



IMPLATS



IMPLATS
Distinctly Platinum

Annual Financial Statements 2018

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IMPALA PLATINUM HOLDINGS LIMITED (IMPLATS) IS ONE OF THE WORLD'S FOREMOST PRODUCERS OF PLATINUM AND ASSOCIATED PLATINUM GROUP METALS (PGMs). IMPLATS IS CURRENTLY STRUCTURED AROUND FIVE MAIN OPERATIONS WITH A TOTAL OF 20 UNDERGROUND SHAFTS. OUR OPERATIONS ARE LOCATED WITHIN THE BUSHVELD COMPLEX IN SOUTH AFRICA AND THE GREAT DYKE IN ZIMBABWE, THE TWO MOST SIGNIFICANT PGM-BEARING ORE BODIES IN THE WORLD.

IMPLATS HAS ITS LISTING ON THE JSE LIMITED (JSE) IN SOUTH AFRICA, THE FRANKFURT STOCK EXCHANGE (2022 US\$ CONVERTIBLE BONDS) AND A LEVEL 1 AMERICAN DEPOSITARY RECEIPT PROGRAMME IN THE UNITED STATES OF AMERICA.

OUR HEADQUARTERS ARE LOCATED IN JOHANNESBURG AND THE FIVE MINING OPERATIONS ARE IMPALA, ZIMPLATS, MARULA, MIMOSA AND TWO RIVERS. THE STRUCTURE OF OUR OPERATING FRAMEWORK ALLOWS FOR EACH OF OUR OPERATIONS TO ESTABLISH AND MAINTAIN CLOSE RELATIONSHIPS WITH THEIR STAKEHOLDERS WHILE OPERATING WITHIN A GROUP-WIDE APPROACH TO MANAGING THE ECONOMIC, SOCIAL AND ENVIRONMENTAL ASPECTS OF SUSTAINABILITY.

Welcome to our 2018 annual financial statements

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THIS REPORT CONTAINS THE CONSOLIDATED FINANCIAL STATEMENTS AND THE SEPARATE ANNUAL FINANCIAL STATEMENTS OF IMPALA PLATINUM HOLDINGS LIMITED FOR THE YEAR ENDED 30 JUNE 2018.

THESE ANNUAL FINANCIAL STATEMENTS WERE PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) OF THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB), THE SAICA FINANCIAL REPORTING GUIDES AS ISSUED BY THE ACCOUNTING PRACTICES COMMITTEE AND FINANCIAL REPORTING PRONOUNCEMENTS AS ISSUED BY THE FINANCIAL REPORTING STANDARDS COUNCIL, THE REQUIREMENTS OF THE SOUTH AFRICAN COMPANIES ACT, ACT 71 OF 2008, THE LISTINGS REQUIREMENTS OF THE JSE LIMITED AND THE RECOMMENDATIONS OF KING IV™.

We welcome your feedback to make sure we are covering the things that matter to you.



Go to www.implats.co.za or email investor@implats.co.za for the feedback form, or scan the code above with your smart device.

Additional information including assurance thereon, regarding Implats is provided in the following reports, all of which will be available at www.implats.co.za



Integrated report

- > Information about our stakeholders, their material matters, risk, strategy and performance
- > Information about our operations, mineral reserves and mineral resources, business context, environment, business model, and intellectual capital contained in our risk and remuneration processes
- > Overall assurance provided
- > Publication release scheduled for the end of October



Sustainable development report

- > Detail on material economic, social and environmental performance
- > GRI G4 core compliance
- > Internal reporting guidelines in line with the UN Global Compacts
- > Independent assurance report



Mineral Resource and Mineral Reserve Statement

- > Provides updated estimates and reconciliation of Mineral Resources and Mineral Reserves
- > Conforms to the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC)
- > Conforms to section 12.13 of the JSE Listings Requirements
- > Been signed off by the competent persons



Notice to shareholders

- > Corporate governance report
- > Abridged financial
- > Audit committee report
- > Social, transformation and remuneration committee report
- > Proxy and comparative information

Online



- > Direct access to all our reports
- > Our website has detailed investor, sustainability and business information



Audit committee report

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The committee is pleased to present its report for the financial year ended 30 June 2018 which details the work done during the year under review. The committee has discharged all its responsibilities as contained in the charter including but not limited to; reviewing accounting policies and ensuring that financial information issued to stakeholders is supported by robust internal controls and risk management processes. The chairman of the audit committee reports to the board on the committee's deliberations, recommendations and decisions. In line with best practice, the internal and external auditors have unrestricted access to the committee where they are able to raise any matter which requires the committee's attention. Furthermore, the committee regularly reviews its corporate governance practices in relation to the Company's compliance with the requirements of relevant legislation as well as the King IV™ recommendations.

MEMBERS

Ms D Earp (Chairman)
Mr PW Davey
Ms B Ngonyama
Mr PE Speckmann

STATUS

Independent non-executive director
Independent non-executive director
Independent non-executive director
Independent non-executive director

APPOINTED

1 August 2018
18 February 2016
1 November 2010
1 August 2018

Mr HC Cameron was a member and chairman of the committee until his passing on 6 April 2018. The board appointed Ms B Ngonyama as acting chairman until a permanent appointment was made in August 2018. Ms MEK Nkeli served as a member of the committee from February 2016 until 1 August 2018 when new members of the committee were appointed.

EXECUTION OF THE FUNCTION OF THE COMMITTEE

The overall high-level functions performed by the committee during the year were:

- > To assist the board in discharging its duties relating to safeguarding of the Company's assets
- > To ensure the existence and proper operation of adequate systems and control processes
- > To control reporting processes and the preparation of fairly presented financial statements in compliance with the applicable legal and regulatory requirements and accounting standards
- > To oversee the activities of internal auditors
- > To recommend external auditors for appointment and to oversee their activities
- > To make recommendations regarding dividend declarations
- > To recommend the integrated report for approval
- > To perform duties that are attributed to it by the Act, the Johannesburg Stock Exchange (JSE) and King IV™.

The committee performed the following activities during the year under review:

- > Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment
- > Reviewed and recommended the internal audit charter for board approval
- > Encouraged cooperation between internal and external audit during the year
- > Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided did not impair their independence
- > Reviewed and recommended, for adoption by the board, the financial information that is publicly disclosed, which for the year included:
 - The interim results for the six months ended 31 December 2017
 - The annual results for the year ended 30 June 2018
- > Considered the effectiveness of internal audit, approved the three-year operational strategic internal audit plan and monitored adherence of internal audit to its annual plan. The committee also approved deviations from the annual internal audit plan
- > Monitored initiatives implemented by the compliance function which included assurance
- > Considered the effectiveness of the information technology (IT) function and recommended IT strategy for board approval
- > Approved the Group tax policy.

The objectives of the committee were adequately met during the year under review.

INTERNAL AUDIT

The committee approved the internal audit plan and departmental budgets and ensured that there was coverage of the group audit universe.

The committee reviews the performance appraisals of the chief audit executive and determines the competence of the internal audit department as a whole. The chief audit executive, Ms Nonhlanhla Mgadza, has the necessary experience to fulfil this role and she has performed satisfactorily during the year under review. The committee meets with her where management is not present and she is able to raise any matter to the attention of the committee.

Ms Mgadza has unrestricted access to the members of the committee and her audit reports are circulated to the members of the committee and are reviewed quarterly in detail.

Audit committee report

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EXTERNAL AUDIT

The committee has satisfied itself, through enquiry, that the auditor of the Company is independent, as defined by the Companies Act. The committee, in consultation with executive management, agreed the audit fee for the 2018 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. The auditor performed a satisfactory audit which covered all the significant risks to the company and submitted their report accordingly. Audit fees are disclosed in note 25 to the annual financial statements.

The independence of the external auditor is regularly reviewed. Additionally, the approval of all non-audit-related services are governed by an appropriate approval framework. During the year under review, PricewaterhouseCoopers Inc. (PwC) were appointed to conduct non-audit services and the permission of the committee was granted after the proposed fee was tested again the provision of non-audit fees policy. The services provided during the year under review were related to taxation pre-filing reviews as well as the tax treatment prior to the launch of the 2022 Convertible Bond. The audit partner and his team were not involved with any of the non-audit service provided by PwC.

Meetings were held with the external auditor where management was not present and, where concerns could be raised. The auditor did not have any concerns to raise; however, the committee was informed that all disagreements with management were adequately dealt with and were brought to the committee's attention in meetings.

The committee has received the Partner Suitability Pack, reviewed it and is satisfied with the performance of the external auditors. Following this assessment, the committee will nominate, for approval at the annual general meeting, PwC as the external auditor for the 2019 financial year, with Mr CS Masondo as the designated auditor. Mr Masondo assumed the responsibility of lead partner with effect from 1 July 2017 replacing his predecessor Mr Andries Rossouw in line with the rotation process. The auditor and designated audit partner are accredited by the JSE and have been auditor of the Group for 45 years

CHIEF FINANCIAL OFFICER REVIEW

Ms Meroonisha Kerber was appointed with effect from 1 August 2018 and the committee has reviewed her qualifications and expertise through the recruitment process and confirms her suitability for appointment as chief financial officer in terms of the JSE Listings Requirements. Prior to Ms Kerber's appointment, Mr Ben Jager was fulfilling the role in an acting capacity. Although the committee did not perform a formal review of Mr Jager, he is suitably qualified and has the requisite experience. Additionally, the committee has satisfied itself of the performance, qualifications and expertise of the financial accounting and the taxation departments.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared using appropriate accounting policies, which conform to International Financial Reporting Standards (IFRS). The committee has therefore recommended the approval of the annual financial statements to the board. The significant matters considered by the committee included the impairment of assets and the going concern statement. The board has subsequently approved the annual financial statements.

INTERNAL FINANCIAL CONTROL (STATEMENT ON EFFECTIVENESS OF INTERNAL FINANCIAL CONTROLS)

Based on the results of the formally documented review of the Company's system of internal financial controls, which was performed by the internal audit function and external auditors, and a formal documented review of the Company's mature system of combined assurance, nothing has come to the attention of the audit committee to indicate that the internal financial controls were not operating effectively.

COMMENTS ON KEY AUDIT MATTERS, ADDRESSED BY PWC IN ITS EXTERNAL AUDITOR'S REPORT

The external auditors have reported on one key audit matter in respect of their 2018 audit, being: impairment of non-financial assets. This key audit matter related to material financial statement line items and require judgement and estimates to be applied by management. The committee assessed the methodology, assumptions and judgements applied by management in dealing with the key audit matter. Furthermore, the committee discussed the key audit matter with the external auditors to understand their related audit processes and views. Following our assessment, we were comfortable with the conclusions reached by management and the external auditors.

Ms Dawn Earp

Chairman of the audit committee

13 September 2018

Directors' responsibility statement

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The directors of the Company are responsible for the maintenance of adequate accounting records and preparation of the annual financial statements and related information in a manner that fairly presents the state of affairs of the Company. These annual financial statements are prepared in accordance with International Financial Reporting Standards and incorporate full and responsible disclosure in line with the accounting policies of the Group which are supported by prudent judgements and estimates.

The annual financial statements have been prepared under the supervision of the acting chief financial officer, Mr B Jager, CA(SA).

The directors are also responsible for the maintenance of effective systems of internal control which are based on established organisational structures and procedures. These systems are designed to provide reasonable assurance as to the reliability of the annual financial statements, and to prevent and detect material misstatement and loss.

Based on the results of a formal documented review of the Company's system of internal controls and risk management, covering both the adequacy in design and effectiveness in implementation performed by the internal audit function during 2018, the board of directors has considered:

- > The information and explanations provided by line management
- > Discussions held with the external auditors on the results of the year-end audit
- > The assessment by the audit committee
- > The assessment of risks by the various sub-committees of the board.

Nothing has come to the attention of the board that caused it to believe that the Company's system of internal controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The board's opinion is underpinned by the audit committee's statement.

The annual financial statements have been prepared on a going-concern basis as the directors believe that the Company and the Group will continue to be in operation in the foreseeable future.

The annual financial statements as set out on pages 16 to 94 have been approved and authorised for issue by the board of directors and are signed on its behalf by:

MSV Gantsho
Chairman

NJ Muller
Chief executive officer

13 September 2018

Certificate by company secretary

In terms of section 88(2)(e) of the Companies Act, I certify that the Company has lodged with the Commissioner all such returns and notices as required by the Act and that all such returns and notices are true, correct and up to date.

TT Liale
Company secretary

13 September 2018

Independent auditor's report

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To the shareholders of Impala Platinum Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Impala Platinum Holdings Limited (the Company or Implats) and its subsidiaries (together the Group) as at 30 June 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Impala Platinum Holdings Limited's consolidated and separate financial statements set out on pages 16 to 94 comprise:

- > The consolidated and Company statements of financial position as at 30 June 2018
- > The consolidated and Company statements of profit or loss and other comprehensive income for the year then ended
- > The consolidated and Company statements of changes in equity for the year then ended
- > The consolidated and Company statements of cash flows for the year then ended
- > The notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

OUR AUDIT APPROACH

Overview

	<p>Overall Group materiality</p> <p>> R53 million which represents 5% of a five-year adjusted average of profit or loss before tax.</p>
	<p>Group audit scope</p> <p>> Our scope included, operations in two countries namely, South Africa and Zimbabwe. The operations were made up of six operating subsidiaries and two mining associates.</p>
	<p>Key audit matters</p> <p>> Impairment of long-lived assets and investment in subsidiary.</p>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report

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Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R53 million
How we determined it	5% of a five-year average of profit or loss before tax adjusted for impairment provisions, scrapping of assets, royalty rebates, restructuring costs and insurance proceeds.
Rationale for the materiality benchmark applied	<p>We chose profit or loss before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</p> <p>Due to the fluctuations, it was considered more appropriate to use a five-year average consolidated profit before tax as a benchmark.</p> <p>We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</p> <p>The profit or loss before tax has been adjusted for impairment provisions, scrapping of assets, royalty rebates, restructuring costs and insurance proceeds. These items occur infrequently and are not in the ordinary course of business.</p>

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Implats operates in two countries: South Africa and Zimbabwe with 15 operating companies. The operating entities are split into three segments: Mining, Impala Refining Services and Impala Chrome – refer to segment information (note 2). Our group scope included the financially significant entities to the Group: Impala Platinum Holdings, Impala Platinum, Zimplats, Impala Refining Services, Impala Chrome, Marula Platinum, Afplats and the two associates Two Rivers and Mimosa.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or component auditors from other PwC network firms and other networks operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The Group engagement team performed audit procedures, among others, over the Company financial statements, the consolidation process, financial statement disclosure and significant accounting positions taken by the group. Risk assessment analytics were performed for non-significant entities.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report

Key audit matter	How our audit addressed the key audit matter
<p>IMPAIRMENT OF LONG-LIVED ASSETS AND INVESTMENT IN SUBSIDIARY Key audit matter relates to the consolidated and separate financial statements</p> <p>International Financial Reporting Standards (IFRS) require the Group to assess long-lived assets for impairment when there are indicators of impairment. For Implats the long-lived assets are: plant, property and equipment (PPE) and exploration and evaluation assets.</p> <p>The Group has been impacted by the prevailing low platinum price environment. In the current year the total mining segments realised a loss due to a gross loss of R2.8bn (note 2) generated by the Impala mining segment. The Group has performed a strategic review of its operation aimed at optimising the Impala Rustenburg lease area. This is expected to result in a reduction of shafts in operation.</p> <p>As indicated in note 3.9 (property, plant and equipment), the impact of the strategic review as well as the lower than previously forecasted platinum basket prices were identified by management as indicators of impairment.</p> <p>These indicators also resulted in an impairment assessment at a company level for the investment in subsidiaries. Management performed impairment assessments to determine the recoverable amount of the various cash-generating units (CGU). The recoverable amount was based on a combination of discounted cash flow models and valuation of mineral resources beyond approved mine plans.</p> <p>In determining the discounted cash flows, management considered the strategic plans for the business including planned restructuring of operating segments. This strategic review informed the business plan and key judgements and assumptions used to develop the future cash flow projections.</p> <p>The impairment assessment was a matter of most significance to our current year audit due to the significant judgement involved in the valuation of those CGUs as well as the value of the impairment recognised in the current year. The assumptions (inputs) which were used for cash flow forecasts and valuations of mineral resources beyond approved mine plans are based on future results and expected market and economic conditions. The most significant inputs in these forecasts and valuations are: production volumes, costs of production, capital expenditure, forecasts for metal prices, exchange rates and discount rates.</p> <p>At a Group level management recognised an impairment of R13.6bn: R13.2bn in property, plant and equipment (refer to note 3.9 of the Group financial statements); and R0.4bn in exploration and evaluation assets (refer to note 4 of the Group financial statements).</p> <p>At a company level management recognised an impairment of the investment in Afplats of R0.3bn (refer to note 13 of the Company financial statements).</p>	<p>We assessed the financial results of the Group, paying particular attention to factors that have negatively impacted the operations. In line with management's assessment, we identified impairment indicators regarding the mining operating segments.</p> <p>We gained an understanding as to how impairments were considered by management across long-lived assets as well as the methodologies and models used. Specifically for the Impala mining segment, we reviewed the strategic plan and obtained an understanding from management of the plan as well as compared the impact of the plan to the life of mine assumptions.</p> <p>For purposes of the impairment assessment, management has valued the cash-generating units (CGU) using future cash flows and/or mineral resources beyond approved mine plans valuations. We assessed these models and found them to be in accordance with generally accepted methodologies.</p> <p>In assessing the future cash flows, our audit procedures included:</p> <ol style="list-style-type: none"> 1. Testing the accuracy of the model used by management by performing an independent recalculation and comparing the results of our calculation with theirs; and 2. The significant assumptions used by management in their impairment assessment were subjected to audit procedures as follows: <ul style="list-style-type: none"> > We tested the reasonableness of the long-term real basket price of R27 500 per platinum ounce by using our valuations expertise, to benchmark the price and exchange rates against analysts' forecasts. Based on the work performed, we found management's assumption to be within a reasonable range of possible prices. > We utilised our valuation expertise to independently calculate the discount rates used in performing the impairment assessments. This included using relevant third-party sources and data such as the cost of debt, risk-free rates in the market, market risk premiums, debt/equity ratios, the beta of comparable companies, as well as the impact of economic and industry factors in which each of the CGUs are located. In cases where discount rates determined by us differed from that used by management, the impact of the differences was assessed not to be material. > Production volumes per the life-of-mine plan assumption were compared to reserves signed off by the Group's Competent Person and to existing production volumes and approved business plans. We noted a reduction of reserves at Impala as a result of the strategic review and an increase at Zimplats due to the conversion of resources to reserves. > Life-of-mine plan operating and capital costs and unit costs incurred were compared to budgeted (taking into account the strategic review) and actual costs for reasonableness. <p>In considering the accuracy of the value of in situ resources, we used our valuations expertise to independently calculate the resource multiple by benchmarking the valuation against comparable transactions. Based on our independent calculation, management's resource multiple was found to be within an acceptable range.</p>

Independent auditor's report

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OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Implats annual financial statements 2018, which includes the directors' report, audit committee report and the certificate by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the annual integrated report 2018, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going-concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- > Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- > Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

Independent auditor's report

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- > Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- > Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Impala Platinum Holdings Limited for 45 years.

PricewaterhouseCoopers Inc.

Director: CS Masondo

Registered Auditor

Johannesburg

13 September 2018

Directors' report

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PROFILE

Nature and business of the Company

Impala Platinum Holdings Limited (Implats/Company/Group) is one of the foremost producers and suppliers of Platinum Group Metals (PGMs) to industrial economies. The Company's holdings in various mining and exploration activities as at 30 June 2018 are described below:

Company	Effective interest %	Activity
Impala Platinum Limited (Impala)	96	PGM mining processing and refining
Impala Refining Services Limited	100	Purchase of concentrate and/or smelter matte. Processing of concentrate and matte by the smelting, refining and sale of resultant PGMs and base metals, and toll refining
Afplats Proprietary Limited	74	PGM mining (project phase)
Marula Platinum Proprietary Limited	73	PGM mining
Zimplats Holdings Limited	87	PGM mining
Mimosa Investments Limited	50*	PGM mining
Two Rivers Platinum Proprietary Limited	46*	PGM mining
Makgomo Chrome Proprietary Limited	50*	Purchase of chrome in tailings. Processing and sale of the product
Impala Chrome Proprietary Limited	65	Purchase of chrome in tailings. Processing and sale of the product

* Equity-accounted entities.

SHARE CAPITAL

Authorised share capital

944 008 000 ordinary no par value shares

Issued share capital

734 778 378 ordinary no par value shares

Unissued share capital

209 229 622 ordinary no par value shares

The authorised share capital was converted from par value shares to no par value share and increased by 100 000 000 shares from 844 008 000 to 944 008 000 during the year under review. The authorised but unissued share capital of the Company increased to 209 229 622 from 109 229 622. The issued share capital remained unchanged at 734 778 378.

American depositary receipts

At 30 June 2018, there were 14 102 592 (2017: 11 495 430) sponsored Implats American Depositary Receipts in issue through Deutsche Bank AG London and trading on the over-the-counter markets in the US. Each American depositary share is equal to one Implats ordinary share.

Treasury shares

The Group holds 16 233 994 ordinary shares which were bought in terms of an approved share buy-back scheme in prior years. No additional shares were bought by the Company during the year under review. The shares are held as 'treasury shares' by a wholly owned subsidiary of the Company.

Share-based compensation

Details of participation in the share option scheme are set out in note 36 of the consolidated financial statements.

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Shareholding in the Company

The issued capital of the Company held by public and non-public entities as at 30 June 2018 was as follows:

Shareholders	Number of shareholders	Number of shares (000)	%
Public	25 134	672 312	91.5
Non-public	6	62 466	8.5
Directors	2	33	0.0
Royal Bafokeng Holdings Proprietary Limited*	3	46 199	6.3
Treasury shares	1	16 234	2.2
Total	25 140	734 778	100.0

* Has the right to appoint one director.

Beneficial shareholders greater than 5%

Shareholders	Number of shares (000)	%
Government Employees Pension Fund	99 649	13.6
Allan Gray Balanced Fund	44 089	6.0
Total	143 738	19.6

Investment management shareholding greater than 3%

Shareholders	Number of shares (000)	%
Allan Gray Investment Council	135 124	18.4
Investec Asset Management	110 140	15.0
PIC	78 892	10.7
Royal Bafokeng Holdings Proprietary Limited	46 199	6.3
Prudential Investment Managers	32 703	4.5
Kopernik Global Investment	30 296	4.1
Sanlam Investment Managers	28 382	3.9
Total	461 736	62.9

Black economic empowerment (BEE) ownership

The Group recognises that the transformation of the equity ownership of the Company is a key strategic goal and believes that it has fully met the equity ownership objectives of the Mineral and Petroleum Resources Development Act. The Royal Bafokeng Nation originally held 13.2% of Implats, which, with the agreement of the DMR, was attributed to a 26% notional holding in Impala Platinum Limited (Impala). In 2016, the Royal Bafokeng sold its holding down to 6.3% at value.

The Morokotso Trust, which was an ESOP established in 2006 for a 10-year period, came to an end in July 2016. At inception, the scheme managed more than 16 million Implats shares on behalf of Impala and Marula employees. In December 2015, the Group established a new Employee Share Ownership Trust which holds 4% of the issued shares in Impala.

Our other BEE partners are drawn from a wide range of groups including smaller BEE companies and community groups.

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INVESTMENTS

Zimplats Holdings Limited (Zimplats)

During the period under review, the Company owned 87% (2017: 87%) of Zimplats, which in turn holds 90% (2017: 90%) of Zimbabwe Platinum Mines (Pvt) Limited – an operating company in Zimbabwe. An employee share ownership trust was issued 10% of the issued capital in the operating subsidiary Zimbabwe Platinum Mines (Pvt) Limited. Negotiations are ongoing with a community share ownership trust regarding its purchase of a 10% share in the operating subsidiary. The shareholding by the trusts is intended to be for the benefit of employees and the surrounding community as part of Zimplats' plans to comply with the indigenisation legislation.

Mimosa Investments Limited (Mimosa)

The Company holds a 50% (2017: 50%) shareholding in Mimosa, with the balance being held by Sibanye Stillwater Limited. Mimosa Mining Company (Pvt) Limited (Mimosa Pvt), the operating company, is a wholly-owned subsidiary of Mimosa. Implats equity-accounted its 50% interest in the joint venture.

Two Rivers Platinum Proprietary Limited (Two Rivers)

The Company owns a 46% (2017: 49%) interest in Two Rivers with the balance held by African Rainbow Minerals Limited (ARM). Implats and ARM entered into an agreement where ARM agreed to vend its recently acquired portion called Matopi Mineral Rights into Two Rivers. Under the terms of this transaction, Implats agreed to dilute its shareholding from 49% to 46%.

Marula Platinum Proprietary Limited (Marula)

The Company owns a 73% (2017: 73%) interest in Marula.

The 27% non-controlling interest comprises a 9% equity stake in Marula held by each of the following BEE entities:

- > Tubatse Platinum Proprietary Limited
- > Mmakau Mining Proprietary Limited
- > Marula Community Trust.

Implats has consolidated the BEE interest as the vendor finance is guaranteed by Implats.

Afplats Proprietary Limited (Afplats)

The Company owns a 74% (2017: 74%) interest in Afplats, which completed the sinking of the main shaft to a depth of 1 198 metres below surface. Activities to further develop the project have been deferred. Implats continues to consolidate its interest in Afplats.

Makgomo Chrome Proprietary Limited (Makgomo Chrome)

The Company owns a 50% (2017: 50%) stake in Makgomo Chrome, a company established pursuant to Implats' local economic development strategy for the Marula communities. Of this 50% stake, 20% is held through Marula and all dividends received by Marula are used to fund community development projects. The balance of the issued shares are held by the communities in the Marula area of operations. Implats equity accounts its interest in Makgomo Chrome.

Impala Chrome Proprietary Limited (Impala Chrome)

The Company holds 65% (2017: 65%) of the shares in issue and Chrome Traders Processing Proprietary Limited (Chrome Traders) holds 31.5% (2017: 31.5%) and 3.5% is held by a Special Purpose Vehicle controlled by several local community members in Rustenburg. Implats consolidates its interest in Impala Chrome.

FINANCIAL AFFAIRS

Results for the year

A higher rand basket achieved was more than offset by lower sales volumes, resulting in a decrease of revenue from R36.8 billion to R35.9 billion. The furnace 5 rebuild as well as the transformer fire resulted in lower levels of refined production, which negatively impacted sales volumes from the Group's operations.

Group unit costs, year-on-year, were contained at 0.4% and cost of sales decreased by 8.0% as a result of the additional stock build-up of R3.4 billion at year end. These factors contributed to the increase in gross profit from a R529 million loss to a R1 577 million profit.

A strategic review was initiated to determine the most effective structural changes required to return Impala Rustenburg to profitability in the prevailing platinum price environment. The conclusion from this review was that Impala Rustenburg must contract to a smaller, more focused operation positioned around its best assets. Therefore, operations will cease at depleted end-of-life and uneconomic shafts. Future mining activity will be focused on profitable, lower-cost, high-value and generally longer-life assets. At Impala Rustenburg, shafts and assets under construction to the value of R13.0 billion was impaired as a result of this decision. During the 2018 financial year, R525 million restructuring cost was classified as other operating expenses, impacting on the unit cost for the year.

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Afplats exploration and evaluation asset of R385 million and assets under construction of R225 million was also impaired as a result of the long term view of prices and exchange rate impact on the valuation of the resource.

The income tax credit for the current year includes deferred tax of R3.8 billion on the impairment of property, plant and equipment and exploration and evaluation assets. This credit was offset by a deferred tax expense of R1.2 billion as a result of the change in Zimplats' corporate income tax rate, which increased, as a result of the change from a special mining lease to a normal mining lease during the year.

Gross refined platinum production decreased by 4% to 1,5468 million ounces, as a result of the stock build up during the year. The Group's in concentrate mine-to-market output was 1.32 (2017: 1.30) million platinum ounces. Lower deliveries from Zimplats and Two Rivers were offset by higher volumes from Marula, Mimososa and Impala. Third-party platinum production increased by 2% to 259 000 ounces.

Cash flows from operations reduced to R1 million cash used in operating activities compared to R1.0 billion cash generated from operating activities in the prior year. This was mainly as a result of a negative cash flow impact from the increase in working capital of R2.3 billion offset by an increase in operating cash flow of R1.7 billion, compared to the previous year.

The negative cash flow due to the year on year increase in working capital, includes stock build-up on Group of R3.4 billion, mainly as result of increase in the stock levels due to the furnace rebuild and transformer fire. At year end, the Group had gross cash of R3.7 (2017: R7.8) billion on hand after utilising R1.5 billion of its R4.0 billion bank debt facilities, which remain available until 2021.

Implats has final approved terms to enter into a forward sale transaction to release R2 billion of the approximately R3.8 billion excess pipeline stock during FY2019. The R2 billion forward sale relates to excess material, which will only be produced in FY2020, effectively monetising the whole pipeline in FY2019. The pipeline is expected to return to normal operating levels during FY2020.

Dividends

No dividends were declared in respect of the 2018 financial year (2017: no dividend).

Capital expenditure

Capital expenditure of R4.6 billion, excluding interest capitalised of R61 million, was higher compared to the previous year (2017: R3.4 billion). Over the last year, R1.4 billion was spent on the two development shafts, 16 and 20, at Impala Rustenburg and R1.7 billion (US\$ 135 million) was spend at Zimplats, mainly on the Mupani and Bimha development. In other areas, additional capital was deferred as a response to the ongoing low-price environment and the need to conserve cash.

POST-BALANCE SHEET EVENTS

On 1 July 2018 Impala Platinum and Impala Refining Services (IRS) entered into a sale of business agreement in terms of which IRS becomes a division of Impala and Impala acquired the metal purchase and toll refining operations of IRS as a going concern, utilising the group roll-over relief provisions of sections 45 and 47 of the Income Tax Act No. 58 of 1962.

This post balance sheet event had no financial impact on the Group's consolidated financial statements but was considered in the valuations and impairment testing given the expected future tax benefit.

The final approval of the implementation of the Rustenburg strategic review was obtained on 31 July 2018 from the Implats board. The implementation of the review impacted on the boards evaluation of the going concern statement and the valuations used for impairment testing at year-end resulting in a R13 billion impairment for Impala.

The impact of external factors like the R/US\$ exchange rate and commodity prices will be monitored together with internal factors such as the execution of the Rustenburg strategic review plan. Deviations from what is expected and the impact on the funding plan and the capital structure will be assessed on an ongoing basis and mitigating action will be taken should this become a concern.

GOING CONCERN

The consolidated financial statements have been prepared on a going-concern basis using the appropriate accounting policies, supported by reasonable and prudent judgements and estimates. The directors believe that the Company and the Group will continue to be in operation in the foreseeable future.

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ASSOCIATED AND SUBSIDIARY COMPANIES

Information regarding the Company's associated and subsidiary companies is given in note 2 and note 3 of the annual financial statements of the Company.

PROPERTY

Details of the freehold and leasehold land and buildings of the various companies are contained in registers which are available for inspection at the registered offices of those companies.

DIRECTORATE

Name	Position as director	Date appointed
MSV Gantsho	Independent non-executive chairman	1 November 2010
PW Davey	Independent non-executive director	1 July 2013
D Earp	Independent non-executive director	1 August 2018
M Kerber	Chief financial officer	1 August 2018
U Lucht	Non-executive director	25 August 2017
AS Macfarlane	Independent non-executive director	1 December 2012
FS Mufamadi	Independent non-executive director	5 March 2015
NJ Muller	Chief executive officer	3 April 2017
B Ngonyama	Independent non-executive director	1 November 2010
MEK Nkeli	Independent non-executive director	29 April 2015
LN Samuel	Executive director	27 November 2017
PE Speckmann	Independent non-executive director	1 August 2018
ZB Swanepoel	Independent non-executive director	5 March 2015

Changes to the board

During the year under review, the Ms Brenda Berlin resigned from the company as chief financial officer and executive director on 28 February 2018. It is with sadness that we have to report on the untimely passing of Mr Hugh Cameron, in April 2018, who was an independent non-executive director and chairman of the audit committee. The board oversaw a process to find a successor to Ms Berlin and to strengthen the audit committee. On 1 August 2018, Ms Meroonisha Kerber was appointed as chief financial officer and executive director and the board appointed Mr Preston Speckmann and Ms Dawn Earp as independent non-executive directors. Mr Speckmann and Ms Earp were also appointed as members of the audit committee which is chaired by Ms Earp. The average length of service of the current 10 non-executive directors is 3.7 years (2017: 4.2), while that of the executive directors is 0.7 years (2017: 3.4).

Board diversity

Gender	
Male	8
Female	5
Nationality	
Black South African	7
White South African	4
Non-South African	2
Independence	
Executive	3
Non-executive	1
Independent non-executive	9

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Interests of directors

The interests of directors in the shares of the Company for the year ended 30 June 2018 were as follows and did not individually exceed 1% of the issued share capital or voting control of the Company:

	Direct		Indirect	
	2018	2017	2018	2017
BENEFICIAL				
Directors	33 180	33 180	—	—
ZB Swanepoel	30 000	30 000	—	—
B Ngonyama	3 180	3 180	—	—
Senior management	73 532	53 324	—	—

There have been no changes to the directors' shareholding outlined above since the end of the financial year to the date of this report.

Directors' interests

No contracts of significance were entered into in which the directors of the Company were materially interested during the financial year. No material change in the foregoing interests has taken place between 30 June 2018 and the date of this report.

Directors' remuneration

Directors' remuneration is disclosed in the annual financial statements (note 36) in line with the Companies Act requirements.

SPECIAL RESOLUTIONS PASSED

During the year, the following special resolutions were passed by the shareholders:

Approval of directors' remuneration

Shareholders approved the remuneration which was paid to non-executive directors during the year under review.

Approval of financial assistance

Shareholders approved that the company may offer financial assistance in terms of section 44 and 45 of the Companies Act.

Acquisition of the Company's shares by the Company or subsidiaries

A renewal of the general authority to acquire up to 5% of the Company's shares subject to the provisions of the JSE Listings Requirements and the Companies Act, provided that the authority does not extend beyond 15 months from the date of the granting of that authority.

ADMINISTRATION

Financial, administrative and technical advisers

In terms of a service agreement, Impala acted as financial, administrative and technical advisers to the Group during the year on a fee basis. Mr ZB Swanepoel, Mr PW Davey and Mr NJ Muller had an interest in the contract by virtue of the membership of the Impala board.

Company secretary

Mr TT Liale acted as secretary to Implats and Impala. Impala acted as secretaries to other subsidiaries in the Group. The business and postal addresses of the company secretary are set out on page 95.

United Kingdom secretaries

The business and postal addresses of the United Kingdom secretaries are set out on page 95.

Public officer

Mr B Jager acted as public officer to companies in the Group for the year under review.