Financial review

Income Statement

Sales

F2006 was characterised by increased unit sales and robust metal prices. Unit sales increased by 13.7% to 11 285 kg (3PGE + Au) in line with the higher production. Strong increases in the metal prices resulted in the US Dollar basket price increasing by 33.8% to US$ 918 per ounce, which together with a modest weakening of the Rand, resulted in the average Rand basket price increasing by 37.6% to R189 286 per kg. The net result was that sales revenues for the current year increased by 53.5% to R2 386 million.

Cost of sales increased by 7.2% as a consequence of higher sales volumes.

Sales	F2006			F2005		
	Units sold kg	Average price received R/kg	Revenue R000	Units sold kg	Average price received R/kg	Revenue R000
Platinum	6 892	210 131	1 448 160	6 098	171 186	1 043 894
Palladium	3 413	54 653	186 514	2 937	40 287	118 315
Rhodium	749	635 590	476 140	687	269 687	185 318
Gold	231	109 156	25 242	200	84 484	16 880
Sub-total – 3PGE + Au	11 285	189 286	2 136 056	9 922	137 517	1 364 407
Nickel			185 480			150 966
Copper			27 818			17 312
Other by-product revenue			36 972			21 816
Total sales revenue			2 386 326			1 554 501

Cost of sales	F2006 R000	F2005 R000
Labour	557 054	501 364
Stores	421 051	370 431
Utilities	99 426	87 015
Sundries	163 055	160 020
Decommissioning and restoration	2 384	2 726
Total operating costs	1 242 970	1 121 556
Concentrates purchased	–	20 075
Refining and other costs	59 520	57 222
Depreciation and impairments	114 713	103 646
Change in metal inventories	(41 826)	(19 444)
Cost of sales	1 375 377	1 283 055

Operating costs

Total operating costs increased by 10.8% compared to the previous year, in line with the 11.2% increase in production of precious metals in concentrates, resulting in unit operating costs declining marginally from R121 124 per kg to R120 711 per kg and unit cash operating costs declining by 0.5% to R109 677 per kg.

Labour costs increased by 11.1%, reflecting the cost of the 2005 wage settlement of 8.5% and a once-off charge of R13 million (2.6%), in respect of a transfer to the Platinum Health Medical Scheme, following the admission of the Category 2 – 8 employees to the scheme. Previously medical costs for these employees were funded on a capitation basis.

The increase of 13.7% in the cost of consumable stores is attributed to the increase in the tonnes mined (6.4%) and inflationary increases (7.3%), particularly in respect of timber, steel, chemicals and fuel.

Utility costs rose by 14.2%, 6.4% being a result of the higher tonnage mined and 7.8% consequent upon the increase in power usage and tariffs.

Refining and other costs

Refining and other costs increased by only 4.0% in spite of the 11.2% increase in metals produced. This was as a result of a 4.2% reduction in the nickel refining cost due to more favourable terms, combined with a 1.1% stronger Rand against the Euro.

Depreciation and impairments

The depreciation charge increased by 10.7% as a result of the higher capital expenditure.

Change in inventories

The change in metal inventories is as a result of an increase in unrefined metal inventory.

Investment income

Investment income increased to R39 million primarily as a consequence of the higher average cash balance.

Net sundry income

Currency translation gains (R7 million), revenue received from the chrome recovery plant (R2 million) and toll treatment income (R8 million) were the primary contributors to sundry income of R20 million, compared to R75 million in the previous year, the main component of which was the insurance payout of R76 million.

Hedging

No currency was hedged during the period, and there were no outstanding contracts at the end of the period. 3 000 ounces of palladium was hedged at an average of US$195/oz, resulting in a minor loss. There were no outstanding contracts at year end.

Tax charge

The total tax charge of R366.6 million equates to an effective tax rate of 34.3%, some 5.3 percentage points higher than the statutory rate of 29%. This is accounted for by secondary tax on companies (STC) of 4.4% and permanent and other differences of 0.9%, as more fully set out in note 16 to the annual financial statements on page 91.

Net profit

The increase in the net profit attributable to shareholders of 183% reflects the effect of the substantial increase in sales revenues as well as the stringent cost control exercised.

Cash flow

Operating cash flow

Cash flow from operations increased by R470 million to R849 million with the increase in cash generated from the operations from R458 million to R1 156 million reflecting the significant increase in operating profits. Investment income increased to R39 million from R29 million primarily as a consequence of the higher average cash balance. Working capital increased by R70 million owing to increases in inventories (R34 million) and accounts payable (R36 million) compared to a minor increase of R3 million in F2005. The increase in tax payments from R104 million to R275 million reflects the increase in profits and higher dividends.

Investing cash flow

The net investing cash flow was R212 million (F2005 - R139 million), comprising capital expenditure of R211 million, less sundry disposals of R5 million and housing development expenditure of R6 million.

Major contributing items to the capital expenditure of R211 million were: development expenditure (R38 million); access infrastructure to 1 level and 14 level (R67 million); upgrading of the backfill reticulation system (R9 million); new compressed air columns (R12 million); improvements to the skip capacity (R9 million); and construction of a furnace slag processing plant (R17 million). The balance comprised routine capital expenditure.

Planned capital expenditure for F2007 amounts to R200 million and includes the following major items: access infrastructure to 1 level and 14 level and development through the 20 line fissure (R80 million); additional backfill facilities (R12 million) and additional ventilation capacity (R11 million).

During the year the group embarked on a project to assist employees to acquire their own houses; 380 erven in the nearby town of Northam were purchased and the construction of affordable housing has commenced. Employees will purchase the houses for a consideration that approximates the land and construction costs. The company is currently in discussions with a financial institution regarding the long-term funding of the project and does not foresee any risk of the negotiations not being concluded successfully.

FINANCING CASH FLOWS

An amount of R64 million (F2005 – R4 million) was received following the exercise of share options by employees.

The dividends paid of R374 million are in line with the company's policy of maximising returns to shareholders. This amount comprised of the interim dividend of 115 cps and the final dividend of 45 cps in respect of F2005. A final dividend of 165 cps has been declared for F2006.

The increase in the Restoration Trust Fund comprised a contribution made by the company of R800 000 (F2005 – R820 000) and net income received by the Fund of R1 150 000 (F2005 – R1 060 000)

BALANCE SHEET

The group's balance sheet remains strong, with cash and cash equivalents at the year end of R831 million (F2005 - R506 million) and net current assets of R875 million (F2005 - R539 million). An amount of R6 million has been spent on the housing development mentioned above. The net unfunded environmental decommissioning and restoration liability is R9 million (F2005 - R8 million). Apart from this liability and the deferred tax provision of R358 million (F2005 - R325 million) the group has no debt.

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