
Profit for the year				4,345.4	4,345.4	39.7	4,385.1
Total recognised income for 2006			525.1	4,345.4	4,870.5	56.0	4,926.5
Employee share option scheme:							
– Proceeds from shares issued	13	213.9			213.9		213.9
– Fair value of employee service	13	28.3			28.3		28.3
Final dividend relating to 2005	36			(1,181.9)	(1,181.9)		(1,181.9)
Interim dividend relating to 2006	36			(661.9)	(661.9)		(661.9)
Special dividend	36			(3,624.1)	(3,624.1)		(3,624.1)
Share in revaluation reserve of associate BEE compensation charge from sale of shares in Marula Platinum (Pty) Limited	6 32		0.2		0.2		0.2
95.3			95.3		95.3		95.3
Transactions with minorities:							
– Purchase of additional shares in Zimplats Holdings Limited	40		(0.5)		(0.5)	(1.0)	(1.5)
		242.2	95.0	(5,467.9)	(5,130.7)	(1.0)	(5,131.7)
<b>Balance at 30 June 2006</b>		<b>362.6</b>	<b>114.0</b>	<b>13,373.5</b>	<b>13,850.1</b>	<b>214.8</b>	<b>14,064.9</b>

The Notes on pages 125 to 163 are an integral part of these consolidated financial statements.

## Consolidated cash flow statement

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

	Notes	2006	2005
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	6,497.0	3,755.5
Interest paid	29	(40.4)	(37.4)
Income tax paid		(1,553.9)	(931.1)
Net cash from operating activities		<u>4,902.7</u>	<u>2,787.0</u>
<b>Cash flows from investing activities</b>			
Increase in shareholding in subsidiary	40	(1.5)	(22.2)
Purchase of property, plant and equipment		(2,176.7)	(1,995.5)
Proceeds from sale of property, plant and equipment		101.7	31.9
Increase in investments in associates	6	(151.7)	(82.3)
Payment received from associate on shareholders loan	6	–	22.1
Disposal of investment in associate	31	–	4,919.8
Loans granted	9	–	(617.5)
Loan repayments received	9	36.5	41.7
Interest received		356.3	200.1
Dividends received		10.9	1.0
Net cash (used in)/generated from investing activities		<u>(1,824.5)</u>	<u>2,499.1</u>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	13	213.9	53.3
Purchase of treasury shares by subsidiary	13	–	(613.1)
Proceeds from/(repayments of) short-term borrowings		6.9	(548.1)
Proceeds from long-term borrowings		10.2	–
Dividends paid to company's shareholders		(5,467.9)	(1,394.8)
Net cash used in financing activities		<u>(5,236.9)</u>	<u>(2,502.7)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
		<u>(2,158.7)</u>	<u>2,783.4</u>
Cash and cash equivalents at beginning of year	12	3,984.3	1,187.0
Effects of exchange rate changes on monetary assets		38.8	13.9
<b>Cash and cash equivalents at end of year</b>	12	<u>1,864.4</u>	<u>3,984.3</u>

The Notes on pages 125 to 163 are an integral part of these consolidated financial statements.

## Notes to the consolidated financial statements

### 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), the requirements of the South African Companies Act and the regulations of the JSE Limited. 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 judgment in the process of applying the group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

#### 1.2 Changes in accounting policies

The group has adopted the following accounting standards and interpretation of standards (IFRIC) as at 1 July 2005:

- IAS 16 Property, Plant and Equipment (revised) – impact described below
- IAS 21 The Effects of Changes in Foreign Exchange Rates (revised) – no impact
- IAS 39 Financial Instruments: Recognition and Measurement (revised) – no impact
- IFRS 4 Insurance Contracts – no impact
- IFRS 5 Non-current Assets Held For Sale and Discontinued Operations – no impact
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment – no impact
- IFRIC 7 Applying the Restatement Approach under IAS 29 (Financial Reporting in Hyperinflationary Economies) – no impact
- IFRIC 8 Scope of IFRS 2 (Share-Based Payments) and AC 503 Accounting for BEE Transactions – impact described below
- IFRIC 9 Reassessment of Embedded Derivatives – no impact

##### IAS 16 Property, Plant and Equipment

The adoption of IAS16 (revised) requires the group to identify significant components of property, plant and equipment, and to annually reassess the remaining useful lives and residual values of tangible assets at each financial year end. Any reassessment performed is applied prospectively and requires the depreciation charge to be amended for current and future periods only. The group changed the fixed period amortisation for certain assets to the remaining useful lives as the bases for amortisation. The rehabilitation assets have been included in determining the cost of tangible assets. The prospective adoption of this standard has not resulted in a material change in the amortisation charge for the year.

##### IFRIC 8 Scope of IFRS 2 (Share-based Payments) and AC 503 Accounting for BEE Transactions

Transactions with BEE entities involving the granting or selling of shares at a price less than their fair value are expensed through the income statement as a share-based payment charge. The impact on these financial statements is reflected in the income statement as a BEE compensation charge of R95.3 million in the current year, resulting in a reduction in earnings per share of 1.45 cents.

The following accounting standards, which are not yet effective, are being assessed prior to adoption by the group:

- IAS 1 Amendment – Capital Disclosures (January 2007)
- IAS 19 Amendment – Actuarial Gains and Losses, Group Plans and Disclosures (January 2006)
- IFRS 7 Financial Instruments: Disclosures (January 2007)

#### 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.

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.

## 1 Summary of significant accounting policies (continued)

### 1.3 Consolidation (continued)

#### Subsidiaries (continued)

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 1.7).

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 less impairment 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 1.7).

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 less impairment in the company.

#### 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 less impairment 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 inherent 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 Summary of significant accounting policies (continued)

### 1.4 Foreign currency translation

#### 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.

### 1.5 Property, plant and equipment

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

The cost model is applied to value changes in the existing environmental rehabilitation obligation resulting from changes in estimates which are capitalised to the cost of the related asset during the current period. Any decrease in the cost of the asset is limited to its carrying amount and an increase to the cost of an asset is tested for impairment when there is an indication of impairment. These assets are depreciated over their useful lives.

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.

Assets are not depreciated while the residual value equals or exceeds the carrying value of the asset. Amortisation is calculated on net of cost less residual value. Amortisation methods and amortisation rates are applied consistently within each asset class except where significant individual assets have been identified which have different amortisation patterns. Residual values are reviewed at least annually. Amortisation is not adjusted retrospectively for changes in the residual amount.

Original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is classified as research and written off immediately. The application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use is classified as development and capitalised if the technical feasibility of the project has been determined.

Other assets consist of furniture and fittings, information technology equipment, software development and vehicles.

#### Shafts, mining development and infrastructure

Individual mining assets are amortised using the units-of-production method based on their respective estimated economically recoverable proved and probable mineral reserves, limited to the life of mine.

## 1 Summary of significant accounting policies (continued)

### 1.5 Property, plant and equipment (continued)

#### Metallurgical and refining assets

Metallurgical and refining assets are amortised using the units of production method based on the expected estimated economically recoverable proved and probable mineral reserves to be concentrated or refined by that asset.

#### Land, buildings and general infrastructure (including housing and mineral rights)

Assets in this category, excluding land which is not depreciated, are depreciated over life of mine using the units of production method and the economically recoverable proved and probable mineral reserves.

#### Other assets

These asset are depreciated using the straight line method over the useful life of the asset as follows:

Asset type	Estimated useful life
- Furniture fittings and office equipment	5 years
- Information technology	3 years
- Vehicles	5 and 10 years
- Other assets (including company vehicles)	5 years

### 1.6 Exploration for and evaluation of mineral resources

The group expenses all exploration and evaluation expenditures until the directors conclude that a future economic benefit is more likely than not of being realised, ie. probable. In evaluating if expenditures meet this criterion to be capitalised, the directors utilise several different sources of information depending on the level of exploration. While the criteria for concluding that an expenditure should be capitalised is always probable, the information that the directors use to make that determination depends on the level of exploration.

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

Costs relating to property acquisitions are also capitalised. These costs are capitalised within development costs.

### 1.7 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 1.8).

## 1 Summary of significant accounting policies (continued)

### 1.8 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.

### 1.9 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.

#### 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 1.15). 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 those with 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.

#### 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.

## 1 Summary of significant accounting policies (continued)

### 1.9 Investments (continued)

#### Available-for-sale financial assets (continued)

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.

### 1.10 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.

### 1.11 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 and short-term payables respectively. 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 limited to the lease contract term (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.

### 1.12 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 weighted average 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.

### 1.13 Financial instruments

Financial instruments carried on the balance sheet include 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.

### 1.14 Derivative financial instruments

Metal futures, options and lease contracts are entered into from time to time 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, liability, or a firm commitment (fair value hedge) or hedge of a forecasted transaction (cash flow hedge).

## 1 Summary of significant accounting policies (continued)

### 1.14 Derivative financial instruments (continued)

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.

### 1.15 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.

### 1.16 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 until completion of construction.

### 1.17 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.

### 1.18 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 yearend is recognised and provided for in full in the financial statements. The estimates are reviewed annually to take into account the effects of changes in the estimates. Discount rates that reflect the time value of money are utilised in calculating the present value.

Changes in the measurement of the liability, apart from unwinding the discount, which is recognised in the income statement as a finance cost, is capitalised to the environmental rehabilitation asset (Refer Note 1.5).

#### 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.

### 1.19 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; 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 Summary of significant accounting policies (continued)

### 1.19 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.

#### **Share-based payments**

##### ***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 trading day preceding the date upon which the Remuneration Committee approved the granting of the options.

The scheme is administrated 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% vests per year. All outstanding options expire 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 per year. All outstanding notional shares becomes surrenderable 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 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.

##### ***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 Summary of significant accounting policies (continued)

### 1.20 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 substantively 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.

### 1.21 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. 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 by 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.

### 1.22 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.

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,
- toll refiner for third party material (Impala Refining Services) and
- investment and other.

### 1.23 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.

## 1 Summary of significant accounting policies (continued)

### 1.24 BEE transactions

This accounting policy relates to transactions where the group grants or sells equity instruments to people as defined in the context of empowerment in terms of the Broad-Based Black Economic Empowerment Act No 53 of 2003. The difference between the fair value and the selling price of the equity instruments granted or sold is accounted for as an expense through the income statement as a share-based compensation charge.

The fair value of the equity instruments is determined using the main assumptions as described in paragraph 3 'Critical accounting estimates and judgements for impairment of assets'.

## 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.

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 monitors this exposure.

##### Commodity price risk

The group is exposed to fluctuations in metal prices. From time to time, the group enters into metal forward sales contracts, options or lease contracts to manage the fluctuations in metal prices, thereby preserving and enhancing its revenue streams.

#### 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. Regular credit evaluations are performed on the financial condition of these and other receivables. Trade debtors are presented net of the allowance for impairment.

## 2 Financial risk management (continued)

### 2.1 Financial risk factors (continued)

#### 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 2006 (2005: 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 asset 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 1.8. The recoverable amounts of cash-generating units have been derived from value-in-use calculations, or fair value less cost to sell. 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 R7,850 (2005: R6,700) and
- long-term real discount rate, a range of 8.0% to 10.0% (2005: 8.0% to 10.0%) for South African and 13.0% to 15.0% (2005: 13.0% to 15.0%) for Zimbabwean cash flows.

Changes to these assumptions contributed to the reversal of an impairment provision (refer Note 5).

### 3 Critical accounting estimates and judgements (continued)

#### Provisions

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

#### Post-employment medical benefits

Actuarial parameters used by independent valuers assume 6.37% (2005: 5.88%) as the long-term medical inflation rate and an 8.5% (2005: 8.0%) risk free interest rate corresponding to the yields on long-dated high-quality bonds.

#### Future rehabilitation obligation

The net present value of current rehabilitation estimates is based on the assumption of a long-term real interest rate of 4.0% (2005: 4.0%)

#### 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	
	2006*	2005	2006	2005
Weighted average share price on grant date (R/share)	562.05	562.05	701.5	527.59
Weighted average share price on valuation date <sup>1</sup> (R/share)	562.05	562.05	1,319.82	597.00
Weighted average exercise price <sup>2</sup> (R/share)	502.51	502.51	623.68	508.87
Volatility <sup>3</sup>	42.03	42.03	40.36	29.44
Dividend yield (%)	5.75	5.75	2.12	3.45
Risk-free interest rate (%)	10.43	10.43	8.12	7.67

<sup>1</sup> Weighted average share price for 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 year end based on the year end closing price.

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

<sup>3</sup> Volatility for equity- and cash-settled shares is the four hundred-day moving average historical volatility on Implats shares on each grant date.

\* The share option scheme was closed to future grants with effect from October 2004.

#### Financial liabilities

The fair value on derivative instruments is calculated at year end. The fair value of the forward sales contract is determined by using platinum lease rates and the London Interbank Offer Rate (LIBOR) on date of sale and the rand/\$ exchange rate at yearend.

## 4 Segment information

### Segment reporting

Primary reporting format – business segments

Year ended 30 June 2006

(All amounts in rand millions unless otherwise stated)

	Mining segment				Total mining segment	Refining services segment	Investment and other segment	Inter segment adjustment	Total
	Impala	Marula	Zimplats	Mimosa					
<b>Sales from:</b>									
Metals mined	11,054.4			111.7	11,166.1				11,166.1
Metals purchased	5,810.5				5,810.5	6,047.2		(5,662.5)	6,195.2
Toll income						174.4		(35.5)	138.9
Inter-company concentrate sales		511.1	1,037.9	324.3	1,873.3			(1,873.3)	
Total sales	16,864.9	511.1	1,037.9	436.0	18,849.9	6,221.6		(7,571.3)	17,500.2
<b>Segment operating expenses for:</b>									
Metals mined	5,565.6	416.2	613.7	221.4	6,816.9			(35.5)	6,781.4
Metals purchased	5,724.3				5,724.3	6,137.7		(7,535.8)	4,326.2
Other cost						238.6			238.6
Gross cost	11,289.9	416.2	613.7	221.4	12,541.2	6,376.3		(7,571.3)	11,346.2
(Increase)/decrease in metal inventories	(363.6)		(7.5)	(14.4)	(385.5)	(1,039.8)		264.3	(1,161.0)
Cost of sales	10,926.3	416.2	606.2	207.0	12,155.7	5,336.5		(7,307.0)	10,185.2
<b>Gross profit</b>	5,938.6	94.9	431.7	229.0	6,694.2	885.1		(264.3)	7,315.0
Net foreign exchange transaction (losses)/gains									
	(31.8)	15.6	(4.6)	6.9	(13.9)	191.6	0.1		177.8
Other operating (expenses)/gains									
	(169.5)	(30.1)	(41.5)	(17.3)	(258.4)	48.1	(34.9)	2.9	(242.3)
Share of profit of associates							114.8		114.8
Royalty expense	(811.3)	(10.7)	(19.7)	(10.1)	(851.8)				(851.8)
BEE compensation charge		(95.3)			(95.3)				(95.3)
Reversal of impairment of assets									
		583.1			583.1				583.1
<b>Profit before tax</b>	4,926.0	557.5	365.9	208.5	6,057.9	1,124.8	80.0	(261.4)	7,001.3
Income tax expense	(1,575.7)	(154.9)	(60.8)	(33.7)	(1,825.1)	(409.8)	(435.0)	53.7	(2,616.2)
<b>Profit for the year</b>	3,350.3	402.6	305.1	174.8	4,232.8	715.0	(355.0)	(207.7)	4,385.1

#### 4 Segment information (continued)

##### Segment reporting

Primary reporting format – business segments

Year ended 30 June 2006

(All amounts in rand millions unless otherwise stated)

	Mining segment				Total mining segment	Refining services segment	Investment and other segment	Inter segment adjustment	Total
	Impala	Marula	Zimplats	Mimosa					
<b>Additional segment information</b>									
Segment assets	13,690.6	1,374.8	1,761.4	574.9	17,401.7	3,811.1	923.9		22,136.7
Associates									1,167.9
<b>Total assets</b>									<b>23,304.6</b>
Segment liabilities	5,588.1	388.1	452.2	90.8	6,519.2	2,408.0	91.8		9,019.0
Unallocated liabilities									220.7
<b>Total liabilities</b>									<b>9,239.7</b>
<b>Other segment items</b>									
Capital expenditure	1,600.5	291.2	252.5	104.2	2,248.4				2,248.4
Reversal of impairment of assets		583.1			583.1				583.1
Depreciation and amortisation	509.0	37.4	55.8	21.0	623.2	0.6			623.8
<b>Statistical information</b>									
Total metals produced:									
Platinum (000 oz)	1,125				1,125	721			1,846
Palladium (000 oz)	492				492	497			989
Rhodium (000 oz)	129				129	113			242
Nickel (000 tonnes)	7.9				7.9	7.7			15.6
PGM in concentrate produced per entity and included in									
IRS refined metal (000 oz)		103.8	195.6	75.3					
<b>Gross margin analysis</b>									
Metals mined (%)	52.9								52.9
Metals purchased									
– Impala (%)	1.5								1.5
– IRS (%)						14.2			14.2
Inter-company concentrate sales (%)		18.6	41.6	52.5					34.0

#### 4 Segment information (continued)

##### Segment reporting

Primary reporting format – business segments

Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

	Mining segment				Total mining segment	Refining services segment	Investment and other segment	Inter segment adjustment	Total
	Impala	Marula	Zimplats	Mimosa					
<b>Sales from:</b>									
Metals mined	8,396.8			89.8	8,486.6				8,486.6
Metals purchased	3,643.8				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	696.1	215.0	1,148.1			(1,148.1)	–
Total sales	12,040.6	237.0	696.1	304.8	13,278.5	4,072.3		(4,810.0)	12,540.8
<b>Segment operating expenses for:</b>									
Metals mined	4,978.9	360.4	567.5	219.3	6,126.1			(31.2)	6,094.9
Metals purchased	3,632.1				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	567.5	219.3	9,758.2	3,824.4		(4,810.0)	8,772.6
(Increase)/decrease in									
metal inventories	(103.2)		(10.2)	(5.2)	(118.6)	(363.9)		27.7	(454.8)
Cost of sales	8,507.8	360.4	557.3	214.1	9,639.6	3,460.5		(4,782.3)	8,317.8
<b>Gross profit</b>	3,532.8	(123.4)	138.8	90.7	3,638.9	611.8		(27.7)	4,223.0
Net foreign exchange									
transaction gains/(losses)	33.5	1.7	3.0	0.7	38.9	112.6		(119.0)	32.5
Other operating (expenses)/gains									
	(189.8)	0.4	28.7	12.8	(147.9)	98.4		218.3	168.8
Share of profit of associates									
								203.7	203.7
Royalty expense	(388.8)	(6.0)	(13.0)	(7.1)	(414.9)				(414.9)
Profit from sale of investments									
								3,155.0	3,155.0
Impairment of assets		(1,033.8)			(1,033.8)				(1,033.8)
<b>Profit before tax</b>	2,987.7	(1,161.1)	157.5	97.1	2,081.2	822.8		(27.7)	6,334.3
Income tax expense	(910.7)	205.7	(26.1)	(2.4)	(733.5)	(284.6)		(62.3)	(1,080.4)
<b>Profit for the year</b>	2,077.0	(955.4)	131.4	94.7	1,347.7	538.2		(27.7)	5,253.9
<b>Additional segment information</b>									
Segment assets	13,299.4	1,326.6	1,487.9	603.7	16,717.6	2,778.5		419.1	19,915.2
Associates									901.2
<b>Total assets</b>									<u>20,816.4</u>
Segment liabilities	4,164.4	21.2	225.1	95.4	4,506.1	1,937.6		21.9	6,465.6
Unallocated liabilities									80.7
<b>Total liabilities</b>									<u>6,546.3</u>

#### 4 Segment information (continued)

##### Segment reporting

Primary reporting format – business segments

Year ended 30 June 2005

(All amounts in rand millions unless otherwise stated)

	Mining segment				Total mining segment	Refining services segment	Investment and other segment	Inter segment adjustment	Total
	Impala	Marula	Zimplats	Mimosa					
<b>Other segment items</b>									
Capital expenditure	1,696.8	117.7	143.8	50.5	2,008.8				2,008.8
Impairment of assets		(1,033.8)			(1,033.8)				(1,033.8)
Depreciation and amortisation	493.9	66.3	76.7		636.9	0.6			637.5

##### Statistical information:

Total metals produced

Platinum (000 oz)	1,115				1,115	733			1,848
Palladium (000 oz)	515				515	514			1,029
Rhodium (000 oz)	130				130	104			234
Nickel (000 tonnes)	7.9				7.9	8.1			16.0

PGM in concentrate

produced per entity

and included in

IRS refined metal (000 oz)		77.0	187.0	68.9					
----------------------------	--	------	-------	------	--	--	--	--	--

##### Gross margin analysis

Metals mined (%)	41.9								41.9
Metals purchased									
– Impala (%)	0.3								0.3
– IRS (%)						15.0			15.0
Inter-company concentrate sales (%)		(52.1)	19.9	29.8					8.4

##### 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 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 Rustenburg 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 R5,662.5 million (2005: R3,630.7 million).
- for IRS 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 Zimbabwe mining activities to IRS.

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

#### 4 Segment information (continued)

##### 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.

##### Analysis of sales by destination

##### Main products

Asia	5,233.4	3,762.3
North America	4,769.5	3,542.9
Europe	2,977.9	1,715.2
South Africa	2,173.3	726.9
	<u>15,154.1</u>	<u>9,747.3</u>

##### By-products

South Africa	1,123.1	1,972.5
North America	549.1	429.9
Asia	333.2	134.7
Europe	201.8	107.5
	<u>2,207.2</u>	<u>2,644.6</u>

##### Toll income

South Africa	58.1	101.4
North America	80.8	47.1
Asia	–	0.1
Europe	–	0.3
	<u>138.9</u>	<u>148.9</u>
	<u>17,500.2</u>	<u>12,540.8</u>

Sales and the toll income are allocated according to 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	15,687.8	10,892.9
Base metals	1,673.5	1,499.0
Revenue from services		
Toll refining	138.9	148.9
	<u>17,500.2</u>	<u>12,540.8</u>

(All amounts in rand millions unless otherwise stated)

#### 4 Segment information (continued)

##### Other segment information

	Sales		Total assets	
	2006	2005	2006	2005
South Africa	17,388.5	12,451.0	20,234.6	17,747.2
Zimbabwe	111.7	89.8	1,761.4	2,013.8
Other			140.7	154.2
Investment in associates			1,167.9	901.2
	<b>17,500.2</b>	<b>12,540.8</b>	<b>23,304.6</b>	<b>20,816.4</b>

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.

#### 5 Property, plant and equipment

	Shafts, mining development and infrastructure	Metal- lurgical and refining plants	Land, buildings and mineral rights	Assets under con- struction <sup>1</sup>	Other assets	Total
<b>Cost</b>						
Balance at 30 June 2005	6,571.5	3,704.2	1,947.7	564.0	1,636.7	14,424.1
Exchange adjustment on translation of foreign subsidiaries and joint venture	35.9	49.1	11.9	18.5	38.6	154.0
Additions	845.1	181.8	45.9	926.7	248.9	2,248.4
Transfer from assets under construction	44.4	-	-	(44.4)	-	-
Disposals	(48.9)	(27.2)	(26.5)	-	(3.7)	(106.3)
<b>Balance at 30 June 2006</b>	<b>7,448.0</b>	<b>3,907.9</b>	<b>1,979.0</b>	<b>1,464.8</b>	<b>1,920.5</b>	<b>16,720.2</b>
<b>Accumulated amortisation and impairment</b>						
Balance at 30 June 2005	2,925.1	799.6	60.9	-	603.5	4,389.1
Exchange adjustment on translation of foreign subsidiaries and joint venture	6.1	9.9	1.1	-	7.8	24.9
Charge for the year	373.7	127.8	2.5	-	119.8	623.8
Reversal of impairment of assets	(364.9)	-	(218.2)	-	-	(583.1)
Disposals	(1.0)	(1.0)	-	-	(2.6)	(4.6)
<b>Balance at 30 June 2006</b>	<b>2,939.0</b>	<b>936.3</b>	<b>(153.7)</b>	<b>-</b>	<b>728.5</b>	<b>4,450.1</b>
<b>Carrying value at 30 June 2006</b>	<b>4,509.0</b>	<b>2,971.6</b>	<b>2,132.7</b>	<b>1,464.8</b>	<b>1,192.0</b>	<b>12,270.1</b>
Carrying value at 30 June 2005	3,646.4	2,904.6	1,886.8	564.0	1,033.2	10,035.0

<sup>1</sup> Assets under construction consist mainly of capital expenditure on the Ngezi Portal 2 Underground mine project in Zimbabwe, as well as 16- and 20 shafts at Impala Platinum Limited and the Marula mine.

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 5 Property, plant and equipment (continued)

The table below enables comparison of property, plant and equipment to disclosure of the previous year.

	2006	2005
Cost		
Opening book amount	14,424.1	12,347.7
Exchange adjustment on translation of foreign subsidiaries and joint venture	154.0	108.5
Additions	2,248.4	2,008.8
Disposals	(106.3)	(40.9)
	<u>16,720.2</u>	<u>14,424.1</u>
Accumulated amortisation and impairment		
Opening book amount	4,389.1	2,712.1
Exchange adjustment on translation of foreign subsidiaries and joint venture	24.9	14.7
Charge for the year	623.8	637.5
Reversal of (impairment)/impairment of assets	(583.1)	1,033.8
Disposals	(4.6)	(9.0)
	<u>4,450.1</u>	<u>4,389.1</u>
Net book amount	<u>12,270.1</u>	<u>10,035.0</u>

The recoverable amount of a cash generating unit (CGU) is derived from value-in-use calculations or fair value less cost to sell. 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, exchange rates and input cost.

During the group's business planning cycle, the long term assumptions regarding metal prices and the improvement in mining and processing at the Marula Mine indicated that the total impairment provision for this CGU was no longer necessary, therefore an amount of R583.1 million was reversed, leaving a provision of R450.7 million.

Long-term real key assumptions (Marula specific)

Revenue per platinum ounce sold (R)	7,850	6,450
Real discount rate (%)	<u>8.0</u>	<u>8.0</u>

### Commitments in respect of property, plant and equipment

Commitments contracted for	2,338.6	2,595.5
Approved expenditure not yet contracted for	9,517.6	6,877.9
	<u>11,856.2</u>	<u>9,473.4</u>
Not later than 1 year	3,523.5	2,191.8
Later than 1 year not later than 5 years	6,777.0	7,268.4
Later than 5 years	1,555.7	13.2
	<u>11,856.2</u>	<u>9,473.4</u>

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

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 6 Investments in associates

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

Share of post-acquisition retained income	-	3,082.4
Shares at cost	-	430.8
Accumulated amortisation of goodwill arising on acquisition	-	(102.9)
Dividends received	-	(1,776.6)
Sale of investment	-	(1,633.7)
Net book amount	-	-

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

Share of results	0.7	-
Shares at cost	45.0	45.0
Shareholder's loan	505.8	354.1
Net book amount	551.5	399.1

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

Stockpiling of ore has commenced prior to commissioning of the concentrator plant.

Impala Platinum Holdings Limited has provided a guarantee to Absa Bank Limited and Nedbank Limited for its share of the borrowing by Two Rivers Platinum (Proprietary) Limited until such time as the technical completion tests of the project have been met. At 30 June 2006 the exposure under this guarantee amounts to R210.6 million (2005: nil).

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 2006.

Summarised balance sheet as at 30 June

Capital and reserves	101.3	102.0
Non-current liabilities	1,657.2	788.1
Current liabilities	142.8	26.4
	1,901.3	916.5
Non-current assets	1,789.7	860.0
Current assets	111.6	56.5
	1,901.3	916.5

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

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 6 Investments in associates (continued)

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

Share of results	197.6	56.1
Unearned profit in the group	(43.8)	(16.4)
Share of revaluation reserve	0.2	-
	<u>154.0</u>	<u>39.7</u>
Shares at cost	43.5	43.5
Shareholder's loan	418.9	418.9
Net book amount	<u>616.4</u>	<u>502.1</u>

Impala Platinum Holdings Limited provided a guarantee to Investec Bank Limited on behalf of Aquarius Platinum (South Africa) (Proprietary) Limited for a loan facility granted of nil (2005: R146.3 million), of which nil (2005: nil) had been utilised at year end. The guarantee expired in financial year 2006.

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

#### Shareholding

Number of ordinary shares	280	280
Effective holding: 20.0% (2005: 20%)		

#### Summarised balance sheet as at 30 June

Capital and reserves	1,154.0	441.6
Non-current liabilities	2,900.8	2,496.9
Current liabilities	879.2	465.6
	<u>4,934.0</u>	<u>3,404.1</u>
Non-current assets	3,051.8	2,576.6
Current assets	1,882.2	827.5
	<u>4,934.0</u>	<u>3,404.1</u>

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

#### Summary of investments in associates

Two Rivers Platinum (Proprietary) Limited	551.5	399.1
Aquarius Platinum (South Africa) (Proprietary) Limited	616.4	502.1
<b>Total investments in associates</b>	<u>1,167.9</u>	<u>901.2</u>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 7 Available-for-sale financial investments

### Investment in listed shares

Comprises shares in the following listed company

#### Aquarius Platinum Limited

Beginning of the year	261.7	171.7
Exchange differences	29.6	38.7
Share price movement	455.1	51.3
End of the year	<u>746.4</u>	<u>261.7</u>

During the year, the group maintained its strategic shareholding in Aquarius Platinum Limited, holding 7,141,966 shares (2005: 7,141,966) which amounts to approximately 8.6% (2005: 8.6%) of the issued share capital of that company. The company is listed on the Australian Stock Exchange, the London Stock Exchange and the JSE Limited. The fair value of these shares as at the close of business on 30 June 2006 by reference to stock exchange quoted prices and closing exchange rates was R746.4 million (2005: R261.7 million).

### Investment in unlisted shares

Shares beneficially owned in the under mentioned concern at fair value:

Silplat (Proprietary) Limited	14.7	14.7
<b>Total available-for-sale-investments</b>	<u>761.1</u>	<u>276.4</u>

## 8 Held-to-maturity-investments

### Investment in interest-bearing instruments

108.2 99.3

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.

## 9 Other receivables

### Loans

BEE companies	513.7	617.5
Amortisation of fair value adjustment/(fair value adjustment) (Note 28)	43.5	(103.8)
	<u>557.2</u>	<u>513.7</u>
Barplats Investments Limited	36.3	73.0
Less: current portion of loan (Note 11)	(36.3)	(36.5)
	<u>-</u>	<u>36.5</u>
	<u>557.2</u>	<u>550.2</u>

### Black economic empowerment companies

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 in 2005 to the following BEE companies in equal amounts:

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

These loans are repayable within 5 to 7 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.

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 9 Other receivables (continued)

### *Barplats Investments Limited*

The Barplats Investments Limited loan bears interest at JIBAR plus 3% nominal annual, compounded monthly in arrears. The loan is repayable during the 2007 financial year. The loan is secured by a mortgage bond over property.

### Prepayments

Royalty prepayment	63.9	68.8
Charged to the income statement during the year	(4.9)	(4.9)
	59.0	63.9
Less: current portion of prepayment (Note 11)	(4.9)	(4.9)
	54.1	59.0

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.

<b>Total other receivables</b>	<b>611.3</b>	<b>609.2</b>
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## 10 Inventories

### Refined metal

At cost	514.7	461.9
At fair value less cost to sell	71.1	46.3
	585.8	508.2

### In-process metal

Exchange adjustment on translation of foreign subsidiaries	6.1	10.1
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Metal inventories	2,716.2	1,549.1
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Stores and materials inventories	219.8	172.0
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	<b>2,936.0</b>	<b>1,721.1</b>
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## 11 Trade and other receivables

Trade receivables	2,427.8	2,219.6
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Receivables from related parties (Note 41)	486.8	341.9
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South African Revenue Services (Value Added Tax)	263.3	97.6
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Employee receivables	126.5	92.1
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Advances and loan facilities provided to related parties (Note 41)	107.2	340.6
--	-------	-------

Prepayments	71.8	24.9
-------------	------	------

Interest receivable	38.2	21.6
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Current portion of loans (Note 9)	36.3	36.5
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Other receivables	22.8	10.2
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Current portion of royalty prepayment (Note 9)	4.9	4.9
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	<b>3,585.6</b>	<b>3,189.9</b>
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Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 11 Trade and other receivables (continued)

Trade and other foreign receivables include advances of R1,468.9 million (2005: R1,373.9 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)	335.5	300.9
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The credit exposures by country are as follows:

South Africa	1,053.4	749.0
North America	964.6	1,255.2
Asia	232.8	120.7
Europe	177.0	94.7
	<u>2,427.8</u>	<u>2,219.6</u>

Other receivables represent primarily a South African exposure.

## 12 Cash and cash equivalents

Short-term bank deposits	1,500.0	3,541.1
Cash at bank	364.4	443.2
	<u>1,864.4</u>	<u>3,984.3</u>

The weighted average effective interest rate on short-term bank deposits was 6.9% (2005: 7.4%) and these deposits have a maximum maturity of 90 days (2005: 90 days).

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

Bank balances (US\$ million)	32.4	102.1
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The currency exposures by country are as follows:

South Africa	1,426.9	3,826.6
Europe	120.4	134.0
Zimbabwe	300.8	6.9
Asia	2.1	1.8
Mauritius	14.2	15.0
	<u>1,864.4</u>	<u>3,984.3</u>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

### 13 Share capital

#### Share capital and share premium

Authorised amount	20.0	20.0
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The total authorised ordinary share capital comprise 100 million (2005: 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 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)
Cost of equity compensation plan			22.3		22.3
At 30 June 2005	65.538	13.4	720.1	(613.1)	120.4
Issued by the share option scheme	0.412	0.0	213.9		213.9
Cost of equity compensation plan			28.3		28.3
At 30 June 2006	65.950	13.4	962.3	(613.1)	362.6

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 (page 109).

The group acquired through a subsidiary 1,230,622 of its own shares in 2005, in terms of an approved share buy-back scheme, through purchases on the JSE for an amount of R613.1 million at an average price of R498.22 per share. The shares are held as 'treasury shares' which reduces shareholders' equity.

#### Share options

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

	2006		2005	
	Number (000)	Weighted average exercise price R	Number (000)	Weighted average exercise price R
At beginning of year	877.6	524.66	1,094.4	501.82
Granted	–	–	141.5	509.07
Exercised	(411.8)	511.72	(155.3)	348.38
Expired	(0.4)	599.57	(1.5)	599.57
Forfeited	(23.0)	531.38	(201.5)	525.00
At end of year	442.4	536.55	877.6	524.66
Exercisable	44.6	494.07	224.0	521.95
Not yet exercisable	397.8	543.14	653.6	524.49
	442.4	536.55	877.6	524.66

Refer to the Directors' report on page 114 for details on share options held by directors and key management personnel.

(All amounts in rand millions unless otherwise stated)

### 13 Share capital (continued)

#### Share options (continued)

The number of shares held by the Trust at year end totalled 563 (2005: 77,003).

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		
146.00		0.8								0.8
200.00	0.3	0.3	0.6							1.2
344.00				0.9						0.9
381.00			0.4	3.7	6.2	6.2				16.5
401.00					4.5	4.5				9.0
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	1.2	1.1		4.7
483.48					2.4	2.4	2.4	2.4		9.6
484.10			0.5	0.5	12.9	12.9				26.8
505.25					2.4	2.4	2.4	2.3		9.5
507.00	0.6	2.0	2.4	7.2	42.8					55.0
507.12				4.8	9.1	9.1	9.0			32.0
515.82				0.5	4.3	4.3	4.2			13.3
522.00				0.5	0.4					0.9
536.37					4.7	4.7	4.7	4.7		18.8
539.40					0.9	0.9	0.9			2.7
544.25					1.0	1.0	1.0	1.0		4.0
556.00				3.8	4.1					7.9
568.99					0.5	0.5				1.0
579.00				0.3	2.1	2.1				4.5
587.00				2.6	14.9	14.9	14.9			47.3
589.99				0.2	0.9	0.9				2.0
594.25				2.7	13.5	13.5				29.7
600.00				4.5	55.4	55.4				115.3
611.48				0.5	1.5	1.5	1.5			5.0
<b>Total 2006</b>	<b>0.9</b>	<b>3.1</b>	<b>3.9</b>	<b>36.7</b>	<b>191.7</b>	<b>144.4</b>	<b>48.2</b>	<b>13.5</b>		<b>442.4</b>
Total 2005	20.4	46.2	157.5	218.4	208.4	158.4	53.5	14.8		877.6

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

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 14 Other reserves

	Fair value adjustment: investments	Translation of foreign subsidiaries	Acquisition equity adjustment	Total
Balance 1 July 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)
Additional shares acquired in Zimplats Holdings Limited (Note 40)			(29.0)	(29.0)
Balance 30 June 2005	228.6	(355.0)	(379.7)	(506.1)
Revaluation (Note 7)	484.7			484.7
Deferred tax charged to equity (Note 16)	(70.3)			(70.3)
Currency translation differences		152.2		152.2
Deferred tax charged to equity (Note 16)		(41.5)		(41.5)
Additional shares acquired in Zimplats Holdings Limited (Note 40)			(0.5)	(0.5)
Share in revaluation reserve of associate (Note 6)			0.2	0.2
BEE compensation charge from sale of shares in Marula Platinum Limited (Note 32)			95.3	95.3
Balance 30 June 2006	643.0	(244.3)	(284.7)	114.0

## 15 Borrowings

### Current

Absa Bank Limited	11.3	3.3
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### Non-current

Absa Bank Limited	11.3	–
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### Total borrowings

	22.6	3.3
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The Absa Bank Limited loan, which is \$ denominated, was obtained to finance the Zimplats Ngezi Phase 2 Project and is payable in bi-annual payments. The loan will be repaid by December 2007. The loan bears interest at LIBOR plus 3.25% per annum. The average interest rate during the year was 8.3% (2005: 8.75%). A political risk guarantee in favour of Absa Bank Limited for the facility made available to Zimbabwe Platinum Mines (Pvt) Limited is provided by Impala Platinum Holdings Limited. As at 30 June 2006, the guarantee amounted to R22.6 million (2005: R3.3 million).

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

	2006	2005
<b>15 Borrowings (continued)</b>		
Effective interest rates for the year were as follows:	%	%
Bank loans (R)	7.38	7.40
Bank loans (\$)	7.32	7.50
<b>Borrowing powers</b>		
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	13,850.1	14,110.3
Currently utilised	22.6	3.3
<b>16 Deferred income tax</b>		
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 deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:		
<i>Deferred tax liabilities – net</i>		
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	(318.6)	(259.7)
– Deferred tax asset to be recovered within 12 months	(27.9)	(13.1)
Deferred tax liabilities:		
– Deferred tax liability to be recovered after more than 12 months	3,076.6	2,476.6
– Deferred tax liability to be recovered within 12 months	192.7	177.3
	2,922.8	2,381.1
Deferred income taxes are calculated at the tax rates prevailing in the different fiscal authorities where the asset or liability originates.		
The movement on the deferred income tax account is as follows:		
At the beginning of the year	2,381.1	2,262.5
Exchange adjustment on translation of foreign subsidiaries	8.9	4.6
Fair value adjustment to loans	–	(39.0)
Tax charged to equity (Note 14)	111.8	44.0
Income statement charge (Note 34)	421.0	109.0
<b>Net deferred tax liability at the end of the year</b>	<b>2,922.8</b>	<b>2,381.1</b>
Deferred tax assets and liabilities are attributable to the following items:		
<i>Deferred tax liabilities</i>		
Property, plant and equipment	3,163.6	2,621.1
Other	105.7	32.8
	3,269.3	2,653.9
<i>Deferred tax assets</i>		
Substantially long term provisions	(76.3)	(75.0)
Other	(270.2)	(197.8)
	(346.5)	(272.8)
<b>Net deferred tax liability</b>	<b>2,922.8</b>	<b>2,381.1</b>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 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 Authority Scheme Zimbabwe (industry fund)
– Impala Supplementary Pension Fund	– 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:

Movement in the liability recognised in the balance sheet:

At beginning of year	59.7	62.3
Provided (Note 26)	3.0	2.9
Paid	(4.7)	(5.5)
At end of year	<u>58.0</u>	<u>59.7</u>

### Cash-settled share appreciation rights liability

At beginning of year	4.9	–
Charge to income statement	125.5	4.9
Paid to employees during the year	(0.9)	–
At end of year	<u>129.5</u>	<u>4.9</u>

Share appreciation rights, net of options forfeited, were granted to employees during the year at an average exercise price of R1,031.51 per share (2005: R508.87) and expire during 2016 (2005: 2015).

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

	2006	2005
At beginning of year	400.0	–
Granted	249.7	400.0
Lapsed during the year	(61.0)	–
Paid to employees during the year	(10.2)	–
At end of year	<u>578.5</u>	<u>400.0</u>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 17 Provision for employee benefit obligations (continued)

Share appreciation rights outstanding (000) at the end of the year have the following terms:

Price per share (R)	Vesting years					Total number
	2007	2008	2009	2010	2011	
461.68	1.6	1.6	1.6	1.6		6.4
498.91	0.8	0.8	0.8	0.8		3.2
507.12	7.6	7.6	7.6	7.6		30.4
509.97	85.4	84.9	84.9	84.9		340.1
603.10		0.3	0.3	0.3	0.3	1.2
710.55		0.7	0.7	0.7	0.7	2.8
880.90		14.3	14.3	14.3	14.3	57.2
817.87		0.2	0.2	0.2	0.2	0.8
880.50		0.8	0.8	0.8	0.8	3.2
953.32		0.5	0.5	0.5	0.5	2.0
1,029.17		0.1	0.1	0.1	0.1	0.4
1,046.62		0.2	0.2	0.2	0.2	0.8
1,195.35		32.5	32.5	32.5	32.5	130.0
<b>Total 2006</b>	<b>95.4</b>	<b>144.5</b>	<b>144.5</b>	<b>144.5</b>	<b>49.6</b>	<b>578.5</b>
Total 2005	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 (refer Note 3)

The total intrinsic value was R397.7 million (2005: R35.3 million) as determined by the year end share price of R1,319.82 (2005: R597.00).

<b>Total employee benefit obligations</b>	<b>187.5</b>	<b>64.6</b>
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## 18 Provision for future rehabilitation

At beginning of year	234.9	207.3
Exchange adjustment on translation of foreign subsidiaries	10.7	1.9
Present value of additional rehabilitation obligations	71.7	13.3
Charge to income statement (Note 29)	18.1	16.9
	<b>335.4</b>	<b>239.4</b>
Less: utilised during year	-	(4.5)
At end of year	<b>335.4</b>	<b>234.9</b>

Current cost rehabilitation estimate is R646.5 million (2005: R524.9 million)

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

At beginning of year	99.3	89.0
Interest accrued (Note 28)	8.9	10.3
At end of year	<b>108.2</b>	<b>99.3</b>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 18 Provision for future rehabilitation (continued)

Future value of rehabilitation obligation	2,642.4	1,913.8
Future value of rehabilitation trust investment	(1,171.9)	(960.1)
Future net environmental rehabilitation obligation	<u>1,470.5</u>	<u>953.7</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 the risk-free rate over 25 years. The shortfall will be funded by contributions to the trust.

Guarantees have been provided to the various provincial Minerals and Energy Departments (DME) to satisfy the requirements of the Mineral and Petroleum Resources Development Act with respect to environmental rehabilitation (Note 38).

## 19 Derivative financial instruments

New contracts at cost	-	-
Fair value movement (Note 28)	120.4	-
Realised	(17.0)	-
At end of year	<u>103.4</u>	<u>-</u>
Current	65.2	-
Non-current	38.2	-
	<u>103.4</u>	<u>-</u>

At 30 June 2006, the group had forward sales contracts of 48,000 platinum ounces. The fair value was determined using a standard forward sales contract valuation model by applying current market indicators. The group intends to settle the outstanding contracts in cash. There were no material metal futures, options or lease contracts in place (2005: nil).

## 20 Trade and other payables

Trade payables	2,272.8	2,107.1
Payables to related parties (Note 41)	1,176.0	566.6
Royalties payable	821.2	385.8
Forward commitments (Note 39)	206.0	306.7
Leave liability	228.7	188.6
Other payables	36.4	27.6
	<u>4,741.1</u>	<u>3,582.4</u>

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

Trade and other payables (\$ million)	281.5	175.4
Forward commitments (\$ million) (Note 39)	28.8	46.0
	<u>310.3</u>	<u>221.4</u>

### Royalties payable

Comprises the accrual for royalty payments to the holders of mineral rights. The calculation is based on taxable mining 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.

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 21 On-mine operations

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

Labour	2,546.5	2,253.6
Materials and other costs	1,978.5	1,664.9
Utilities	197.7	191.0
	<u>4,722.7</u>	<u>4,109.5</u>

## 22 Concentrating and smelting operations

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

Labour	229.6	201.6
Materials and other costs	670.3	611.5
Utilities	229.7	230.2
	<u>1,129.6</u>	<u>1,043.3</u>

## 23 Refining operations

Refining costs exclude amortisation and comprise the following principal categories:

Labour	262.6	215.2
Materials and other costs	224.2	230.9
Utilities	58.4	56.0
	<u>545.2</u>	<u>502.1</u>

## 24 Net foreign exchange transaction (gains)/losses

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

Sales	(177.4)	(33.7)
Forward cover contracts	(0.4)	1.2
	<u>(177.8)</u>	<u>(32.5)</u>

## 25 Other operating expenses

Other costs comprise the following principal categories:

Corporate costs	257.8	211.7
Selling and promotional expenses	82.2	107.2
	<u>340.0</u>	<u>318.9</u>

## 26 Employee benefit expense

Employment costs

Wages and salaries	2,915.7	2,638.4
Other post retirement benefits (Note 17)	3.0	2.9
Pension costs – defined contribution plans	85.2	91.2
Share-based compensation	159.4	27.2
– Equity-settled (Note 13)	28.3	22.3
– Cash-settled	131.1	4.9

3,163.3 2,759.7

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

	2006	2005
<b>27 Other expenses/(income)</b>		
Exploration expenditure	12.7	6.4
Government assistance – export incentive	–	(93.4)
Sale of toll refining and concentrate purchasing agreement	–	(101.6)
Sale of prospecting right <sup>1</sup>	(111.0)	–
Insurance commissions	(0.3)	(102.3)
Portion of carrying value of mining claims on the Hartley Complex exchanged for empowerment credits in Zimbabwe <sup>2</sup>	17.3	–
Ambatovy project <sup>3</sup>	193.1	–
Corporate, listing and other related costs	35.8	(1.3)
	<b>147.6</b>	<b>(292.2)</b>

<sup>1</sup> Profit on sale of the prospecting right in respect of the farm Spitzkop for R111 million.

<sup>2</sup> On 31 May 2006, the group announced an agreement reached with the government of Zimbabwe relating to the release of mining claims comprising 36% of Implats' resource base, with a market value of \$153 million, in exchange for empowerment credits amounting to \$102 million and a future payment of \$51 million in cash or an equity stake in a joint venture. The charge represents the carrying value of the mining claims transferred in exchange for empowerment credits.

<sup>3</sup> On 30 November 2005, Implats advised that pursuant to its review of the Ambatovy Project, it had delivered a formal notice of withdrawal under the shareholders agreement. While there were still synergies with Implats' own nickel production cost profile, in Implats' view, the project as a whole did not meet Implats' hurdle rates. The amount written-off consisted of the following: investment in the project of R127.1 million and a bankable feasibility study cost of R66.0 million giving a total amount written-off of R193.1 million.

## 28 Other gains – net

Other gains consist of the following principal categories:

Interest income		
Short-term bank deposits	346.1	202.3
Effective interest on fair value adjusted loans (Note 9)	43.5	30.7
Rehabilitation and closure trust fund (Note 18)	8.9	10.3
Loans and advances	7.0	1.8
Settlement discounts	9.7	11.4
Interest-bearing securities	3.8	–
Employee loans	6.3	5.8
Other	–	0.1
	<b>425.3</b>	<b>262.4</b>
Fair value loss on financial instruments	(22.0)	(17.1)
Fair value loss on forward metal sales (Note 19)	(120.4)	–
Dividends received	10.9	1.0
Metal lease fees	10.0	3.5
	<b>(121.5)</b>	<b>(12.6)</b>
<b>Total other gains – net</b>	<b>303.8</b>	<b>249.8</b>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

	2006	2005
<b>29 Finance costs</b>		
Bank borrowings	(40.1)	(37.2)
Other	(0.3)	(0.2)
Rehabilitation obligation – unwinding of the discount (Note 18)	(18.1)	(16.9)
	<b>(58.5)</b>	<b>(54.3)</b>
<b>30 Share of profit of associates</b>		
Two Rivers Platinum (Proprietary) Limited (Note 6 ii)	0.7	–
Aquarius Platinum (South Africa) (Proprietary) Limited (Note 6 iii)	114.1	(3.8)
Lonplats (comprising Western Platinum Limited and Eastern Platinum Limited)	–	207.5
	<b>114.8</b>	<b>203.7</b>
<b>31 Sale of associate</b>		
<b>Lonplats (comprising Western Platinum Limited and Eastern Platinum Limited)</b>		
Proceeds from disposal of share in Lonplats	–	4,919.8
Less: carrying value of investment	–	(1,633.7)
Less: fair value adjustment on BEE loans	–	(131.1)
	–	<b>3,155.0</b>
<b>32 BEE compensation charge</b>		
<b>Marula Platinum Limited</b>		
BEE compensation charge on sale of shares in Marula Platinum Limited (Note 14) <sup>1</sup>	<b>95.3</b>	–
<sup>1</sup> The group announced the signing of agreements with Tubatse Platinum (Pty) Limited, Marula Community Trust and Mmakau Mining (Pty) Limited relating to the acquisition of stakes in Marula Platinum Limited. The compensation charge represents the difference between the selling price of the shares and the fair value at 30 June 2006. Although the agreements were dated 1 July 2006, the transactions were in essence completed on 30 June 2006.		
<b>33 Profit before tax</b>		
The following items have been charged in arriving at profit before tax:		
Auditors' remuneration	4.9	5.1
Fees for audit services	3.9	3.9
Fees for other services	1.0	1.2
Amortisation of property, plant and equipment (Note 5)	623.8	637.5
Repairs and maintenance expenditure on property, plant and equipment	193.5	163.9
Operating lease rentals	3.1	2.0
Professional fees	49.0	28.1
Employee benefit expense (Note 26)	3,163.3	2,759.7
<b>34 Income tax expense</b>		
Current tax		
Mining	1,049.3	472.5
Non-mining	442.7	319.1
Prior year over provision	(64.9)	–
	<b>1,427.1</b>	<b>791.6</b>
Deferred tax (Note 16)		
Current year	421.0	178.8
Change in rate	–	(69.8)
	<b>421.0</b>	<b>109.0</b>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

	2006	2005
<b>34 Income tax expense (continued)</b>		
Capital gains tax	15.6	–
Secondary tax on companies	683.2	170.9
Foreign tax	69.3	8.9
	<u>768.1</u>	<u>179.8</u>
<b>Tax for the year</b>	<b>2,616.2</b>	<b>1,080.4</b>
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	29.0
Adjusted for:		
Disallowable expenditure	1.6	2.8
Exempt income	–	(14.4)
Capital gains tax	(0.2)	–
Prior year over provision	(0.9)	–
Effect of change in tax rate	–	(1.1)
Effect of different tax rates of associates	(0.5)	(0.9)
Effect of different tax rates of foreign subsidiaries	(1.4)	(1.0)
Secondary tax on companies	9.8	2.7
<b>Effective tax rate</b>	<b>37.4</b>	<b>17.1</b>

### 35 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	4,345.4	5,237.6
Weighted average number of ordinary shares in issue (millions)	<u>65.768</u>	<u>66.129</u>

#### Basic earnings per share (cents)

From continuing operations	6,607	3,463
Profit from sale of investment in Lonplats	–	4,457
	<u>6,607</u>	<u>7,920</u>

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	4,345.4	5,237.6
Weighted average number of ordinary shares in issue (millions)	65.768	66.129
Adjustments for share options (millions)	0.181	0.054
Weighted average number of ordinary shares for diluted earnings per share (millions)	<u>65.949</u>	<u>66.183</u>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

### 35 Earnings per share (continued)

#### Diluted earnings per share (cents)

From continuing operations	6,589	3,460
Profit from sale of investment in Lonplats	-	4,454
	<u>6,589</u>	<u>7,914</u>

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	4,345.4	5,237.6
Adjustments net of tax:		
Sale of prospecting right	(95.7)	-
Sale of investment in Teba	(5.2)	-
Impairment (write back)/write down of assets	(421.6)	849.8
Sale of toll refining contract	-	(72.1)
Profit on sale of Lonplats	-	(3,155.0)
Investment in Ambatovy written off	127.1	-
Headline earnings	<u>3,950.0</u>	<u>2,860.3</u>

#### Headline earnings per share (cents)

- basic	6,006	4,325
- diluted	<u>5,989</u>	<u>4,322</u>

### 36 Dividends per share

At the board meeting on 25 August 2006, a final dividend in respect of 2006 of 2,200 cents per share amounting to R1,523.2 million was approved. Secondary Tax on Companies (STC) on the dividend will amount to R190.4 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 2007.

#### Dividends paid

Final dividend No. 75 for 2005 of 1,800 (2004: 1,600) cents per share	1,181.9	1,062.6
Interim dividend No. 76 for 2006 of 1,000 (2005: 500) cents per share	661.9	332.2
Special dividend No. 2 for 2005 of 5,500 (2005: nil) cents per share	3,624.1	-
	<u>5,467.9</u>	<u>1,394.8</u>

Dividend cover relating to dividends paid and proposed in the financial year (excluding the special dividend).

Based on net profit	2.0	3.4
Based on headline earnings (Note 35)	<u>1.9</u>	<u>1.9</u>

Dividend cover is calculated using headline earnings per share divided by the related dividend per share.

Year ended 30 June

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### 37 Cash generated from operations

Reconciliation of net profit to cash generated from operations:

Profit attributable to equity holders of the company	4,345.4	5,237.6
Adjustments for:		
Profit on disposal of associate (Note 31)	–	(3,155.0)
Minority interest	39.7	16.3
Income tax expense (Note 34)	2,616.2	1,080.4
Amortisation (Note 5, 33)	623.8	637.5
Fair value loss on financial instruments (Note 28)	22.0	17.1
Interest income (Note 28)	(425.3)	(262.4)
Dividend income (Note 28)	(10.9)	(1.0)
Finance cost (Note 29)	58.5	54.3
Share of results of associates (Note 30, 6)	(114.8)	(203.7)
Retirement benefit obligations (Note 17)	3.0	2.9
Payments made for post-retirement benefits (Note 17)	(5.6)	(5.5)
Payments made for rehabilitation (Note 18)	–	(4.5)
(Reversal of impairment)/impairment of assets (Note 5)	(583.1)	1,033.8
Equity compensation	153.8	27.2
Amortisation of prepaid royalty (Note 9)	4.9	4.9
BEE cost on sale of shares (Note 14)	95.3	–
Derivative financial instruments	103.4	–
Unrealised profit in stocks	264.3	–
Changes in working capital (excluding the effects of acquisition and disposal of subsidiaries):		
Inventories	(1,198.5)	(481.2)
Trade and other receivables	(614.8)	(915.0)
Payables	37.8	32.6
Accruals	1,081.9	639.2
Cash generated from operations	<u>6,497.0</u>	<u>3,755.5</u>

### 38 Contingent liabilities and guarantees

#### 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
Two Rivers Platinum (Proprietary) Limited (Note 6 ii)	210.6	–
Collateral security for employee housing and loans	2.7	3.2
Withholding tax on dividends	–	16.0
Department of Minerals and Energy (Note 18)	296.9	288.0
Eskom	17.2	17.2
Registrar of medical aids	5.0	5.0
<b>Total guarantees</b>	<u>532.4</u>	<u>475.7</u>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

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### 38 Contingent liabilities and guarantees (continued)

#### Contingencies

Impala Platinum Limited has received notice from the South African Revenue Services (SARS) that it will disallow an amount in respect of the 1999 financial year for the prepaid royalty to the Royal Bafokeng Nation. An amount of R159.2m consisting of penalties and interest was levied by the tax authorities. An official objection has been lodged by the company which maintains its position that this amount is not due to SARS.

BTX Mining, a contract miner for Barplats Investments Limited, has lodged a claim for an amount of R49.0 million against Impala Platinum Limited following the suspension of mining activities at Barplats' Crocodile River Mine. The company maintains its position that the claim lacks merit and therefore no amount is due to BTX Mining.

Owing to uncertainties regarding timing and amounts, if any, potential outflows cannot be quantified.

### 39 Commitments

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

Operating lease rentals for mining accommodation

Not later than 1 year	2.8	2.1
Later than 1 year not later than 5 years	11.4	10.1
Later than 5 years	-	6.2
	<u>14.2</u>	<u>18.4</u>

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.

Fair value (\$ million) (Note 20)	28.8	46.0
Fair value (R million) (not later than 1 year) (Note 20)	<u>206.0</u>	<u>306.7</u>

Refer Note 5 for disclosure on capital commitments

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

## 40 Business combinations

### Zimplats Holdings Limited

During the year a further 0.1 million (2005: 1.3 million) shares were acquired for an amount of R1.5 million (2005: R22.2 million) [AU\$ 0.3 million (2005: AU\$ 4.8 million)]

A restructuring of the shareholding in the Zimplats group in 2005 resulted in 14.8 million shares being issued to Impala Platinum Holdings Limited for its holding in Zimbabwe 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	1.5	22.2
Transfer to investment in Zimplats Holdings Limited	–	244.9
	<u>1.5</u>	<u>267.1</u>
Value of investment in Zimbabwe Platinum Mines (Pvt) Ltd	–	(244.9)
Carrying value of minorities acquired	<u>(1.0)</u>	<u>6.8</u>
Movement in other reserves (Note 14)	<u>0.5</u>	<u>29.0</u>

## 41 Related party transactions

The following transactions were carried out with related parties:

### Sales of goods and services to associates

Sales of services

Refining fees	<u>0.2</u>	<u>9.8</u>
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### Purchases of goods and services from associates

Purchases of mineral concentrates	<u>2,541.3</u>	<u>1,187.8</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 20)	<u>1,176.0</u>	<u>566.6</u>
Receivables from associates (Note 11)	<u>486.8</u>	<u>341.9</u>

### 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	340.6	245.8
Loans advanced during year	485.4	5,698.1
Loan repayments received	(720.2)	(5,604.5)
Interest charged	15.8	9.8
Interest received	<u>(14.4)</u>	<u>(8.6)</u>
End of the year (Note 11)	<u>107.2</u>	<u>340.6</u>

Year ended 30 June

(All amounts in rand millions unless otherwise stated)

2006 2005

#### 41 Related party transactions (continued)

##### Contingencies

Guarantees provided (Note 38)	210.6	146.3
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##### Share options granted to directors

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

#### 42 Principal subsidiaries

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

#### 43 Interest in joint venture

The group has a 50% interest in a joint venture, Mimoso 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	472.0	412.8
Current assets	176.4	88.8
	<u>648.4</u>	<u>501.6</u>

Provisions for liabilities and charges	(40.4)	(41.7)
Current liabilities	(50.4)	(53.7)
	<u>(90.8)</u>	<u>(95.4)</u>

Net assets	<u>557.6</u>	<u>406.2</u>
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Sales	436.0	304.9
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Inter-group sales are eliminated on consolidation.

Profit before tax	208.5	97.5
Income tax expense	(33.7)	(2.4)
Profit after tax	<u>174.8</u>	<u>95.1</u>

Capital commitments – approved expenditure not yet contracted	22.3	40.7
– commitments contracted for	13.3	–
	<u>35.6</u>	<u>40.7</u>

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

#### 44 Events after the balance sheet date

Post-balance sheet events are disclosed in the directors report.