

# 2007 ANNUAL REPORT

## Economic performance

Implats recognises that, as a leading global producer of PGMs and as a significant employer, the economic dimension of sustainability, that is, the group's impacts on the economic conditions of its stakeholders and on economic systems, is an important one.

Information relating to the financial performance of the group, at both an operational level and as an investment, is detailed in the main body of the annual report. The group's value-added statement reflects the significant value generated by the company during the year, partially as a result of a rise in production but mostly on the back of increased metals prices. It also indicates the value disbursed by the company, to employees, to shareholders and providers of capital, to suppliers, to the state (in the form of taxes) and to communities by way of corporate social investment.

In FY2007, R2.9 billion was allocated towards capital expenditure both to sustain and to grow its operations (FY2006: R2.2 billion). Over the next five years (FY2008 to FY2012), the group will spend some R25 billion on growth projects, new shafts, infrastructure and technological developments, making it one of the most significant investors in the mining industry in southern Africa.

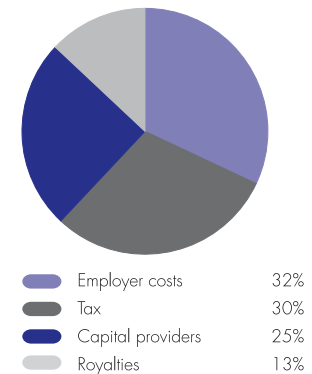
Implats is also cognisant of the fact that, through its employment practices and procurement activities, the company can effect change and, in so doing, benefit those who were previously disadvantaged and members of the communities in which it operates.

### BEE

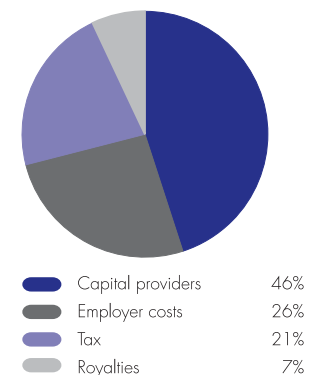
In terms of BEE ownership of the group, Implats has established its credentials in four ways:

- a holding of 13.4% of Implats' equity by Royal Bafokeng Holdings (RBH), on behalf of the Royal Bafokeng Nation (RBN);
- a holding of 2.6% by South African lower level employees in the group through the ESOP;
- a holding of 22.5% in Marula (by the Marula Community Trust – 7.5%; Mmakau Mining – 7.5% and Tubatse Platinum – 7.5%); and
- a holding of 26% in the Leeuwkop Project by the Bakwena Ba-Mogopa traditional community.

Total value distribution  
– FY2007



Total value distribution  
– FY2006



### Group value-added statement

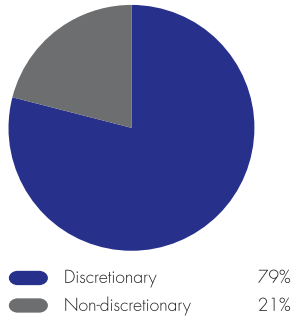
For the year ending 30 June (Rm)

	FY2007	FY2006	% change
Sales	31,481.5	17,500.2	79.9
Net cost of products and services	14,569.7	2,511.3	480.2
Value added by operations	16,911.8	15,030.4	12.5
Income from investments and interest	1,030.9	310.7	231.8
<b>Total value added</b>	<b>17,942.7</b>	<b>15,341.1</b>	<b>17.0</b>
<b>Applied as follows to:</b>			
Employees as salaries, wages and fringe benefits	4,093.8	3,163.3	29.4
The state as direct taxes	3,894.7	2,614.5	49.0
Royalty recipients	1,703.4	851.8	100.0
Providers of capital	3,264.6	5,568.5	41.4
Financing costs	59.8	60.9	1.8
Minorities	93.1	39.7	134.5
Dividends	3,111.7	5,467.9	43.1
<b>Total value distributed</b>	<b>12,956.5</b>	<b>12,198.1</b>	<b>6.2</b>
(Distributed from)/re-invested in the group	4,986.2	3,143.0	58.6
Amortisation	865.7	644.9	34.2
Reserves (distributed)/retained	4,120.5	2,498.1	64.9
	<b>17,942.7</b>	<b>15,341.1</b>	<b>17.0</b>



## Economic performance

Discretionary procurement  
as a percentage of total  
procurement – FY2007



In addition, in late 2004, Implats sold its entire 27.1% shareholding in both Western Platinum Limited and Eastern Platinum Limited to facilitate the creation of a major BEE platinum company, Incwala Resources.

### Preferential procurement

Implats has developed a procurement policy to assist in identifying accredited HDSA/BEE suppliers, to encourage their development and to ensure that they enjoy preferential status. A steady increase in procurement with these suppliers has been actively facilitated.

In FY2007, discretionary procurement at the group's South African operations amounted to R5.44 billion, or 79% of total procurement. Discretionary procurement is defined as total procurement less procurement with public sector vendors (rates, taxes), utility service providers (electricity), academic institutions and pass-through payments (medical aid contributions, sponsorships and sponsorship vendors). In total, 38% of discretionary procurement was spent with vendors that had an HDSA/BEE ownership of more than 25% (FY2006: 27%) and 47% with vendors with HDSA/BEE ownership of greater than 5% (FY2006: 34%).

Local procurement, that is, within the province of operation, was 56% of discretionary procurement (FY2006: 47%). The number of HDSA/BEE vendors (vendors with HDSA/BEE ownership of more than 25%) with which Implats does business rose to 649 from 525 in FY2006.

For the group as a whole, the most significant increase in procurement was recorded in the area of capital goods, where the percentage of HDSA/BEE discretionary procurement (vendors with more than 25% HDSA/BEE ownership) rose from 8% in FY2006 to 13% in FY2007. The highest level of procurement overall was in the services area (14%) for vendors with more than 25% HDSA/BEE ownership.

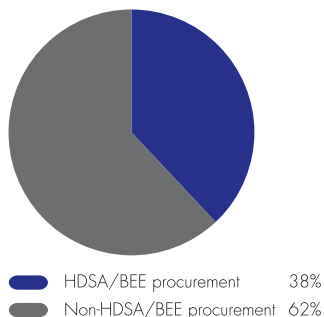
### Beneficiation

Platinum is supplied in the form of bars to jewellery manufacturers and as a powder to automotive manufacturers.

A significant portion of the powder, 340,000oz in FY2007 (FY2006: 190,000oz) is supplied to automotive and catalyst plants based in South Africa for use in autocatalysts which are then exported.

Currently, the group supplies about 20,000oz of platinum to the local jewellery industry. Implats remains in discussions with government, other suppliers, Mintek and other parties to develop an optimal beneficiation strategy for the country.

HDSA/BEE procurement  
as a percentage of total  
discretionary procurement  
– FY2007



### ESOP

Implats' ESOP was implemented in July 2006, when Impala and Marula made a contribution of R2.6 billion to the Morokotso Trust to finance the acquisition of 16.4 million (after the 8:1 share split) Implats shares (3% of the company's equity). All South African employees in Paterson Bands A to C will benefit from the appreciation in the value of these shares over a period of 10 years. Some 28,000 employees were eligible and of these, close to 27,000 are HDSAs. After five years, employees will have the option of selling 40% of the shares and any net proceeds (after capital contribution repayments to Implats and tax) will be paid to the qualifying eligible employees. The remaining 60% of the shares will be sold on the same basis after 10 years. The ESOP is significant in that it provides lower level employees with a tangible stake in the business. The estimated growth in value since its implementation is approximately R1 billion.