IMPLATS

Distinctly Platinum

Consolidated interim results (reviewed) for the six months ended 31 December 2018

Our vision, mission and values

OUR VISION
To be the worlds' **best** PGM producer, sustainably delivering superior value to all our stakeholders.

OUR MISSION
To mine, process, refine and market high-quality PGM products safely, efficiently and at the best possible cost from a competitive asset portfolio through team work and innovation.

OUR VALUES
We respect, care and deliver.

FORWARD LOOKING AND CAUTIONARY STATEMENT

Certain statements contained in this disclosure, other than the statements of historical fact, contain forward looking statements regarding Implats' operations, economic performance or financial condition, including, without limitation, those concerning the economic outlook for the platinum industry, expectations regarding metal prices, production, cash costs and other operating results, growth prospects and the outlook of Implats' operations, including the completion and commencement of commercial operations of certain of Implats' exploration and production projects, its liquidity and capital resources and expenditure and the outcome and consequences of any pending litigation, regulatory approvals and/or legislative frameworks currently in the process of amendment, or any enforcement proceedings. Although Implats believes that the expectations reflected in such forward looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results may differ materially from those set out in the forward looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metal prices, levels of global demand and exchange rates and business and operational risk management. For a discussion on such factors, refer to the risk management section of the Company's integrated annual report. Implats is not obliged to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the dates of the integrated annual report or to reflect the occurrence of unanticipated events.

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Johannesburg

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Key features for the year

IMPALA PLATINUM HOLDINGS LIMITED (IMPLATS) IS ONE OF THE WORLD'S FOREMOST PRODUCERS OF PLATINUM AND ASSOCIATED PLATINUM GROUP METALS (PGMs). IMPLATS IS STRUCTURED AROUND SIX MINING OPERATIONS AND IMPALA REFINING SERVICES, A TOLL-REFINING BUSINESS. OUR OPERATIONS ARE LOCATED ON THE BUSHVELD COMPLEX IN SOUTH AFRICA AND THE GREAT DYKE IN ZIMBABWE, THE TWO MOST SIGNIFICANT PGM-BEARING ORE BODIES IN THE WORLD.

Key features for the six months

Safety

> Significant improvement in safety performance
> Record low FIFR for the Group
> FIFR lowest among our peers in CY2018

Operational

> Mine-to-market platinum in concentrate production sustained at 678koz
> Gross refined PGM production up 11% to 1.59Moz including refined platinum production of 800koz and palladium of 464koz
> Group cash costs adjusted for stock changes flat at R22 715/Pt oz

Financial

> Strong positive cash flows across the Group – net debt reduced from R3.8bn to R976m
> Gross profit of R3.2bn from R556m
> Headline earnings of 310cps from a loss of 21cps
> Group liquidity headroom improves by R4.2bn to R10.4bn

Market

> The market for palladium and rhodium continues to tighten
> The platinum market remains challenged in the near term
> PGM dollar revenue per platinum ounce sold up 10% to US$2 124/Pt oz
> Rand revenue per platinum ounce sold was 16% higher and averaged R30 118/Pt oz

Group performance

Operating statistics		Six months to 31 December 2018	Six months to 31 December 2017	% change
Gross refined platinum production				
Platinum	(000oz)	**799.8**	726.7	10.1
Palladium	(000oz)	**464.1**	406.0	14.3
Rhodium	(000oz)	**106.2**	98.8	7.5
Nickel	(tonnes)	**8 074**	7 907	2.1
IRS metal returned (toll refined)				
Platinum	(000oz)	**0.7**	115.7	(99.4)
Palladium	(000oz)	**1.6**	55.0	(97.1)
Rhodium	(000oz)	**–**	19.4	(100.0)
Nickel	(tonnes)	**1 749**	1 765	(0.9)
Sales volumes				
Platinum	(000oz)	**773.4**	648.8	19.2
Palladium	(000oz)	**485.5**	369.7	31.3
Rhodium	(000oz)	**104.2**	100.3	3.9
Nickel	(tonnes)	**5 949**	6 283	(5.3)
Prices achieved				
Platinum	(US$/oz)	**829**	940	(11.8)
Palladium	(US$/oz)	**1 035**	930	11.3
Rhodium	(US$/oz)	**2 395**	1 156	107.2
Nickel	(US$/t)	**13 399**	10 334	29.7
Consolidated statistics				
Average rate achieved (R/US$)	(R/$)	**14.18**	13.42	5.7
Closing rate for the period (R/US$)	(R/$)	**14.38**	12.38	16.2
Revenue per platinum ounce sold	(US$/oz)	**2 124**	1 935	9.8
	(R/oz)	**30 118**	25 968	16.0
Tonnes milled ex-mine	(000t)	**10 235**	9 944	2.9
PGM refined production	(000oz)	**1 589**	1 434	10.8
Capital expenditure	(Rm)	**1 707**	1 904	10.3
Group unit cost per platinum ounce	(US$/oz)	**1 502**	2 076	27.6
	(R/oz)	**21 298**	27 818	23.4
Group unit cost per platinum ounce stock adjusted	(US$/oz)	**1 602**	1 707	6.2
	(R/oz)	**22 715**	22 866	0.7

Additional statistical information is available on the Company's website at www.implats.co.za

Commentary

Introduction

The Implats Group has delivered a strong safety and operational performance for the half-year ended 31 December 2018. Good progress was made on implementing key outcomes of the Impala Rustenburg strategic review. The performance, together with a higher PGM rand basket price, which was boosted by significant increases in palladium, rhodium and nickel, and further aided by a weaker US$ exchange rate, resulted in a significantly improved Group financial performance.

This was characterised by positive cash flow contributions from all Group operations, yielding a headline profit of R2.23 billion compared to losses of some R150 million in the previous comparable period. Consequently, Group cash balances increased significantly to R6.36 billion, reducing net debt (before leases) from R5.33 billion at the start of the reporting period to R976 million by financial half-year-end.

Regrettably, Implats mourns the loss of an employee through a work-related incident during the period under review. The board and management are encouraged, however, by the significant improvement in safety performance achieved in the reporting period, with improvements in lost time injuries and a record low fatal injury frequency rate (FIFR) for the Group.

Tonnes milled from managed operations (Impala Rustenburg, Zimplats and Marula) increased 2.9% to 10.24 million tonnes. Together with contributions from our joint ventures (JVs) at Mimosa and Two Rivers, this sustained mine-to-market platinum production in concentrate at 678 000 ounces (H1 FY2018: 678 000 ounces). Gross platinum in concentrate reduced by 10.7% to 775 000 ounces, largely due to a large once-off toll-refining contract concluded in the prior comparable period. Gross refined platinum production for the six months improved by 10.1% to 799 800 ounces (H1 FY2018: 726 700 ounces) as processing availability increased following scheduled maintenance, which resulted in the build in inventory in the previous comparable period.

Sales volumes for platinum and palladium increased by 19.2% and 31.3% respectively, as sales in the comparable period were impacted by both scheduled furnace maintenance and the required return of metal to the tolling customer. Improved sales volumes, together with higher received rand basket pricing saw revenue improve by R6.24 billion to R23.52 billion (H1 FY2018: R17.28 billion). Despite a 21% increase in cost of sales to R20.29 billion for the period (H1 FY2018: R16.72 billion), this was in line with increased production and sales volumes and the impact of stronger pricing on the cost of metals purchased in concentrate at IRS. As a result, gross profit improved by R2.68 billion to R3.23 billion and headline earnings per share rose to 310 cents versus the 21 cent loss in the comparable six months.

Group safety review

The safety and health of our employees remains our most critical priority.

Regrettably, one employee at Impala Rustenburg 16 Shaft suffered fatal injuries in September 2018. The Implats board and management team express their sincere condolences to Mr Semoko Mokhethi's families and friends, and will continue to provide support to the Mokhethi family.

Notwithstanding this tragic incident, the Group has effected a step change in safety performance, which was maintained during the reporting period. Fatal injuries reduced from six in the prior comparable six-month period, to one in the period under review. The recent incident followed a seven-month continuous fatality-free work period, which was an all-time record for the Group. The improvement also resulted in the organisation recording the lowest fatal injury frequency rate (FIFR) of our peer group for the 2018 calendar year.

Many individual business units across the Group continue to deliver exceptional safety performances, setting a number of new records. Currently, 11 of 15 Group operations have achieved 'millionaire' or 'multi-millionaire' status in terms of fatality-free shifts (units which have operated more than a million shifts without a fatality). The FIFR of 0.019 per million man hours worked is an all-time low for the Group, and the lost-time injury frequency rate (LTIFR) has also improved 14.8% over the six months to 5.12 per million man hours worked.

We believe collaboration with our key stakeholders will continue to drive further improvements in safety through awareness, education, and by implementing appropriate systems and best practice.

Group operational review

The Group achieved encouraging period-on-period operational improvements in key areas over the past six months.

Tonnes milled from managed operations (Impala Rustenburg, Zimplats and Marula) increased 2.9% to 10.24 million tonnes (H1 FY2018: 9.94 million tonnes), which together with contributions from our JVs at Mimosa and Two Rivers sustained mine-to-market platinum production in concentrate at 678 000 ounces. Notwithstanding, gross platinum in concentrate production reduced by 10.7% to 775 000 ounces, principally as a result of a 49.1% reduction in third-party receipts, in line with market guidance, and as a result of a large once-off toll-refining contract concluded in the prior comparable period.

Gross refined platinum production for the six months improved by 10.1% to 799 800 ounces, compared to 726 700 last year assisted by the drawdown of some processing inventory during the period, compared to a build-up following scheduled furnace maintenance in the comparable period a year ago. Group operating costs were well controlled during the reporting period with unit costs per tonne milled to concentrate flat at R1 049 per tonne, and unit costs per platinum ounce refined, on a stock-adjusted basis, reducing by 0.7% to R22 715 per ounce. Unit cost per platinum ounce refined, discounting the change in processing inventories, benefited from the increased refined metal production, and retraced by 23.4% to R21 298 per ounce (H1 FY2018: R27 818 per ounce), as the previous comparable period was impacted by a pipeline stock build-up.

Capital expenditure at our managed operations reduced from R1.90 billion in the previous comparable period to R1.71 billion, in line with market guidance.

Managed operations

Impala

A vastly improved safety performance at the Impala Rustenburg operations facilitated a stable and productive operating period. Tonnes milled increased by 5.3% to 5.97 million tonnes (H1 FY2018: 5.67 million tonnes), with higher production from eight of the shafts, including the development shafts. These improvements more than offset the loss of production from 4 Shaft, which closed in January 2018, lower volumes from 1 Shaft (where a planned ramp-down in production is underway) and 11 Shaft (where poor geology impacted volumes in the period).

The PGE mill head grade deteriorated by 1.5% to 3.98g/t (6E) (H1 FY2018: 4.05g/t), and was impacted by lower grade in the areas mined, but platinum production in concentrate increased by 2.9% to 358 000 ounces (H1 FY2018: 348 000 ounces) as a result of the higher milled throughput. Refined platinum production increased by a significant 49.0% to 405 000 ounces (H1 FY2018: 272 000 ounces), bolstered by a release of pipeline stock during the reporting period, and as a result of a stock build-up, which impacted refined metal volumes in the prior period.

The improved production, coupled with strict cost containment, resulted in the stock-adjusted cost per ounce remaining flat at R23 519 per platinum ounce refined (H1 FY2018: R23 354). Capital expenditure decreased by 29.5% to R1.02 billion (H1 FY2018: R1.44 billion), of which R207 million was spent on the two major replacement shafts, 16 and 20 Shafts. An improved rand basket price further boosted financial performance, leading to a significant improvement in profitability compared to the previous period, with free cash flow further augmented by a R1.06 billion forward sale of excess inventory.

Execution of the Impala Rustenburg strategic review

The Group continued to make strides towards eliminating loss-making production, which culminated in the decision to restructure Impala Rustenburg.

The implementation of the Impala Rustenburg plan is being phased in over two years to ensure the transition occurs in a socially responsible way. The key outcomes of the restructuring, which is expected to be concluded by the end of the 2021 financial year, include: a reduced mining 'footprint' from 11 to six operating shafts as operations cease at end-of-life and uneconomical shafts; production reducing from 750 000 platinum ounces to 520 000 platinum ounces a year; and a total labour complement (employees and contractors) of 27 000 from 2021.

This plan is expected to deliver a safer and more profitable Impala Rustenburg centred on assets accessing a higher quality, long-life orebody with lower operating costs and capital intensity.

The implementation of the restructuring is governed by the overriding imperative to ensure forced job losses are minimised through various avoidance measures. These include the transfer of employees to vacant positions at the 16 and 20 growth Shafts, natural attrition, reskilling, voluntary separation, business improvement initiatives and exploring commercial options to exit shafts that do not fit the long-term portfolio.

By the end of January 2019, the own employee headcount at Impala Rustenburg decreased by approximately 1 500 people – with forced retrenchments affecting only 110 employees. A disposal and outsourcing process has been initiated on 1 Shaft through solicitation of expressions of interest and is expected to conclude in June 2019.

A multitude of stakeholder engagements were undertaken during the reporting period, all of which were constructive. We continue to engage with the union, government and community leadership to safeguard employment opportunities as far as possible through the restructuring process.

Impala Refining Services (IRS)

IRS once again contributed significantly to the Group's bottom line, despite higher concentrate receipts in the previous comparable period. Platinum receipts from mine-to-market operations (Zimplats, Marula, Two Rivers and Mimosa) remained essentially flat at 313 900 ounces (H1 FY2018: 318 300 ounces), while third-party receipts decreased 49.1% to 96 800 ounces, due to the once-off toll treatment of third-party material in the previous interim period.

Refined platinum production was 13.2% lower at 395 000 ounces (H1 FY2018: 455 000 ounces).

Zimplats

Zimplats sustained its operational performance for the period under review and achieved a safety milestone of 9.75 million fatality-free shifts, working for over five and a half years without a fatal incident.

Tonnes milled of 3.31 million tonnes was consistent with the prior period, (H1 FY2018: 3.33 million tonnes), with all mining units delivering to plan. Notwithstanding a marginally lower PGE head grade of 3.48g/t (H1 FY2018: 3.49g/t), platinum in matte production was sustained at 135 400 ounces (H1 FY2018: 136 200 ounces).

Unit costs decreased by 3.2% in dollar terms to US$1 293 per platinum ounce in matte (H1 FY2018: US$1 336 per platinum ounce in matte), on strong cost controls and sustained volumes.

Capital expenditure increased 43.8% to US$46 million, mainly to fund the redevelopment of the Bimha Mine, which has returned to full production, and additional spend on the development of Mupani Mine (the replacement for Ngwarati and Rukodzi mines), which remains ahead of schedule.

The current political and economic challenges in the country are being monitored closely with the intention of minimising any impact on the operations, employees, and their ability to operate at a sustained profit margin.

Implats supports and shares Zimbabwe's aspirations to grow and diversify its PGM industry and continues to actively engage with the government of Zimbabwe regarding its plans.

Marula

Marula continues to deliver an improved operational performance after business restructuring and ongoing efforts to sustain operational continuity.

Tonnes milled increased by 1.5% to 955 000 tonnes (H1 FY2018: 941 000 tonnes), while the PGE head grade improved marginally to 4.37g/t (H1 FY2018: 4.36 g/t). Consequently, platinum in concentrate production improved to 44 900 ounces (H1 FY2018: 43 200 ounces).

Unit costs increased below inflation to R25 657 per platinum ounce in concentrate (H1 FY2018: R24 954 per platinum ounce), while capital expenditure was well below budget at some R33 million (H1 FY2018: R29 million) with spend expected to accelerate in the second half of FY2019 on the planned tailings storage expansion.

The benefit of a stable and improved operational performance, good cost controls and an improved basket price allowed Marula to deliver a strong cash contribution to the Group during the reporting period.

Non-managed operations

Mimosa

Mimosa sustained a strong production performance in line with its design capacity.

Tonnes milled were maintained at 1.41 million tonnes. The PGE head grade declined marginally to 3.83g/t (H1 FY2018: 3.85 g/t) due to planned mining in lower-grade areas, which resulted in platinum in concentrate dipping slightly to 61 700 ounces (H1 FY2018: 63 000 ounces).

Inflationary pressures and slightly lower production volumes saw unit costs rise 7.0% to US$ 1 582 per platinum ounce in concentrate (H1 FY2018: US$ 1 479). Capital expenditure increased 25.0% to US$25 million to fund scheduled fleet replacement and development into the Mtshingwe block to sustain mining flexibility.

Mimosa continues to consult with the government of Zimbabwe on a range of important investment and regulatory considerations and remains confident that mutually beneficial outcomes can be secured.

Two Rivers

Two Rivers' mill grade continued to be impacted by mining low-grade split-reef areas. However, production and mill grade was also impacted during the review period by community disruptions. This necessitated a draw-down of ore stockpiles to ensure continued plant operations and resulted in slower milling rates and lower-grade feed.

Tonnes milled during the first half decreased 2.7% to 1.67 million tonnes (H1 FY2018: 1.71 million tonnes). The treatment of lower-grade stockpiled material as a result of community disruptions and mining in split-reef areas resulted in a 4.6% drop in the PGE head grade to 3.53g/t (H1 FY2018: 3.70 g/t). Consequently, platinum in concentrate production declined 9.4% to 75 600 ounces (H1 FY2018: 83 400 ounces).

Lower volumes impacted unit costs, which increased 12.0% to R16 455 per platinum ounce in concentrate (H1 FY2018: R14 688).

Due to limited flexibility, lower-grade mining is expected to persist for the next two to three years, with an alternative mining cut being trialled in the worst affected area to maintain platinum production, while development into higher grade future mining areas continues.

Key projects

Due to their important future contribution to sustain profitability at Impala Rustenburg, progress on the 16 and 20 Shaft replacement projects remains critical. During the strategic review, the capital programmes for these shafts were revised and optimised. This has resulted in the earlier forecast completion dates and a reduction in estimated cost to complete 20 Shaft.

16 Shaft

During the period under review, the impact of a fatality in August 2018 saw the 16 Shaft project fall marginally behind the revised capital plan due to slower than planned progress on the C ore pass rehabilitation programme, which remains critically important to reach full production. Notwithstanding, mining flexibility has improved, production levels have been restored and raise lines were holed on target. This provides reasonable assurance that enough panels will be established to accommodate the planned increase in production crews scheduled over the rest of the financial year.

20 Shaft

The 20 Shaft ramp-up is still being hampered by geological complexities. No further teams will be mobilised to 20 Shaft during the remainder of the year, while recently improved development is converted into mineable face length. Additional technical and management resources have been mobilised to the shaft to oversee the planned ore ramp up programme.

Progress on the capital build programme is better than planned as the completion of the monorail, electrical/instrumentation installation and settler are well ahead of schedule. The full capital infrastructure installation is expected to be completed during the second half of the financial year. Rehabilitation of some of the level ore passes require imminent attention, but are not included in the current capital plan.

Mupani Mine

The development of Mupani Mine (the replacement for Ngwarati and Rukodzi mines) is running well, targeting ore contact three months ahead of schedule by August 2019, and full production in August 2025. A total of US$51 million had been spent as at 31 December 2018 against planned expenditure of US$53 million and a total project budget of US$264 million. The project was 22% complete at the end of the reporting period.

Waterberg project

As reported previously, Implats purchased a 15% participation in the Waterberg project for US$30 million and is now actively participating with the other JV partners in a definitive feasibility study (DFS). All geological information from the exploration phase is now available in a resource model and the team is completing the mine design and scheduling.

The JV has applied for a mining right while power and water resources are being secured. All the work done on the study to date has confirmed our confidence in the project and supported the rationale for the investment. The DFS study will be SAMREC and NI43-101 compliant and is expected to be complete before calendar year-end, after which Implats has the option to increase the 15% stake to 50.01%, alternatively maintain or sell the current 15% interest, or enter into a concentrate offtake agreement only.

Mineral Resources and Mineral Reserves

There has been no material change to the technical assumptions, assessment criteria, and information relating to the Group's Mineral Resource and Mineral Reserve estimates, as disclosed in the integrated report for the financial year ended 30 June 2018. The revised Implats Mineral Resource and Mineral Reserve statement, as at 30 June 2019, will provide the detailed updated estimates.

Financial review

Revenue at R23.52 billion was R6.24 billion or 36.1% higher than the comparative six months as a result of:

- Sales volumes resulted in an increase of 17.5% or R3.02 billion as a result of the release of material locked-up during the comparable period due to the scheduled No 5 furnace rebuild
- Overall, the improvement in dollar metal prices increased revenue by 11.5% or R2.00 billion. The increase in dollar metal prices was due to higher rhodium, palladium, ruthenium, nickel and iridium prices, partially offset by a lower platinum price. Dollar revenue per platinum ounce sold was 9.8% higher at US$2 124 (H1 FY2018: US$1 935)
- The average exchange rate achieved of R14.18 was 5.7% weaker than the R13.42 achieved for the comparable period increasing revenue by R1.23 billion

The resultant rand revenue per platinum ounce increased by 16.0% to R30 118 from R25 968.

Cost of sales at R20.29 billion increased by R3.57 billion from the comparable six months. The main contributors to this increase were:

- A R2.70 billion lower credit to cost of sales arising from the movement in inventory in the comparative period, costs of R2.90 billion were deferred into inventory on the balance sheet as a result of the significant stock build-up following the scheduled rebuild of the No 5 furnace at Impala Rustenburg. In the current period, the increase in inventory only resulted in a R202 million credit to cost of sales
- An increase of R503 million in the cost of IRS metal purchases due primarily to higher rand metal prices

As a result of the above, the Group generated gross profit for the period of R3.23 billion compared to R556 million gross profit in the previous period. The gross profit for the comparable period was restated and reduced by R 177 million following the change in classification of certain items to cost of sales. This change in classification has been discussed in note 16 in the interim financial statements.

The R3.35 billion profit before tax was an improvement from the comparable period's pre-tax profit of R193 million, due primarily to the increase in gross profit of R2.70 billion, an increase in other income of R519 million, a decrease in other expenses of R417 million, all of which were partially offset by an increase in foreign exchange losses of R414 million.

Other income increased due to the refund of customs' duties penalties to Zimplats of R136 million, receipt of export incentives by Zimplats which were R342 million higher in the current period, and proceeds of R150 million in respect of the interim payments on the insurance claim on the No 5 furnace in Rustenburg. Other expenses decreased mainly due to a reallocation of fair-value adjustments on purchased metal which had been hedged and included in cost of sales in the current period, and which were reflected as a loss of R296 million in other expenses in the comparable period.

The R414 million increase in foreign exchange losses, was due mainly to the impact of the weaker rand on the conversion of the US$ bond and the revaluation of certain foreign currency balances.

The increased tax charge of R895 million (H1 FY2018: R357 million) was largely due to the improved profitability of the operations, partially offset by lower tax charges from Zimplats following the conversion from a Special Mining Lease (SML) to two Mining Leases (ML). Despite the higher statutory tax rate, the additional profits tax associated with the SML is no longer payable under the ML.

Basic earnings were up to R2.31 billion from a loss of R163 million in the comparable period. The major adjustments in headline earnings for the year compared to the previous six months was an after-tax profit on the sale of property plant and equipment of R35 million and the after-tax impact of R43 million relating to the asset damage portion of the insurance claim on No 5 furnace.

Net cash from operating activities increased by R7.16 billion, from a cash outflow of R1.14 billion during the comparable period to a cash inflow of R6.02 billion. The improved cash flow was due to improved earnings for the current period, and the R1.12 billion impact of positive working capital movements which comprised a decrease in inventories of R264 million (H1 FY2018: outflow of R2.96 billion) and an increase in net movement of payables and receivables to R1.38 billion, which included the receipt of R1.06 billion from a forward sale of excess metal inventory in the current period.

During the past six months, metal inventories increased by R151 million from June 2018 and by R628 million since December 2017.

The R151 million increase in inventory since June 2018 is due to the following movements:

- Increase in inventory of R1.31 billion largely due to the higher rand cost of metals purchased, particularly palladium and rhodium, by Impala's IRS business
- Increase of R389 million (H1 FY2018: R431 million) due to changes in engineering estimates
- A R272 million increase in metal inventories arising from a change in estimate following the reclassification of nickel from a by-product to a main product and consequently, adopting a different cost allocation method among the main products, as discussed in note 7 of the interim financial results
- All of which were largely offset by lower stock quantities in the pipeline, which resulted in a reduction in the value of inventory by R1.47 billion

Capital expenditure, amounted to R1.71 billion (H1 FY2018: R1.90 billion), of which R207 million (H1 FY2018: R345 million) was spent on 16 and 20 Shafts and R151 million and R183 million spent on Bimha and Mupani respectively.

Cash and cash equivalents the end of the period under review amounted to R6.36 billion after repayment of R1.86 billion (H1 FY2018: R341 million) of borrowings. Net debt excluding finance leases of R1.19 billion, after taking into consideration the Cross Currency Interest Rate Swap asset of R213 million, amounted to R976 million at 31 December 2018 (June 2018: R5.33 billion).

The balance sheet remains strong with unutilised revolving credit facilities of R4.00 billion, available until 7 June 2021. Therefore, at 31 December 2018, the group had liquidity headroom of R10.36 billion, comprising cash of R6.36 billion (30 June 2018: R3.71 billion) and undrawn banking facilities of R4.00 billion (30 June 2018: R2.49 billion), compared to the R6.20 billion available at the end of June 2018.

In addition, at 31 December 2018, R941 million was available on the metal prepayment facility. Therefore, the Group has access to sufficient liquidity and flexibility to address upcoming debt maturities, as well as to fund the ongoing needs of the business.

Given the volatility in the local and global economy, as well as the continued implementation of the Rustenburg review, the board has resolved not to declare an interim dividend for the six months to 31 December 2018.

Market review (calendar years unless otherwise stated)

The platinum market recorded a surplus of 580 000 ounces during 2018, with the palladium market experiencing a fundamental deficit of 270 000 ounces. Expectations for palladium demand continue to be revised upwards as tightening emission standards result in increasing and sustained fundamental deficits.

While the near term for platinum remains uncertain, strong industrial demand, coupled with the introduction of heavy-duty legislation in both India and China and growth from the nascent fuel cell sector, indicate a tightening market in the medium term.

Platinum ended 2018 at US$788 per ounce, 15% weaker than the opening LBMA trade price, and on average traded at US$880 per ounce over the year, 7% lower than the previous year (2017: US$948 per ounce). Investor sentiment was weak, with rising short speculative positioning and ETF outflows. The rand softened, as did the gold price, adding further negative price pressure. Western European diesel market share continued to fall and Chinese jewellery demand was also lower. Industrial demand was robust, however, and debate on the likely reintroduction of platinum into gasoline autocatalysts gained momentum.

In contrast, **palladium** ended the year at US$1 270 per ounce, 19% higher than the opening LBMA trade price, and on average traded at US$1 031 per ounce over the year, 19% higher than the previous year (2017: US$870 per ounce). Exchange traded funds (ETFs) continued to release metal to the market as the implications of tighter Chinese legislation increased demand from a rising European gasoline market share and the advent of 'real driving' testing regimes all combined to support demand, sentiment and pricing for palladium.

The **rhodium** price increased by US$745 per ounce in 2018 closing the year at US$2 460 per ounce and registering a gain of 43% over the year. The metal traded at US$2 219 per ounce, double the average price of the year before (2017: US$1 109 per ounce). Tightening nitrogen oxide (NO_x) standards have driven a step-change in anticipated rhodium requirements in China, while palladium's price strengthened and relative 'value in use' was also supportive of steady, but persistent rhodium price gains.

Automotive

2018 was a mixed year for the automotive industry. Geopolitical uncertainties, including the potential impact of Brexit and US-China trade tensions, have led to a cautious view on prospects for volume growth in 2019. Global light-duty vehicle sales are estimated to have reached 94.8 million units in 2018, down 0.5% from 2017, with the Chinese market contracting by 3.1% and Western European sales slipping 0.7%. Modest growth was recorded in both the US and Japanese markets with sales volumes increasing by 0.6% and 0.8% respectively.

Western European light-duty vehicle sales of 14.2 million units were marginally lower in 2018, with a particularly weak fourth quarter (8% lower than in the fourth quarter of 2017) weighing on annual metrics. Sales in the United Kingdom fell 6.8% during 2018 and offset the impact of growth in France and Spain and reasonably stable volumes in Germany. The introduction of the new emissions-testing regime disrupted the availability of new vehicles and the outlook for diesel continued to weigh on consumer sentiment and fleet sales. Gasoline market share of 57% (2017: 50%) increased at the expense of diesel, which experienced a further decline in market share to 36% in 2018 (2017: 44%). While headline battery electric vehicle growth figures were impressive, rising 48% from 2017, at c.201 000 units, these 'catalyst free' vehicles comprised 1.3% of the sales mix and we expect the carbon dioxide (CO_2) average of the Western European fleet to have increased for the second consecutive year as a result.

Chinese light-duty vehicle sales fell 3.1% year-on-year in 2018 to 27.7 million units. However, the impact on PGM demand was more than offset by the impact of higher loadings to meet tightening emissions standards with the nationwide implementation of 'China 5' for both gasoline and diesel vehicles. Japanese sales grew for a second consecutive year, rising 0.8% to 5.2 million units.

As fabricators and OEMs finalise catalyst formulations to meet upcoming legislation changes in China, Europe and India, expectations for loadings have increased resulting in tighter forecast markets for both palladium and rhodium. Availability of supply and price differentials between the three major PGMs has highlighted the need to reconsider the mix of metals used to meet expected gasoline derived demand.

We expect research and development efforts to increase in pace and assume switching of platinum for palladium in both diesel and gasoline catalysts to become an imperative in the medium term.

Jewellery

Demand for platinum from the jewellery sector was mixed, with continued, albeit slowing weakness in the key Chinese market, where changing consumer tastes and the resultant shrinking in sales of generic products have yet to be compensated by growth in sales of higher-margin branded collections. In India, a recovery in demand following the impact of demonetisation and the jewellers strike is likely to have led to growth in the mid-teens, while the US market has also enjoyed strong growth due to opportunities created by healthy consumer confidence, competitive metal prices and several initiatives spearheaded by the Platinum Guild International (PGI).

In Japan, platinum remains the 'white metal of choice', however, total sales have been impacted by the current fashion dominance of yellow gold and a modest retreat in sales is expected. Overall, both platinum jewellery retail sales and net metal demanded by manufacturers is expected to have recorded modest declines in 2018.

Industrial, physical, ETF and paper

Industrial demand for PGMs continues to be robust, with platinum benefiting from growth in estimates for non-road mobile machinery, the nascent fuel cell industry and continued demand from the chemical and electrical sectors. Platinum is also likely to benefit at the margin from changes in alloys used in the glass industry, where rhodium is being thrifted as the price is driven higher by increased automotive demand.

While physical investment in small platinum bars and coins saw positive growth in 2018, the impact of this was largely offset by redemptions from ETF funds, which continued to return platinum, palladium and rhodium to the market during the year.

Platinum ETFs contracted by 260 000 ounces, driven by lower prices and a rotation by South African investors into equities, while palladium ETFs liquidated some 565 000 ounces as record prices prompted profit taking and high lease rates created opportunities in the lending market. Low residual palladium ETF stocks are now considered entirely insufficient to meet expected market deficits.

Paper markets (NYMEX/TOCOM) for platinum and palladium charted different courses in 2018. While gross open interest in platinum remained elevated, the market was net-short for the first time in 15 years. In palladium, open interest contracted substantially as forward hedging activities declined on rising prices and the market remained in backwardation – a situation in which the spot or cash price of a commodity is higher than the forward price.

At year-end, net paper length in platinum had declined by 373 000 ounces, to 1.24 million ounces as long positions were trimmed. In palladium, a reduction of 1.18 million ounces saw closing net length of 1.4 million ounces as long positions were cut by 1.2 million ounces.

Fundamentals

The market fundamentals for palladium and rhodium strengthened in 2018 and are expected to remain robust in 2019 and beyond as emerging markets apply stricter legislation and the impact of real-world driving test regimes is felt on auto demand. Conversely platinum continues to face near-term challenges including the residual level of light-duty diesel market share and the re-basing of the Chinese jewellery market.

In the medium term, an increasing focus on the need to add platinum to gasoline autocatalyst formulations, together with expected demand growth from impending heavy-duty diesel legislation in China and India, offer opportunities for meaningful structural growth.

We expect the platinum market to remain in surplus in 2019 before tightening thereafter. Fundamental deficits in palladium are expected to persist and expand, while increasing rhodium use should drive a narrowing of the market balance.

Prospects and outlook

The headwinds facing the South African PGM industry are expected to remain largely unchanged in 2019: rand volatility, wage negotiations, national elections, along with the operational and financial crisis at Eskom are all well-recognised challenges for the domestic producers. While the near-term outlook for platinum remains suppressed, the medium-term outlook has improved. The current strength in both palladium and rhodium fundamentals are expected to persist for the foreseeable future.

Robust iridium and ruthenium pricing, due to growing industrial demand, has also resulted in pricing tailwinds. The Group believes we are in a combined 3E PGM deficit and, more recently, industry discussions and debates have shifted from the need for supply rationalisation to potential areas of growth.

As such, we expect dollar metal prices to remain well supported for palladium, rhodium and the minor metals, while the near-term outlook for platinum remains more muted. Despite an improved market outlook, we remain committed to our long-term strategic intent to favour value over volume. We will therefore proceed with the steps outlined in our strategic review, premised on producing safely, productively and profitably from our key assets, while taking account of the changes in our operating environment.

The full-year refined production for the Group is maintained and is estimated at 1.5 to 1.6 million platinum ounces. Given the scheduled refurbishment of furnaces at Impala Rustenburg and Zimplats later in this financial year, limited inventory is expected to be released through the refinery during the second half of FY2019, with the reminder to be released across the group during FY2020.

The Group's operating cost is expected to be between R23 900 and R24 800 per platinum ounce on a stock-adjusted basis for the full financial year, with Group capital expenditure forecast at R4.1 billion to R4.3 billion.

Full-year production estimates for the operational entities are as follows:

> Impala Rustenburg 650 000 to 690 000 platinum ounces in concentrate
> Zimplats 270 000 to 280 000 platinum ounces in concentrate
> Two Rivers 160 000 to 170 000 platinum ounces in concentrate
> Mimosa 115 000 to 125 000 platinum ounces in concentrate
> Marula 80 000 to 90 000 platinum ounces in concentrate
> IRS (third party) 170 000 to 180 000 platinum ounces in concentrate

The financial information on which this outlook is based has not been reviewed and reported on by Implats' external auditors.

Approval of the interim financial statements

The directors of the Company are responsible for the maintenance of adequate accounting records and the preparation of the interim financial statements and related information in a manner that fairly presents the state of the affairs of the Company. These interim financial statements are prepared in accordance with International Financial Reporting Standard, IAS 34 Interim Financial Reporting and incorporate full and responsible disclosure in line with the accounting policies of the Group which are supported by prudent judgements and estimates.

The interim financial statements have been prepared under the supervision of the chief financial officer, Ms M Kerber, CA(SA).

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

The interim 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 interim financial statements as set out on pages 14 to 40 have been approved by the board of directors and are signed on their behalf by:

Dr MSV Gantsho
Chairman

NJ Muller
Chief executive officer

Johannesburg
28 February 2019

Independent auditor's review report on interim financial statements

To the shareholders of Impala Platinum Holdings Limited

We have reviewed the condensed consolidated interim financial statements of Impala Platinum Holdings Limited in the accompanying interim report, which comprise the consolidated statement of financial position as at 31 December 2018 and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes.

Directors' responsibility for the interim financial statements

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of interim financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained.

The procedures in a review are substantially less than and differ in nature from those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements of Impala Platinum Holdings Limited for the six months ended 31 December 2018 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: CS Masondo
Registered Auditor

28 February 2019

Consolidated statement of financial position

(Rm)	Notes	As at 31 December 2018 (Reviewed)	As at 31 December 2017 (Reviewed)	As at 30 June 2018 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	5	**36 664**	47 043	36 045
Exploration and evaluation assets		**—**	385	—
Investment property		**90**	90	90
Investment in equity-accounted entities	6	**4 557**	3 797	4 317
Deferred tax		**3 607**	373	4 757
Financial assets at fair value through other comprehensive income*		**260**	—	—
Available-for-sale financial assets*		**—**	192	198
Other financial assets		**373**	149	175
		45 551	52 029	45 582
Current assets				
Inventories	7	**11 988**	11 147	11 745
Trade and other receivables		**2 799**	3 277	3 513
Current tax receivable		**902**	721	896
Other financial assets		**3**	2	3
Prepayments		**679**	846	724
Cash and cash equivalents		**6 355**	4 208	3 705
		22 726	20 201	20 586
Total assets		**68 277**	72 230	66 168
EQUITY AND LIABILITIES				
Equity				
Share capital		**20 430**	20 451	20 491
Retained earnings		**14 608**	22 819	12 302
Foreign currency translation reserve		**4 932**	3 125	4 324
Other components of equity		**157**	91	96
Equity attributable to owners of the Company		**40 127**	46 486	37 213
Non-controlling interest		**2 487**	2 331	2 380
Total equity		**42 614**	48 817	39 593
Liabilities				
Non-current liabilities				
Provisions for environmental rehabilitation		**1 228**	1 124	1 225
Deferred tax		**5 450**	3 830	5 485
Borrowings	8	**7 505**	7 610	7 925
Other financial liabilities		**345**	676	50
Sundry liabilities		**274**	305	285
		14 802	13 545	14 970
Current liabilities				
Trade and other payables		**8 608**	7 234	8 086
Current tax payable		**903**	1 112	992
Borrowings	8	**1 313**	1 418	2 427
Other financial liabilities		**5**	73	69
Sundry liabilities		**32**	31	31
		10 861	9 868	11 605
Total liabilities		**25 663**	23 413	26 575
Total equity and liabilities		**68 277**	72 230	66 168

** Available-for-sale financial assets were reclassified to financial assets at fair value through other comprehensive income following the adoption of IFRS 9 Financial Instruments, which has become effective. Refer to note 15 for the impact of the adoption IFRS 9.*

The notes on pages 19 to 40 are an integral part of these condensed interim financial statements.

Consolidated statement of profit or loss and other comprehensive income

(Rm)	Notes	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Restated reviewed)*	Year ended 30 June 2018 (Restated audited)*
Revenue	9	**23 521**	17 280	35 854
Cost of sales*	10	**(20 289)**	(16 724)	(34 717)
Gross profit		**3 232**	556	1 137
Impairment		**—**	(30)	(13 629)
Finance income		**116**	201	350
Finance cost		**(533)**	(535)	(1 051)
Net foreign exchange (losses)/gains		**(165)**	249	(662)
Other income*		**894**	375	1 584
Other expenses*		**(394)**	(811)	(1 154)
Share of profit of equity-accounted entities		**203**	188	383
Profit/(loss) before tax		**3 353**	193	(13 042)
Income tax (expense)/income		**(895)**	(357)	2 249
Profit/(loss) for the period		**2 458**	(164)	(10 793)
Other comprehensive income/(loss), comprising items that may be reclassified subsequently to profit or loss:				
Available-for-sale financial assets		**—**	13	19
– Deferred tax thereon		**—**	(2)	(3)
Share of other comprehensive income of equity-accounted entities		**111**	(106)	108
– Deferred tax thereon		**(11)**	11	(11)
Exchange differences on translating foreign operations		**688**	(710)	650
– Deferred tax thereon		**(90)**	92	(84)
Other comprehensive income/(loss), comprising items that will not be reclassified subsequently to profit or loss:				
Financial assets at fair value through other comprehensive income		**(32)**	—	—
– Deferred tax thereon		**(1)**	—	—
Actuarial loss on post-employment medical benefit		**—**	—	(1)
– Deferred tax thereon		**—**	—	—
Total comprehensive income/(loss)		**3 123**	(866)	(10 115)
Profit/(loss) attributable to:				
Owners of the Company		**2 306**	(163)	(10 679)
Non-controlling interest		**152**	(1)	(114)
		2 458	(164)	(10 793)
Total comprehensive income/(loss) attributable to:				
Owners of the Company		**2 881**	(772)	(10 070)
Non-controlling interest		**242**	(94)	(45)
		3 123	(866)	(10 115)
Earnings per share (cents):				
– Basic		**321**	(23)	(1 486)
– Diluted		**309**	(23)	(1 486)

For headline earnings per share refer note 12.

** The reviewed 31 December 2017 interim results and the audited 30 June 2018 annual financial results were restated as a result of changes in classification of certain expense items in the prior year. Refer note 10 and note 16.*

The notes on pages 19 to 40 are an integral part of these condensed interim financial statements.

Consolidated statement of changes in equity

(Rm)	Ordinary shares	Share premium	Share-based payments
Balance at 30 June 2018 (Audited)	**18**	**17 986**	**2 487**
Adjustment on initial application of IFRS 9	**—**	**—**	**—**
Adjusted balance at 1 January 2018	**18**	**17 986**	**2 487**
Shares purchased – Long-term Incentive Plan	**—**	**(101)**	**—**
Share-based compensation expense	**—**	**—**	**40**
Total comprehensive income/(loss)	**—**	**—**	**—**
Profit for the year	**—**	**—**	**—**
Other comprehensive income/(loss)	**—**	**—**	**—**
Dividends	**—**	**—**	**—**
Balance at 31 December 2018 (Reviewed)	**18**	**17 885**	**2 527**
Balance at 30 June 2017 (Audited)	18	17 614	2 368
Bond conversion option	—	450	—
Shares purchased – long-term incentive plan	—	(71)	—
Share-based compensation expense	—	—	72
Total comprehensive (loss)/income	—	—	—
Loss for the year	—	—	—
Other comprehensive (loss)/income	—	—	—
Balance at 31 December 2017 (Reviewed)	18	17 993	2 440
Balance at 30 June 2017 (Audited)	18	17 614	2 368
Bond conversion option	—	450	—
Shares purchased – long-term incentive plan	—	(78)	—
Share-based compensation expense	—	—	119
Total comprehensive (loss)/income	—	—	—
Loss for the year	—	—	—
Other comprehensive (loss)/income	—	—	—
Dividends	—	—	—
Balance at 30 June 2018 (Audited)	18	17 986	2 487

The table above excludes the treasury shares.

The notes on pages 19 to 40 are an integral part of these condensed interim financial statements.

	Total share capital	Retained earnings	Foreign currency translation reserve	Other components of equity	Attributable to: Owners of the Company	Non-controlling interest	Total equity
	20 491	**12 302**	**4 324**	**96**	**37 213**	**2 380**	**39 593**
	—	**—**	**—**	**94**	**94**	**—**	**94**
	20 491	**12 302**	**4 324**	**190**	**37 307**	**2 380**	**39 687**
	(101)	**—**	**—**	**—**	**(101)**	**—**	**(101)**
	40	**—**	**—**	**—**	**40**	**—**	**40**
	—	**2 306**	**608**	**(33)**	**2 881**	**242**	**3 123**
	—	**2 306**	**—**	**—**	**2 306**	**152**	**2 458**
	—	**—**	**608**	**(33)**	**575**	**90**	**665**
	—	**—**	**—**	**—**	**—**	**(135)**	**(135)**
	20 430	**14 608**	**4 932**	**157**	**40 127**	**2 487**	**42 614**
	20 000	22 982	3 745	80	46 807	2 425	49 232
	450	—	—	—	450	—	450
	(71)	—	—	—	(71)	—	(71)
	72	—	—	—	72	—	72
	—	(163)	(620)	11	(772)	(94)	(866)
	—	(163)	—	—	(163)	(1)	(164)
	—	—	(620)	11	(609)	(93)	(702)
	20 451	22 819	3 125	91	46 486	2 331	48 817
	20 000	22 982	3 745	80	46 807	2 425	49 232
	450	—	—	—	450	—	450
	(78)	—	—	—	(78)	—	(78)
	119	—	—	—	119	—	119
	—	(10 680)	579	16	(10 085)	(30)	(10 115)
	—	(10 679)	—	—	(10 679)	(114)	(10 793)
	—	(1)	579	16	594	84	678
	—	—	—	—	—	(15)	(15)
	20 491	12 302	4 324	96	37 213	2 380	39 593

Consolidated statement of cash flows

(Rm)	Notes	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Reviewed)	Year ended 30 June 2018 (Audited)
Cash flows from operating activities				
Cash generated from/(utilised by) operations	11	**6 703**	(249)	2 364
Exploration cost		**(1)**	(2)	(4)
Finance cost		**(520)**	(521)	(1 025)
Income tax paid		**(160)**	(366)	(1 336)
Net cash from/(used in) operating activities		**6 022**	(1 138)	(1)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(1 727)**	(1 903)	(4 667)
Proceeds from sale of property, plant and equipment		**55**	13	26
Purchase of investment property		**—**	(1)	(1)
Purchase of interest in associate – Waterberg		**—**	(408)	(408)
Waterberg shareholder funding		**(11)**	—	(17)
Interest received from held-to-maturity financial assets		**—**	3	3
Loans granted		**(1)**	—	—
Finance income		**168**	240	182
Dividends received		**130**	61	253
Net cash used in investing activities		**(1 386)**	(1 995)	(4 629)
Cash flows from financing activities				
Shares purchased – Long-term Incentive Plan		**(101)**	(71)	(78)
Repayments of borrowings		**(1 855)**	(341)	(999)
Proceeds from borrowings net of transaction costs		**—**	—	1 500
Dividends paid to non-controlling interest		**(135)**	—	(15)
Net cash (used in)/from financing activities		**(2 091)**	(412)	408
Net increase/(decrease) in cash and cash equivalents		**2 545**	(3 545)	(4 222)
Cash and cash equivalents at beginning of period		**3 705**	7 839	7 839
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		**105**	(86)	88
Cash and cash equivalents at end of period		**6 355**	4 208	3 705

The notes on pages 19 to 40 are an integral part of these condensed interim financial statements.

Notes to the financial information
for the six months ended 31 December 2018

1. General information

Impala Platinum Holdings Limited ("Implats", "the Company" or "the Group") 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. The mining operations are located on the Bushveld Complex in South Africa and the Great Dyke in Zimbabwe, the two most significant PGM-bearing ore bodies in the world.

The Company has its listing on the securities exchange operated by JSE Limited 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.

On 1 July 2018 Impala Platinum and Impala Refining Services (IRS), subsidiaries of the Group, 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 transaction had no financial impact on the Group's consolidated financial statements.

The condensed consolidated interim financial information was approved for issue on 28 February 2019 by the board of directors.

2. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS), IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, requirements of the Companies Act, 71 of 2008, and the Listings Requirements of the JSE Limited.

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2018, which have been prepared in accordance with IFRS, and the commentary included in the interim results.

The condensed consolidated interim financial statements have been prepared under the historical cost convention except for certain financial assets, financial liabilities and derivative financial instruments which are measured at fair value and some equity and liabilities for share-based payment arrangements which are measured using a binomial option model.

The condensed consolidated interim financial information is presented in South African rand, which is the Company's functional currency.

The following US dollar exchange rates were used when preparing these condensed consolidated interim financial statements:

- Closing rate: R14.38 (December 2017: R12.38) (June 2018: R13.73)
- Average rate: R14.18 (December 2017: R13.40) (June 2018: R12.85)

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. Accounting policies

The principal accounting policies used by the Group are consistent with those of the previous year, except for changes due to the adoption of new or revised IFRSs, for which the first time disclosure is more comprehensive than would otherwise be done on interim and includes the once-off transition impact. Further, the transition impact and accounting policies have been disclosed in the relevant notes.

The following standards became effective on 1 January 2018 and were adopted by the Group on 1 July 2018:

– IFRS 15 – Revenue from Contracts with Customers, refer note 9;
– IFRS 9 – Financial Instruments, refer note 15.

4. SEGMENT INFORMATION

The Group distinguishes its segments between the mining operations (Mining), processing and refining (Impala Refining Services), chrome processing (Impala Chrome) and "all other segments".

Management has defined the operating segments based on the business activities and management structure within the Group.

Capital expenditure comprises additions to property, plant and equipment (note 5).

The reportable segments' measure of profit or loss is profit after tax. This is reconciled to the consolidated profit after tax.

Impala mining segment's two largest sales customers amounted to 11% and 9% of total revenue (December 2017: 13% and 8%) (June 2018: 11% and 8%).

	Six months ended 31 December 2018 (Reviewed)		Six months ended 31 December 2017 (Reviewed)		Year ended 30 June 2018 (Audited)	
(Rm)	Revenue	Profit/(loss) after tax	Revenue	Profit/(loss) after tax	Revenue	Profit/(loss) after tax
Mining						
– Impala	**10 783**	**1 055**	6 685	(1 060)	13 255	(12 332)
– Zimplats	**4 139**	**991**	3 834	277	7 485	40
– Marula	**1 511**	**116**	1 242	(39)	2 357	(30)
Impala Refining Services	**12 601**	**967**	10 657	719	22 044	1 210
Impala Chrome	**151**	**24**	60	(2)	226	47
All other segments	**—**	**(322)**	—	(22)	—	(117)
Inter-segment revenue	**(5 664)**	**—**	(5 198)	—	(9 513)	—
Total segmental revenue/profit/(loss) after tax	**23 521**	**2 831**	17 280	(127)	35 854	(11 182)
Reconciliation:						
Share of profit of equity accounted entities		**203**		188		383
Unrealised profit in stock consolidation adjustment		**(347)**		(274)		(211)
IRS preproduction (reversed)/realised on Group		**(259)**		43		217
Net realisable value adjustment made on consolidation		**30**		6		—
Total consolidated profit/(loss) after tax		**2 458**		(164)		(10 793)

(Rm)	Six months ended 31 December 2018 (Reviewed) Capital expenditure	Total assets	Six months ended 31 December 2017 (Reviewed) Capital expenditure	Total assets	Year ended 30 June 2018 (Audited) Capital expenditure	Total assets
Mining						
– Impala	**1 017**	**23 205**	1 442	37 688	2 766	29 936
– Zimplats	**657**	**21 566**	432	17 973	1 739	20 612
– Marula	**32**	**3 562**	29	3 668	101	3 796
Impala Refining Services	**—**	**17 346**	—	7 562	—	8 334
Impala Chrome	**—**	**152**	—	153	—	150
All other segments	**—**	**33 861**	—	34 379	—	34 778
Total	**1 706**	**99 692**	1 903	101 423	4 606	97 606
Intercompany accounts eliminated		**(34 779)**		(32 168)		(34 869)
Investment in equity-accounted entities		**4 557**		3 797		4 317
Unrealised profit in stock, NRV and other adjustments to inventory		**(1 193)**		(822)		(886)
Total consolidated assets		**68 277**		72 230		66 168

Disaggregation of revenue by category, per segment:

(Rm)	Six months ended 31 December 2018 (Reviewed) Impala	Zimplats	Marula	IRS	Impala Chrome	Inter-segment revenue	Total
Revenue from:							
Platinum	**4 548**	**1 383**	**451**	**4 541**	**—**	**(1 834)**	**9 089**
Palladium	**3 123**	**1 438**	**591**	**4 018**	**—**	**(2 029)**	**7 141**
Rhodium	**1 837**	**353**	**286**	**1 688**	**—**	**(639)**	**3 525**
Nickel	**237**	**354**	**18**	**891**	**—**	**(372)**	**1 128**
Other metals	**1 038**	**611**	**165**	**1 225**	**151**	**(788)**	**2 402**
Treatment income	**—**	**—**	**—**	**238**	**—**	**(2)**	**236**
Revenue	**10 783**	**4 139**	**1 511**	**12 601**	**151**	**(5 664)**	**23 521**

(Rm)	Impala	Zimplats	Marula	IRS	Impala Chrome	Inter-segment revenue	Total
	Six months ended 31 December 2017 (Reviewed)						
Revenue from:							
Platinum	3 382	1 499	470	4 781	—	(1 911)	8 221
Palladium	1 747	1 379	530	3 221	—	(2 258)	4 619
Rhodium	784	231	172	727	—	(346)	1 568
Nickel	260	319	15	666	—	(389)	871
Other metals	512	406	55	806	60	(261)	1 578
Treatment income	—	—	—	456	—	(33)	423
Revenue	6 685	3 834	1 242	10 657	60	(5 198)	17 280
	Year ended 30 June 2018 (Audited)						
Revenue from:							
Platinum	6 730	2 870	864	9 500	—	(3 537)	16 427
Palladium	3 194	2 575	957	6 778	—	(3 858)	9 646
Rhodium	1 814	552	386	1 854	—	(843)	3 763
Nickel	506	685	31	1 441	—	(800)	1 863
Other metals	1 011	803	119	1 719	226	(441)	3 437
Treatment income	—	—	—	752	—	(34)	718
Revenue	13 255	7 485	2 357	22 044	226	(9 513)	35 854

5. PROPERTY, PLANT AND EQUIPMENT

(Rm)	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Reviewed)	Year ended 30 June 2018 (Audited)
Opening net book amount	**36 045**	47 798	47 798
Additions	**1 706**	1 903	4 606
Interest capitalised	**21**	—	61
Disposals	**(6)**	(5)	(26)
Depreciation	**(1 800)**	(1 927)	(3 838)
Impairment	**—**	(30)	(13 244)
Rehabilitation adjustment	**(18)**	4	(34)
Exchange adjustment on translation	**716**	(700)	722
Closing net book amount	**36 664**	47 043	36 045
Capital commitments			
Commitments contracted for	**1 703**	1 685	1 703
Approved expenditure not yet contracted	**7 143**	7 946	8 071
	8 846	9 631	9 774
Less than one year	**4 326**	4 669	4 017
Between one and five years	**4 520**	4 962	5 757
	8 846	9 631	9 774

This expenditure will be funded from internal cash flows and, if necessary, from borrowings.

6. INVESTMENT IN EQUITY-ACCOUNTED ENTITIES

(Rm)	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Reviewed)	Year ended 30 June 2018 (Audited)
Summary- Balances			
Joint venture			
Mimosa	**2 367**	1 931	2 268
Associates			
Two Rivers	**1 641**	1 361	1 528
Makgomo Chrome	**101**	69	78
Friedshelf	**38**	28	33
Waterberg	**410**	408	410
Total investment in equity accounted entities	**4 557**	3 797	4 317
Summary movement			
Beginning of the period	**4 317**	3 316	3 316
Addition – Waterberg	**—**	408	408
Shareholder funding – Waterberg	**11**	—	17
Share of profit	**248**	240	473
Share of other comprehensive income	**111**	(106)	108
Gain – Two Rivers change of interest	**—**	—	248
Dividends received	**(130)**	(61)	(253)
End of the period	**4 557**	3 797	4 317
Share of equity-accounted entities is made up as follows:			
Share of profit	**248**	240	473
Movement in unrealised profit in stock	**(45)**	(52)	(90)
Total share of profit of equity-accounted entities	**203**	188	383

7. INVENTORIES

(Rm)	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Reviewed)	Year ended 30 June 2018 (Audited)
Mined metal			
Refined metal	**931**	708	1 381
In-process metal	**5 377**	4 526	4 585
Purchased metal#			
Refined metal	**1 497**	1 269	776
In-process metal	**3 208**	3 882	4 120
Total metal inventories	**11 013**	10 385	10 862
Stores and materials inventories	**975**	762	883
	11 988	11 147	11 745

Refer note 15 : During the current year, the fair value exposure on purchased metal and resultant stock has been designated as a hedged item on adoption of IFRS 9 and is included in the calculation of the cost of inventories. The fair value exposure relates to adjustments made to commodity prices and US$ exchange rates from the date of delivery until the final pricing date as per the relevant contract.

The net realisable value (NRV) adjustment included in inventory at the end of December 2018 comprised R39 million (December 2017: R82 million) (June 2018: R250 million) for refined mined metal and R180 million (December 2017: R1 124 million) (June 2018: R1 268 million) for in-process metal.

Included in refined metal is ruthenium on lease to third parties of 45 000 (December 2017: 40 000) (June 2018: 45 000) ounces.

Purchased metal consists of IRS inventory. Inventory includes 50 000 ounces of platinum and 35 000 ounces of palladium, which were forward sold and which will be delivered to the counterparty on 29 March, 30 April and 31 May 2019.

Change in engineering estimate

Changes in engineering estimates of metal contained in-process resulted in a R389 million (December 2017: R431 million) (June 2018: R435 million) (pre-tax) increase of in-process metal.

Change in accounting estimate

Due to the increase in the value of nickel, relative to total revenue for the Group, management has changed the classification of nickel from a by-product to a main product with effect from 1 July 2018. In terms of IFRS by-products, by nature, should be immaterial. Total by-product revenue, including nickel, would be in excess of 10% of total revenue and therefore, should no longer be considered immaterial and a by-product.

Following the reclassification of nickel as a main-product, the metal inventory cost allocation methodology was re-assessed and amended to allocate production costs, net of by-product revenue, based on relative sales value. In the previous years, production costs, net of by-product revenue was allocated on the basis of ounces. However, given that nickel is measured in tonnes, a different basis of cost allocation was required.

This change in cost allocation methodology resulted in an overall increase in inventory value of R272 million.

8. BORROWINGS

(Rm)	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Reviewed)	Year ended 30 June 2018 (Audited)
Standard Bank Limited – BEE partners Marula	**887**	887	887
Standard Bank Limited – Zimplats term loan	**898**	1 053	1 167
Convertible bonds – ZAR (2018)	**—**	308	—
Convertible bonds – US$ (2018)	**—**	364	—
Convertible bonds – ZAR (2022)	**2 697**	2 571	2 631
Convertible bonds – US$ (2022)	**3 062**	2 524	2 858
Revolving credit facility	**—**	—	1 510
Finance leases	**1 274**	1 321	1 299
	8 818	9 028	10 352
Current	**1 313**	1 418	2 427
Non-current	**7 505**	7 610	7 925
Beginning of the period	**10 352**	9 461	9 461
Proceeds	**—**	—	1 500
Interest accrued	**465**	455	928
Interest repayments	**(332)**	(334)	(689)
Capital repayments	**(1 855)**	(341)	(999)
Exchange adjustment	**188**	(213)	151
End of the period	**8 818**	9 028	10 352
Committed facilities			
South African banks	**4 000**	4 000	4 000
Foreign banks	**489**	421	466
	4 489	4 421	4 466

All of the facilities remain undrawn. Of these facilities, R4.0 billion expires on 30 June 2021.

9. REVENUE

(Rm)	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Reviewed)	Year ended 30 June 2018 (Audited)
Disaggregation of revenue by category			
Sales of goods			
Precious metals			
Platinum	**9 089**	8 221	16 427
Palladium	**7 141**	4 619	9 646
Rhodium	**3 525**	1 568	3 763
Ruthenium	**501**	138	477
Iridium	**667**	410	798
Gold	**657**	576	1 148
Silver	**15**	11	22
	21 595	15 543	32 281
Base metals			
Nickel	**1 128**	871	1 863
Copper	**259**	268	537
Cobalt	**50**	33	86
Chrome	**253**	142	369
	1 690	1 314	2 855
Revenue from services			
Toll refining	**236**	423	718
	23 521	17 280	35 854

Note 4 contains additional disclosure of revenue per operating segment

9.1 Adoption of IFRS 15 – Revenue from Contracts with Customers

TRANSITION

This standard replaces IAS 18, Revenue.

In accordance with the transition provisions in IFRS 15, the new rules were adopted retrospectively, to open, unfulfilled customer contracts on 1 July 2017, and the effect of the adoption reflected in current year opening retained earnings. The financial impact of the application of the revenue recognition adjustments to opening retained earnings was Rnil.

The Group's accounting policy has been revised to align with IFRS 15, and additional disclosures have been introduced, particularly on the disaggregation of revenue as per this note.

9.2 Revenue

ACCOUNTING POLICY

Sales revenue

The Group generates revenue from the mining, concentrating, refining and the sale of platinum group metals (PGMs) and associated base metal. Revenue is measured based on the consideration specified in the customer contract.

The Group recognises revenue on inventory sold to a customer on delivery to the contractually agreed upon delivery point. This is the point at which the performance obligation is satisfied and a receivable is recognised as the consideration is unconditional and only the passage of time is required before payment is due. No element of financing is present due to the short term nature of Group contracts and credit terms are consistent with market practice. The total sales consideration in the sales contract is allocated to each product based on the contractually agreed-upon metal prices. Metal sales prices are determined based on observable spot prices when revenue is recognised.

Toll income

The Group derives toll income revenue from processing and refining of metal concentrate and matte. Income is recognised when the refined metals have been produced, are contractually due to be returned to the customer and have passed through the value creating stages of production. Total income is measured at the transaction price agreed under the contract.

Due to the nature of the Group's revenue streams and contractual terms with customers, no significant judgement in respect of accounting for contracts with customers was necessary.

10. COST OF SALES

(Rm)	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Restated reviewed)*	Year ended 30 June 2018 (Restated audited)*
Production costs			
On-mine operations	**8 850**	8 706	16 392
Processing operations	**2 766**	2 734	5 340
Refining and selling	**800**	741	1 522
Depreciation of operating assets	**1 800**	1 927	3 838
Other costs			
Metals purchased	**5 399**	4 896	9 651
Corporate costs	**433**	347	710
Royalty expense*	**305**	179	350
Change in metal inventories	**(202)**	(2 900)	(3 404)
Chrome operation – cost of sales	**99**	64	146
Other	**39**	30	172
	20 289	16 724	34 717

** Royalty expense, previously presented separately in the "Consolidated statement of profit or loss and other comprehensive income" and the movement in the rehabilitation provision previously presented in "other operating expenses" were reclassified to cost of sales. These items have been reclassified due to their nature, which is directly related to cost of production. Refer note 16.*

11. CASH GENERATED FROM/(UTILISED BY) OPERATIONS

(Rm)	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Reviewed)	Year ended 30 June 2018 (Audited)
Profit/(loss) before tax	**3 353**	193	(13 042)
Adjustments for:			
Depreciation	**1 800**	1 927	3 838
Finance cost	**533**	535	1 051
Impairment	**–**	30	13 629
Other*	**(99)**	(272)	(777)
	5 587	2 413	4 699
Changes in working capital:			
Inventory*	**(264)**	(2 958)	(3 521)
Receivables/payables	**1 380**	296	1 186
Cash generated from/(utilised by) operations	**6 703**	(249)	2 364

** Non-cash adjustments relating to inventory of R506 million (December 2017) and R726 million (June 2018), previously included in “other”, were moved to inventory.*

12. HEADLINE EARNINGS

Headline earnings attributable to equity holders of the Company arises from operations as follows:

(Rm)	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Reviewed)	Period ended 30 June 2018 (Audited)
Profit/(loss) attributable to owners of the Company	**2 306**	(163)	(10 679)
Remeasurement adjustments:			
– Profit on disposal of property, plant and equipment	**(49)**	(8)	—
– Impairment	**—**	30	13 629
– Gain on change in interest – Two Rivers	**—**	—	(248)
– Insurance compensation	**(60)**	—	—
– Total non-controlling interest effects of adjustments	**—**	(4)	(159)
– Total tax effects of adjustments	**31**	(5)	(3 771)
Headline earnings	**2 228**	(150)	(1 228)
Adjusted for:			
Interest on potential dilutive ZAR convertible bonds (after tax at 28%)	**122**	—	—
Headline earnings used in the calculation of diluted earnings per share	**2 350**	(150)	(1 228)
Weighted average number of ordinary shares in issue (million)	**718.54**	718.54	718.54
Dilutive potential ordinary shares relating to Long-term Incentive Plan	**2.11**	2.76	3.57
Dilutive potential ordinary shares relating to ZAR convertible bonds	**64.99**	—	—
Weighted average number of diluted ordinary shares (million)	**785.64**	721.30	722.11
Headline earnings per share (cents)			
Basic	**310**	(21)	(171)
Diluted	**299**	(21)	(171)

13. CONTINGENT LIABILITIES AND GUARANTEES

As at the end of December 2018, the Group had contingent liabilities in respect of guarantees. No material liabilities are expected to arise from other matters in the ordinary course of business. Guarantees of R105 million (December 2017: R114 million) (June 2018: R109 million) have been issued to Friedshelf by the Group. Guarantees of R1 477 million (December 2017: R1 396 million) (June 2018: R1 477 million) have been issued by third parties and financial institutions on behalf of the Group consisting mainly of guarantees to the Department of Mineral Resources in respect of future environmental rehabilitation amounting to R1 355 million (December 2017: R1 277 million) (June 2018: R1 355 million).

At 31 December 2018, the Group had certain unresolved tax matters. SARS has issued additional assessments relating to the matters covering the 2013 year of assessment. The Group is in the process of preparing an objection to this assessment after consultation with external tax and legal advisors. The Group believes that no provision is required at this stage.

14. RELATED PARTY TRANSACTIONS

- The Group entered into PGM purchase transactions of R1 763 million (December 2017: R1 831 million) (June 2018: R3 749 million) with Two Rivers, an associate company, resulting in a payable of R1 286 million (December 2017: R1 041 million) (June 2018: R1 145 million). It received refining fees to the value of R17 million (December 2017: R17 million) (June 2018: R33 million).
- The Group previously entered into sale and leaseback transactions with Friedshelf, an associate company. At the end of the period, R1 175 million (December 2017: R1 206 million) (June 2018: R1 192 million) was outstanding in terms of the lease liability. During the period, interest of R61 million (December 2017: R63 million) (June 2018: R125 million) was charged and a R78 million (December 2017: R72 million) (June 2018: R148 million) repayment was made. The finance leases have an effective interest rate of 10.2%.
- The Group entered into PGM purchase transactions of R 1 708 million (December 2017: R1 561 million) (June 2018: R3 372 million) with Mimosa, a joint venture, resulting in a payable of R1 091 million (December 2017: R920 million) (June 2018: R965 million). It also has advances receivable of R806 million (December 2017: R776 million) (June 2018: R765 million) that yielded interest of R8 million (December 2017: R4 million) (June 2018: R11 million). The Group received refining fees of R157 million (December 2017: R146 million) (June 2018: R285 million).
- Key management compensation (fixed and variable) was R47 million (December 2017: R31 million) (June 2018: R67 million).

15. FINANCIAL INSTRUMENTS

(Rm)	Six months ended 31 December 2018 (Reviewed)	Six months ended 31 December 2017 (Reviewed)	Period ended 30 June 2018 (Audited)
Financial assets – carrying amount			
Financial assets at amortised cost	**8 690**	6 478	6 368
Trade and other receivables	**2 172**	2 118	2 506
Cash and cash equivalents	**6 355**	4 208	3 705
Other financial assets	**163**	152	157
Financial assets at fair value through profit or loss[#2]	**213**	—	21
Available-for-sale financial assets[1]	**—**	192	198
Financial assets at fair value through other comprehensive income[1]	**260**	—	—
	9 163	6 670	6 587
Financial liabilities – carrying amount			
Financial liabilities at amortised cost	**12 546**	14 815	16 967
Borrowings	**8 818**	9 028	10 352
Other financial liabilities	**44**	73	69
Trade payables	**3 675**	5 703	6 535
Other payables	**9**	11	11
Financial liabilities at fair value through profit and loss[2]	**3 813**	676	50
Trade payables – metal purchases	**3 507**	—	—
Other financial liabilities	**306**	676	50
	16 359	15 491	17 017

[#] *Financial assets at fair value through profit or loss are included as other financial assets on the statement of financial position*
[1] *Level 1 of the fair value hierarchy – Quoted prices in active markets for the same instrument*
[2] *Level 2 of the fair value hierarchy – Significant inputs are based on observable market data with the rand-dollar exchange rate of R14.38/US$ and metal prices being the most significant. These instruments are valued on a discounted cash-flow basis.*

The carrying amounts of financial assets and liabilities approximate their fair values with the exception of the US$ convertible bond (carrying amount R3 062 million) which has a fair value of approximately R2 714 million, and the ZAR convertible bond (carrying amount R2 697 million) which has a fair value of approximately R2 407 million. These fair values are categorised within Level 3 of the fair value hierarchy. A discounted cash-flow valuation technique was used, using a 12% discount rate on the US$ Convertible bond and 16.4% discount rate on the ZAR Convertible bond.

Cash and cash equivalents include Zimbabwean bond notes of $88 million (R1 265 million). Bond notes were disclosed as part of cash and cash equivalents since it conforms to this definition. At the reporting date bond notes were pegged at a 1:1 value compared to the US$ and all of the bond notes will be utilised to settle current obligations in the form of statutory payments, local taxes and other local creditors. Subsequent to the reporting period, the central bank of Zimbabwe established an interbank foreign-exchange market in which the bond notes will be denominated as electronic money known as RTGS dollars, and will be traded at a floating exchange rate.

15.1 Fair value hedge accounting

Market risk

The Group's activities expose it to a variety of financial risks, including foreign currency exposure, and commodity price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Group's financial performance. The Group, from time to time, uses derivative financial instruments to hedge certain risk exposures.

In the current year, management adopted a hedging strategy and accounting policy to manage the fair value risk (commodity price and foreign currency exchange risk) to which purchased metal, the hedged instrument, is exposed. The financial instrument used to hedge this risk is trade payables, related to metal purchases, measured at fair value through profit or loss. The fair value movements on this financial liability have been designated to hedge the price and foreign currency exchange risk on purchased metal inventory.

To the extent that the hedging relationship is effective, that is, when the fair value gains and losses on both the hedged item and hedged instrument are offset against each other, the gains and losses on trade payables (R121 million loss) and purchased metal inventory (R121 million gain) respectively are recognised in profit or loss in other income and expenses. Due to the high correlation between the fair value movements in trade payables and inventory, no source of hedge ineffectiveness is expected to affect this hedging relationship during its term.

TRANSITION

15.2 Adoption of IFRS 9 – Financial Instruments

This standard replaces IAS 39 – Financial Instruments.

The adoption of IFRS 9 Financial Instruments from 1 July 2018 resulted in changes in accounting policies and resulted in an adjustment to opening "other reserves". The adjustment of R94 million is as result of the valuation of the equity investment in Rand Mutual Assurance (RMA) which was previously measured at cost (Rnil) in accordance with IAS 39 and has now been measured at fair value through other comprehensive income. The Group has not restated comparatives on transition because the Group was not able to meet the requirement in the standard to do so without the use of hindsight. IFRS 9 adoption has impacted both the classification and impairment requirements of financial assets. The Group now classifies former loans and receivables and held-to-maturity financial assets as measured at amortised cost. Derivative financial instruments and available-for-sale financial assets have now been classified as measured at fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVOCI) respectively.

The following table indicates the reclassifications and adjustments recognised for each individual line item as per the statement of financial position as at 1 July 2018:

	IAS 39 classifications			IFRS 9 classifications		
	Balance at 30 June 2018	Re-classifi-cation	Amortised cost	Fair value through profit and loss	Fair value through other compre-hensive income*	Balance at 1 July 2018
Financial assets						
Available-for-sale financial assets*	198	(198)	—	—	292	292
Other financial assets	178	(178)	157	21	—	178
Derivative financial asset#	21	(21)	—	21	—	21
Held-to-maturity financial asset@	73	(73)	73	—	—	73
Loans carried at amortised cost@	84	(84)	84	—	—	84
Trade and other receivables@	2 506	(2 506)	2 506	—	—	2 506
Cash and cash equivalents	3 705	(3 705)	3 705	—	—	3 705
Total financial assets	6 587	(6 587)	6 368	21	292	6 681

Continues to be measured subsequently at fair value through profit or loss.
@ *Continues to be measured subsequently at amortised cost.*
* *Includes R94 million investment in equity instrument (RMA) that was previously measured at Rnil*

The reclassification detailed in the table on the previous page was informed by the following Implats business models and financial asset characteristics:

Reclassify equity instruments previously classified as available-for-sale to FVOCI

The Group elected to present changes in the fair value of all its equity investments previously classified as available-for-sale in other comprehensive income. The cumulative fair value gains and losses on these instruments were not reclassified and will continue to be recognised in "other reserves" in equity. These gains and losses on these investments will not be reclassified to profit or loss upon derecognition.

Reclassification to amortised cost

Held-to-maturity financial assets and loans and receivables (including cash and cash equivalents) carried at amortised cost were reclassified to financial assets at amortised cost. The Group intends to hold the assets to maturity, to collect contractual cash flows that consists solely of payments of principal and interest on the outstanding amount.

Impairment of financial assets

The Group has five types of financial assets that are subject to IFRS 9's new expected credit loss model (ECL):

- Trade receivables for sales of inventory and tolling refining services;
- Other receivables, which consist mainly of employee receivables;
- Interest-free housing loans to employees;
- Debt investments carried at amortised cost, and
- Cash and cash equivalents.

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected credit loss model was applied to the outstanding trade receivable balances at 1 July 2018 which resulted in a negligible amount of impairment. All trade receivable balances have been recovered in full for the past 5 years.

The 12 month expected credit loss model has been applied to the following financial assets as credit risk is considered to be low:

- Housing loans
- Employee receivables;
- Debt instruments held at a financial institution.
- Cash and cash equivalents.

Employee housing loans consist of housing loans advanced to Implats employees in terms of Implats housing scheme. These loans are secured by a second bond over residential properties. An impairment rate of 0.5% was applied to housing loans. This impairment assumption is based on historical default rates on the overdue loans, employees showing signs of financial distress and expected changes in macro economic circumstances that could affect employees.

Employee receivables consist of short term advance. These receivables are generally recovered within 30 day and due to their short term nature are consider to have a low credit risk.

Debt investments at amortised cost are considered to have low credit risk and are mostly held with investment grade entities and the loss assessments was therefore limited to 12 months expected losses.

The Group's cash and cash equivalents are also subject to the impairment requirements of IFRS 9. The Group's cash is held at investment grade financial institutions, which are considered to have a low credit risk and the expected credit losses was immaterial.

The outcome of the 12 month expected credit loss model assessments on the above financial assets was immaterial at 1 July 2018, therefore no adjustment was made to opening retained earnings.

At 31 December 2018 the expected credit loss was reassessed and no provisions were required.

Financial liabilities

All non-derivative financial liabilities will continue to be measured at amortised cost with the exception of metal purchase trade payables. On adoption of IFRS 9, the Group elected to classify and measure trade payables relating to metal purchases at fair value through profit or loss. Derivative financial liabilities will also continue to be measured at fair value through profit or loss.

15.3 Financial Instruments

ACCOUNTING POLICY

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contract. Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issue of financial assets and financial liabilities other than financial assets and financial liabilities at fair value through profit or loss are added to, or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

15.3.1 Financial assets

Classification

The Group classifies its financial assets in the following categories on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets:

> financial assets at fair value through profit or loss,
> financial assets at amortised cost and
> financial assets at fair value through other comprehensive income.

Purchases and sales of investments are recognised on the trade date, being the date on which the Group commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive the cash flows of the financial asset, or retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

15.3.1.1 Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There is currently only one measurement category to which the Group classifies its debt instruments:

Financial asset measured at amortised cost

Assets that are held for collecting contractual cash flows where those cash flows are comprised solely of payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income on the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented separately in the statement of profit or loss. These assets are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

15.3.1.2 Equity instruments

Implats subsequently measures all equity investments at fair value.

Financial asset measured at fair value through other comprehensive income

Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

15.3.1.3 Other financial assets

Financial assets measured at fair value through profit and loss

Financial assets that are not measured at amortised cost or at fair value through other comprehensive income are classified as measured at fair value through profit and loss. These include the cross-currency interest rate swap (CCIRS).

The cash flow received and paid in terms of the CCIRS interest rate swap is included in finance cost paid and received in the statement of cash flows.

15.3.2 Impairment of financial assets

The expected credit losses associated with its debt instruments carried at amortised cost are assessed by the Group on a forward looking basis. The impairment methodology applied is determined by whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery, among others, include the failure of a debtor to engage in a repayment agreement with the Group.

The 12 month ECL model is applied to other receivables and financial assets at amortised cost. The expected credit loss allowance recognised during the period is therefore limited to 12 months expected losses. These instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

When financial assets at amortised cost (other than trade receivables) have an increase in credit risk, the lifetime ECL model, which is the result of all possible default events over the expected life of the financial instrument, is used to impair the asset.

The calculation of the loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group applies judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical information, existing market conditions and forward looking estimates at the end of each reporting period.

15.3.3 Financial liabilities

All financial liabilities are subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. These liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

The Group has also made an irrevocable election to measure trade payables relating to metal purchases at fair value through profit or loss. Trade payables contracts host two embedded derivatives, namely fluctuations in PGM prices, and foreign currency exchange rates. This financial liability is used as a hedging instrument in the fair value hedge of a recognised asset, being purchased inventory.

15.3.4 Financial instruments used for hedge accounting

The Group uses the fair value movements in metal purchase trade payables measured at fair value through profit or loss, to manage the exposure of purchased metal inventory to fluctuations in foreign currency exchange rates and commodity prices.

At inception of a qualifying hedging relationship, the Group documents the relationship between hedging instrument, being trade payables, and inventory, the hedged item, as well as its risk management objective and strategy for undertaking the hedging transaction. At hedge inception and on an on-going basis, the Group assesses whether the instrument used in hedging transaction is expected to be, and has been, highly effective in offsetting changes in the fair value of inventory. The fair value of the trade payable used for hedging purposes is disclosed in this note.

The method of recognising the resulting gain or loss arising on remeasurement of the financial instrument used for hedging is dependent on the nature of the item being hedged, which is fair value movements on inventory. The Group has designated trade payables measured at fair value through profit or loss as a fair value hedge of inventory. Changes in the fair value of this financial liability that are effective to the hedging relationship are recorded in the income statement in other income and expenses, along with changes in the fair value of inventory that are attributable to the hedged risk.

Hedge accounting is discontinued from the date when the qualifying criteria are no longer met. This is when the commodity prices on the trade payables designated as the hedging instrument is reliably determined. Subsequent gains and losses from foreign currency fluctuations will be recognised in other operating income and expenses.

16. CHANGES IN CLASSIFICATION IN THE STATEMENT OF PROFIT OR LOSS

(Rm)	Six months ended 31 December 2017 (Reviewed) Prior period classification	Reclassification	New classification	Year ended 30 June 2018 (Audited) Prior year classification	Reclassification	New classification
Cost of sales	(16 547)	(177)	(16 724)	(34 277)	(440)	(34 717)
Royalty expense*	(179)	179	—	(350)	350	—
Other operating income*	25	(25)	—	180	(180)	—
Other operating expenses*	(343)	343	—	(944)	944	—
Other income	352	23	375	1 404	180	1 584
Other expense	(468)	(343)	(811)	(300)	(854)	(1 154)
Total	(17 160)	—	(17 160)	(34 287)	—	(34 287)

** Royalty expense, other operating income and other operating expenses have been reallocated in the table above to cost of sales, other income and other expense respectively.*

Both the royalty expense of R179 million (June 2018: R350 million), which was previously disclosed separately in the "Consolidated statement of profit or loss and other comprehensive income" and the movement in the rehabilitation provision, an income of R2 million (June 2018: R90 million expense), previously included in other operating expenses was reclassified to cost of sales.

These items were reclassified due to their nature, which is directly related to cost of production.

The residual other operating income and expense items were not directly related to cost of production and were therefore reclassified to other income and other expenses respectively.

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