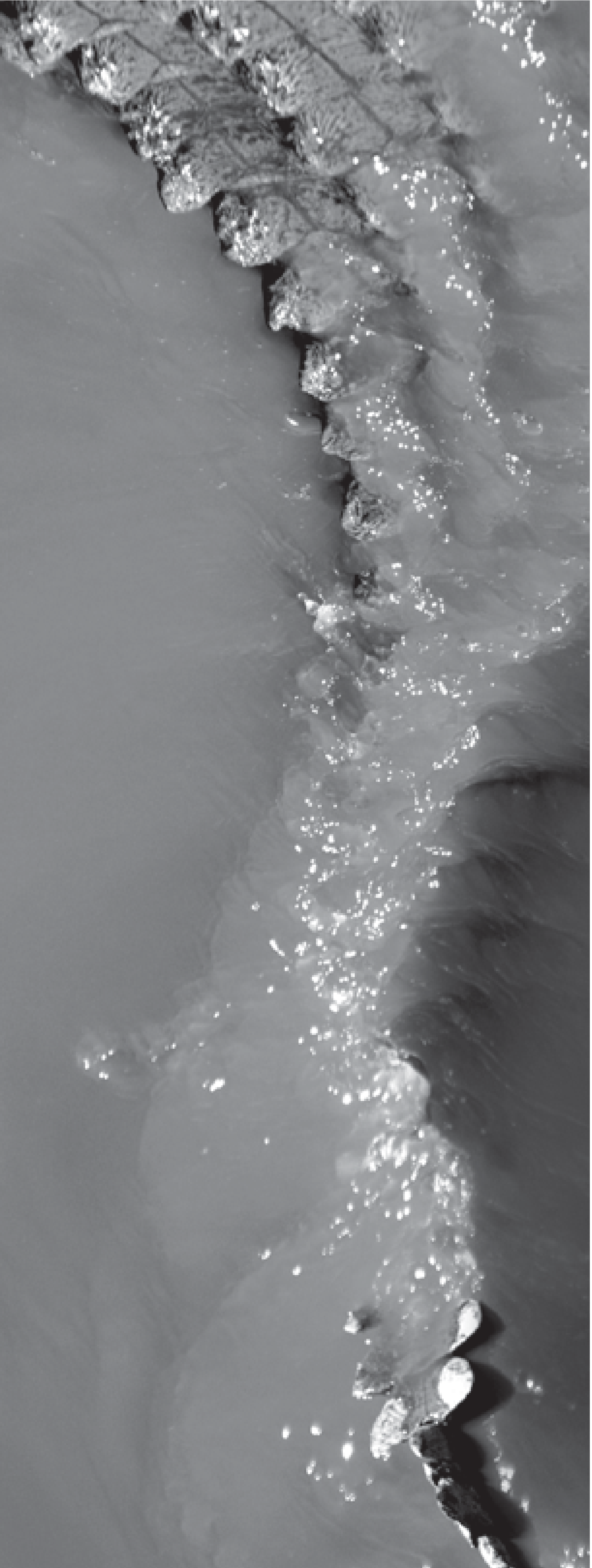

royal bafokeng holdings

Annual Financial Statements
for the year ended 31 December 2006

Contents

Statement of the directors' responsibility
for the year ended 31 December 2006

The directors are responsible for the preparation integrity and fair presentation of the financial statements of Royal Bafokeng Holdings (Proprietary) Limited (RBH) and its subsidiaries. The financial statements presented on pages 4 to 51 have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all statements of GAAP that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group at year-end.

The directors are responsible for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the company to enable the directors to ensure that the financial statements comply with relevant legislation.

RBH and its subsidiaries operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable but not absolute assurance that the assets are safeguarded and the risks facing the business are being controlled.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group or any entity within the group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company and the group.

DIRECTORS' APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements for the year ended 31 December 2006 set out on page 4 to 51 were approved by the directors on 8 August 2007

Niall Carroll
Director

Thabo Mokgatlha
Director

Independent auditor's report
to the members of Royal Bafokeng Holdings (Proprietary) Limited and its subsidiaries

We have audited the annual financial statements and group annual financial statements of Royal Bafokeng Holdings (Proprietary) Limited and its subsidiaries, which comprise the directors' report, the balance sheet and consolidated balance sheet as at 31 December 2006, the consolidated income statement, the consolidated statement of changes in equity, and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 4 to 51.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and the group as at 31 December 2006, and the group's financial performance and group's cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: RS Mokua
Registered Auditor
Johannesburg
8 August 2007

Directors' Report
for the year ended 31 December 2006

The directors have pleasure in presenting their report, which forms part of the audited annual financial statements, for the year ended 31 December 2006.

Royal Bafokeng Holdings (Pty) Limited (RBH), a company that is 100% owned by the Royal Bafokeng Nation (RBN), is responsible for the management and development of the commercial assets of the RBN. RBH's overall business objective is to maximise financial returns to enable the RBN to deliver sustainable benefits to its members. In line with this policy, RBH has a diversified investment portfolio with assets in the resources, industrial, services and financial sectors.

Established in April 2006, RBH was formed by the merger of Royal Bafokeng Resources (Pty) Ltd (RBR), which had been established in 2002 to manage the community's mining interests, and Royal Bafokeng Finance (Pty) Ltd (RBF), which had been formed in 2004 to develop a diversified, non-mining asset base.

RBH's stated vision is to
- become the world's leading, community-based, investment company; and
- continually improve the economic well-being and quality of life of all stakeholders, through investing in businesses that will generate exceptional returns over the long term and that will contribute directly to the upliftment of the RBN community.

1 NATURE OF BUSINESS

RBH's main activities in 2006 were focused on:
- pursuing strategic investments, primarily in the following key sectors: resources, financial services, information technology and food;
- executing the merger between RBR and RBF; and
- upgrading the financial and management capacity of RBH team.

2 OPERATING AND FINANCIAL REVIEW

During 2006, over 50 potential investment opportunities were assessed and analysed. While the majority were rejected, some of the opportunities developed into the transactions detailed in section 2.1 below.

2.1 Transactions announced and completed in 2006

Fraser Alexander (Pty) Ltd

In February 2006, RBH concluded its acquisition of 100% of Fraser Alexander Holdings (Pty) Ltd (Fraser Alexander), a leading waste materials handling company primarily involved in the mining and industrial sector.

Fraser Alexander is a market leader in its chosen sectors – tailings disposal, waste materials handling, and civil construction projects.

Liberty Star Consumer Holdings (Pty) Ltd

Liberty Star Consumer Holdings (Pty) Ltd (Libstar) is an investment holding company that was established in September 2005. RBH took up 76% of the equity of Libstar and irrevocably granted Lereko-Metier the right, for a period of 12 (twelve) months commencing on the effective date of acquisition of Libstar, to purchase from RBH a maximum of 50% of RBH's equity in Libstar in whole or in part. The balance of the shares (24%) is held by the executive management of Libstar. The option was exercised on 2 November 2006 and saw RBH's interest decrease to 38%.

Libstar's aim is to acquire majority stakes in medium-sized entities in the fast-moving consumer goods (FMCG) sector. Since inception, the group has acquired five businesses including a distributor of high-end, imported Italian food products, manufacturers and contract packers of food, household goods and personal care products. Libstar's client base comprises leading retailers and multinationals operating in South Africa's FMCG sector. Libstar's objective is to build a R1bn portfolio of black- controlled businesses in the food, food ingredient, out-of-home consumption, household and personal care sectors of the FMCG market in the medium term.

2 OPERATING AND FINANCIAL REVIEW

2.1 Transactions announced and completed in 2006 (continued)

Senwes Limited

RBH, acting in a consortium with Treacle Private Equity (Pty) Ltd (Treacle), acquired a stake of 27.14% in Senwes Limited (Senwes) from Senwesbel Ltd (Senwesbel). RBH holds an effective 17.64% in Senwes, Treacle holds 9.5%, Senwesbel holds 35% and the balance is traded on the OTC market.

Senwes is the second largest agricultural services company in the country, dominating the Free State region. It was established 96 years ago as a co-operative and transformed into a public entity in 1997. The company provides integrated agricultural services to grain producers, such as input supplies, storage and facilitating market access for the harvested crop. Its silo infrastructure capacity of 4.6 million tonnes constitutes more than 25% of the country's commercial storage capacity.

MB Technologies Group

RBH held a 26% interest in hardware distribution business MB Technologies (Pty) Ltd (MB Tech) at the end of 2006. This stake was increased to an effective 55% subsequent to the year-end.

MB Technologies is Africa's leading value-add distribution group, and includes Tarsus Technologies, Storgate, A.C.T., Printacom and Tallycom among its operating companies. The group distributes the following brands, among others, to the local market: Hewlett Packard, IMB/Lenovo, Samsung, Acer, Lexmark, Toshiba and Siemens.

Metuba (Pty) Ltd

RBH holds 26% of Metuba, a joint venture between Metix, Tubular Technologies and RBH, formed to build a 600 tonnes per annum sinter plant for Xstrata at its Wonderkop chrome operations. The project began in December 2005 and is scheduled to be completed by August 2007. Metix is a private smelter engineering company wholly owned by management while Tubular specialises in structural steel engineering and construction.

Pasco Risk Management (Pty) Ltd (Pasco)

Pasco is Africa's largest, privately owned, independent risk management company that provides services through five business units: Security Risk, Information Risk, Governance Risk, People Risk and Investigations. In addition, Pasco is an accredited training centre with both the South African Qualifications Authority (SAQA) and Edxcel University in the United Kingdom. Pasco has recently opened offices in Uganda, Ghana, Kenya and the United Kingdom. The company is 25.1% held by RBH.

DHL Express, South Africa

Deutsche Post International BV (DPI), the holding company of DHL Express South Africa (Pty) Ltd (DHL), granted RBH an interest-free loan to acquire a 25% stake in DHL from DPI. This investment is treated as an in-substance call option since DPI facilitated both the investment and the loan.

DHL, part of an international network, is the global market leader in express, air and ocean freight, overland transport and logistics solutions. Its international network links more than 220 countries and territories worldwide.

2.2 Social Development

Given that the sole shareholder of RBH is the RBN, arguably 100% of RBH's profits are deployed to social programmes. Over and above that, RBH runs its own corporate social investment programmes in the areas of education, sport and health.

3 SHARE CAPITAL

One hundred (100) ordinary shares of R1 each were issued during the year.

4 MATERIAL MATTERS AND POST BALANCE SHEET EVENTS

MB Technologies

RBH acquired an additional 29% interest in MB Technologies in February 2007, taking its effective shareholding to 55%.

Sale of the shares in Royal Bafokeng Finance

Royal Bafokeng Finance is a special purpose vehicle holding a 10% interest in SA Eagle Insurance Company. RBH sold a 49.9% interest in Royal Bafokeng Finance to Capricorn Capital Partner in February 2007.

Impala Platinum Holdings Limited (Implats)

RBH acquired an additional 12.1% in Implats in March 2007 through the conversion of royalties, taking its effective holdings to 13.4%.

Metair

RBH acquired 10% interest in Metair in listed automotive components manufacture in February 2007. An additional 2.5% stake was acquired in June 2007.

Silver Stars (Pty) Ltd

RBH acquired a 51% stake in Silver Stars, a football team campaigning in the Premier Soccer League (PSL), in May 2007.

M-Tech Industrial (Pty) Ltd

RBH acquired 25.1% interest in M-Tech, an accredited engineering company in May 2007.

5 DIRECTORS AND OFFICERS

The following directors were appointed during the year

RBH directorate at 31 December 2006:

Name	Title	Appointment date
Kgosi LT Molotlegi	Chairman	24 July 2006
NDJ Carroll	Chief executive officer	08 March 2006
TV Mokgatlha	Non-executive director	24 July 2006
AR Jackson	Executive director	08 March 2006
DS Phiri	Non-executive director	24 July 2006

Secretary

Sylvan CSI (Pty) Ltd.

Buyi Mayekiso was appointed subsequent to the year-end.

6 SUBSIDIARIES

The following subsidiaries were acquired by RBH during the financial year under review as part of the restructuring pursuant to the merger between Royal Bafokeng Finance and Royal Bafokeng Resources Holdings.

Entity	**Registration number**	**% holding**
Royal Bafokeng Management Services (Pty) Ltd	(2002/021932/07)	100%
Royal Bafokeng Resources Holdings (Pty) Ltd	(2006/006837/07)	100%
Royal Bafokeng Industrial Holdings (Pty) Ltd	(2006/006854/07)	100%
Royal Bafokeng Services Holdings (Pty) Ltd	(2006/006903/07)	100%
Royal Bafokeng Financial Holdings (Pty) Ltd	(2006/006843/07)	100%
Royal Bafokeng Telecom Holdings (Pty) Ltd	(2006/006958/07)	100%
Royal Bafokeng Resources (Pty) Ltd	(2002/013162/07)	100%
Morafe Investments (Pty) Ltd	(2004/028535/07)	100%
Royal Bafokeng Resources Granite (Pty) Ltd	(2002/013243/07)	100%
Royal Bafokeng Astrapak (Pty) Ltd	(2005/034906/07)	100%
Quickvest 399 (Pty) Ltd	(2006/004076/07)	100%
Royal Bafokeng BCT (Pty) Ltd	(2005/007933/07)	100%
Royal Bafokeng Properties (Pty) Ltd	(2005/006031/07)	100%
Royal Bafokeng Ventures (Pty) Ltd	(2006/031928/07)	100%
Royal Bafokeng Resources Platinum (Pty) Ltd	(2002/015049/07)	100%
Royal Bafokeng Libstar (Pty) Ltd	(2005/040172/07)	100%
Royal Bafokeng Capital (Pty) Ltd	(2005/008062/07)	51.2%
Royal Bafokeng Tholo Investment Holding Company (Pty) Ltd	(2006/021958/07)	100%
Royal Bafokeng Sports Holdings (Pty) Ltd	(2006/0019596/07)	100%
Royal Bafokeng Financial Services Group (Pty) Ltd	(2005/006184/07)	100%
Royal Bafokeng Impala Investment Holding Company (Pty) Ltd	(2006/029099/07)	100%
Royal Bafokeng Agri Investments (Pty) Ltd	(2002/040201/07)	100%
Royal Bafokeng Finance (Pty) Ltd	(2004/010279/07)	100%
Fraser Alexander Holdings (Pty) Ltd	(2005/028628/07)	100%
Royal Bafokeng MB Technologies (Pty) Ltd	(2006/027651/07)	100%
Royal Bafokeng MB Technologies Holding Company (Pty) Ltd	(2005/015010/07)	100%
Royal Bafokeng DHL Holdings Company (Pty) Ltd	(2006/017939/07)	100%
Royal Bafokeng DHL (Pty) Ltd	(2005/035754/07)	70%
Cross Point Trading 67 (Pty) Ltd	(2006/037826/07)	100%
Salestalk 268 (Pty) Ltd	(2006/035553/07)	100%

7 ADDRESS

Registered office	**Postal address**
Santam Place	P O Box 55669
17 Fricker Road	Northlands
Illovo	2116
2116	

8 COUNTRY OF INCORPORATION

Royal Bafokeng Holdings (Proprietary) Limited is incorporated in the Republic of South Africa.

9 AUDITORS

PricewaterhouseCoopers Inc. has been appointed as auditors to the company.

Registered office	**Postal address**
2 Eglin Road	Private Bag X36
Sunninghill	Sunninghill
2157	2157

Consolidated balance sheet
at 31 December 2006

		Group		Company	
		2006	2005	**2006**	2005
	Notes	**R'000**	R'000	**R'000**	R'000
ASSETS					
Non-current assets		**4 883 673**	3 121 360		
Property, plant and equipment	3	**1 510 378**	1 122 412	**–**	–
Intangible assets	4	**73 068**	2 861	**–**	–
Investment in subsidiaries	5	**–**	–	**1**	–
Available-for-sale investments	7	**1 650 637**	1 158 688	**–**	–
Investment in associates	8	**1 229 473**	831 261	**–**	–
Loans receivable	9	**412 637**	–	**–**	–
Environmental trust deposit	11	**7 480**	6 138	**–**	–
Current assets		**1 184 418**	440 612	**–**	–
Trade and other receivables	12	**738 994**	318 790	**–**	–
Financial assets at fair value through profit and loss	6	**254 631**	76 600	**–**	–
Inventories	13	**15 505**	5 639	**–**	–
Cash and cash equivalents	14	**170 282**	39 583	**–**	–
Prepaid tax	15	**2 658**	–	**–**	–
Assets classified as held for sale	16	**2 348**	–	**–**	–
Total assets		**6 068 091**	3 561 972	**1**	–
EQUITY AND LIABILITIES					
Equity and reserves		**1 852 625**	752 487	*****	–
Share capital	17	*****	–	*****	–
Non-distributable reserve		**44**			
Available for sale reserves		**777 238**	–	**–**	–
Other reserves		**(22 064)**	–	**–**	–
Merger reserve		**–**	752 487	**–**	–
Retained earnings		**1 094 777**	–	**–**	–
Minority interest in equity		**2 630**	–	**–**	–
Non-current liabilities		**732 264**	393 055	**1**	–
Deferred income tax liabilities	10	**491 613**	256 795	**–**	–
Provisions	18	**14 809**	8 215	**–**	–
Borrowings	20	**225 842**	128 045	**–**	–
Current liabilities		**3 483 202**	2 416 430	**–**	
Provisions	18	**4 293**	61	**–**	–
Shareholder loans	19	**3 012 967**	2 361 500	**1**	–
Borrowings	20	**209 140**	–	**–**	–
Trade and other payables	21	**249 723**	54 865	**–**	–
Bank overdraft	14	**80**	4	**–**	–
Current tax liability		**6 999**	–	**–**	–
Total liabilities		**4 215 466**	2 809 485	**1**	–
Total equity and liabilities		**6 068 091**	3 561 932	**1**	–

** Less than R1 000*

Consolidated income statement

for the year ended 31 December 2006

	Notes	Group 2006 R'000	Group 2005 R'000
Revenue	24	**3 098 468**	823 367
Cost of sales and services rendered		**(1 872 401)**	(586 814)
Gross profit		**1 226 067**	236 553
Administrative expenses		**(84 090)**	–
Other operating expenses		**(247 319)**	(18 045)
Other income	25	**308 090**	287 208
Impairment loss on option asset	26	**(51 192)**	–
Loss on sale of interest in subsidiary	27	**(494)**	–
Operating profit	28	**1 151 062**	505 716
Finance costs-net	29	**(349 294)**	(239 385)
Finance income	29	**22 346**	2 260
Finance costs	29	**(371 640)**	(241 645)
Share of profit/(loss) of associates		**120 077**	41 184
Profit before income tax		**921 845**	307 514
Income tax expense	30	**(153 112)**	(69 316)
Profit for the year		**768 733**	238 199
Attributable to:			
Equity holders of the company		**758 864**	238 199
Minority interest		**9 869**	–
		768 733	238 199

Consolidated statement of changes in shareholders' equity
for the year ended 31 December 2006

	Share capital and share premium R'000	Non-distributable reserves R'000	Available for sale reserves R'000	Other reserves R'000	Merger reserve R'000	Retained earnings R'000	Minority interest R'000	Total equity R'000
COMPANY								
Balance at 1 January 2006	–	–	–	–	–	–	–	–
Balance at 31 December 2006	–	–	–	–	–	–	–	–
GROUP								
Balance at 1 January 2006	–	–	–	–	752 487	–	–	752 487
Allocation of merger reserve	–	1	339 268	(5 762)	(752 487)	418 980	–	–
Movement in equity accounted earnings	–	–	–	(15 951)	–	–	–	(15 951)
Foreign currency translation reserves	–	–	–	1 276	–	–	–	1 276
Chile withholding tax	–	43	–	–	–	(43)	–	–
Available for sale reserve	–	–	437 970	–	–	–	–	437 970
Profit for the year	–	–	–	–	–	758 864	9 869	768 733
Realisation of minority interest	–	–	–	–	–	–	(7 239)	(7 239)
Restructuring adjustment	–	–	–	(1 627)	–	(83 024)	–	(84 651)
Balance at 31 December 2006	**–**	**44**	**777 238**	**(22 064)**	**–**	**1 094 777**	**2 630**	**1 852 625**
Balance at 1 January 2005	74 984	–	(68 266)	(5 762)	–	105 798	–	106 754
Profit for the year	–	–	–	–	–	238 199	–	238 199
Net available for sale reserve	–	–	398 770	–	–	–	–	398 770
Deferred tax capital gain not raised	–	–	10 875	–	–	–	–	10 875
Movement in equity accounted earnings	–	–	(2 111)	–	–	–	–	(2 111)
Transfer to merger reserve	(74 984)	–	(339 268)	5 762	752 487	(343 997)	–	–
Balance at 31 December 2005	**–**	**–**	**–**	**–**	**752 487**	**–**	**–**	**752 487**

There are no comparatives for the company as it was established in 2006.

Consolidated cash flow statement
for the year ended 31 December 2006

	Notes	Group 2006 R'000	Group 2005 R'000
Cash flow from operating activities			
Cash generated from operations	31	**827 517**	198 572
Interest paid		**(39 013)**	(208 583)
Income tax paid	15	**(26 588)**	–
Net cash generated from operating activities		**761 916**	(10 011)
Cash flow from investing activities			
Loan granted to associate	9	**(38 261)**	–
Acquisition of associates		**(313 853)**	(216 968)
Loan granted to JV	9	**(374 376)**	(119 083)
Proceeds on disposal of subsidiary	27	**2 261**	–
Proceeds on disposal of PPE	31	**76 591**	–
Acquisition of assets and subsidiary assets	3	**(602 707)**	(163 812)
Participation through the right issue		**–**	(176 730)
Increase in environment trust deposit	11	**(1 342)**	(1 118)
Acquisition of intangible assets	4	**(80 288)**	–
Increase in available-for-sale investments		**(9 777)**	–
Acquisition of cash through business acquisition		**66 481**	–
Interest received	29	**22 346**	25 055
Dividends received from investments		**104 763**	4 630
Dividends from associates		**19 767**	–
Net cash used in investing activities		**(1 128 395)**	(648 026)
Cash flow from financing activities			
Proceeds from short-term borrowings	20	**209 140**	715 776
Proceeds from long-term borrowings	20	**97 797**	–
Lease liability		**–**	(61)
Repayment of the JV loan account		**–**	(55 536)
Proceeds from the shareholders borrowings	19	**321 771**	–
Repayment of the shareholders loan	19	**(131 605)**	–
Net cash generated in financing activities		**497 103**	660 179
Net (decrease)/increase in cash and cash equivalents		**130 624**	2 142
Cash and cash equivalents at the beginning of the year		**39 578**	37 437
Cash and cash equivalents at the end of the year	14	**170 202**	39 578

Summary of accounting policies
for the year ended 31 December 2006

1 GENERAL INFORMATION

Royal Bafokeng Holdings (Pty) Ltd is an investment holding company that is responsible for the management and development of the commercial assets of Royal Bafokeng Nation (RBN). The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. No income statement and cash flow statement have been provided for the stand-alone company as the company did not generate income, incur expenses, and also did not generate any cash flows for the year ended 31 December 2006. The principal accounting policies adopted in the preparation of the financial statements are set out in Note (2) below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The consolidated financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice, under the historical cost convention as modified by available-for-sale financial assets, and financial assets and liabilities held-for-trading.

The preparation of financial statements in conformity with Statements of Generally Accepted Accounting Practice requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period based on management's best knowledge of current events and actions. Actual results may ultimately differ from these estimates.

Statements, interpretations and amendments to published statements that are not yet effective:

Certain new statements, amendments and interpretations to existing statements have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2007 or later periods, but which the group has not early adopted, as follows:

- **IFRS 7 (AC 144), Financial Instruments: Disclosures, and a complementary Amendment to IAS 1 (AC 101), Presentation of Financial Statements – Capital Disclosures** (effective from 1 January 2007). IFRS 7 (AC 144) introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30 (AC 120), Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32 (AC 125), Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under SA GAAP. The amendment to IAS 1 (AC 101) introduces disclosures about the level of an entity's capital and how it manages capital. The group will assess the impact of IFRS 7 (AC 144) and the amendment to IAS 1 (AC 101) and will apply IFRS 7 (AC 144) and the amendment to IAS 1 (AC 101) from annual periods beginning 1 January 2007.
- **IFRIC 7 (AC 440), Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies** (effective from 1 March 2006). IFRIC 7 (AC 440) is not relevant to the group's operations.
- **IFRIC 9 (AC 442), Reassessment of Embedded Derivatives (**effective from 1 June 2006). An entity shall assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.1 Basis of presentation (continued)

Standards, interpretations and amendments to published standards that are not yet effective: (continued)

- **IFRIC 10 (AC 443), Interim Financial Reporting and Impairment** (effective from 1 November 2006). IFRIC 10 (AC 443) prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost from being reversed at a subsequent balance sheet date. As the group does not prepare interim financial reports, this statement will not have any impact on the group's accounts.
- **IFRIC 11 (AC 444), Company and Treasury Share Transactions** (effective from 1 March 2007), deals with the classification of awards where either an entity may choose or may be obliged to purchase equity instruments in order to settle an award, or employees of an entity are granted an award which will be settled in shares by a shareholder. The statement also covers the accounting for awards in the separate financial statements of a subsidiary where the award is settled in shares of the parent. As the group does not deal in treasury shares, IFRIC 11 (AC 444) is not relevant to the group's operations.
- **IFRIC 12 (AC 445), Service Concession Arrangements** (effective from 1 January 2008). IFRIC 12 (AC 445) sets out the general principles of recognising and measuring the obligations and related rights in service concession arrangements. As the group has no service concession arrangements, IFRIC 12 (AC 445) is not relevant to the group's operations.
- **AC 503 – Accounting for Black Economic Empowerment (BEE) transactions** (effective from 1 May 2006). If equity instruments are granted at a discount to a BEE partner, this must be expensed. BEE credentials acquired as part of a business combination shall be subsumed in goodwill and not recognised as a separate intangible asset. Where the BEE transaction includes service conditions, the fair value of the equity instruments shall be measured at grant date and the expense should be recognised over the period of the service conditions. Where the BEE transaction includes no service conditions, the fair value of the equity instruments shall be measured at grant date and the expense should be recognised immediately on grant date.

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including Special Purpose Entities) over which the group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies.

The existence and effect of potential voting rights that are currently exercisable or presently convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, shares issued, or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Where the fair value of the net assets received exceeds the consideration, then the difference is recognised as profit. Inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.2 Consolidation (continued)

2.2.2 Investment in associates

Associates are entities over which the group generally has between 20% and 50% of the voting rights, or over which the group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Under this method, the company's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment. Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The group's investment in associates includes goodwill (net of any accumulated impairment loss) on acquisition. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless the group has incurred obligations, issued guarantees, or made payments on behalf of the associates.

2.2.3 Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The group's interest in jointly controlled entities is accounted for by proportionate consolidation. The group combines its share of the joint venture's individual income and expenses, assets and liabilities, and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gain or losses on the sale of assets by the group to the joint venture that is attributable to the other ventures. The group does not recognise its share of profits from the joint venture that result from the purchase of assets by the group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

2.2.4 Common control transactions

Common control transactions are business combinations in which all of the combining entities are ultimately controlled by the same entity before and after the transaction. These transactions are accounted for at predecessor values. Assets and liabilities acquired are accounted for at book value used in the consolidated financial statements of the highest entity that has common control. The difference between the amount paid and the book value of the net assets acquired is taken to equity. Comparative information is restated as if the transaction was always in existence. As RBH was only formed in April 2006 there was no company in existence in the comparative period and therefore the reserves for the comparatives are grouped together as a merger reserve. Upon formation of the company, the merger reserve is allocated to the respective reserves.

2.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual values over its estimated useful life and residual value as reassessed on an annual basis and approximates the following:

Plant and equipment	5 – 20 years
Office and computer equipment	3 years
Computer software	3 years
Furniture and fittings	6 years
Motor vehicles	5 years
Capitalised lease improvements	6 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.3 Property, plant and equipment (continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds on disposal with carrying amounts and are included in operating profit.

2.4 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment.

Intangible assets are recognised if it is probable that future economic benefits will flow to the entity from the intangible assets and the costs of the intangible assets can be reliably measured.

a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition.

At each balance sheet date the group assesses goodwill for impairment, and analysis is performed to assess whether the carrying amount of goodwill is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

b) Computer software

Acquired computer software licences are capitalised on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

2.5 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision made for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the assets, carrying amount and the recoverable amount, being the present value of expected cash flow, discounted at the original effective interest rates. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and marketing costs. When a trade receivable is uncollected, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

2.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdraft and other short-term highly liquid investments with original maturities of three months or less. Bank borrowings are shown within borrowings in current liabilities on the balance sheet.

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.8 Revenue recognition

Income is recognised on an accrual basis when it is both probable that the economic benefits associated with the transaction will flow to the company and when the amount of the revenue can be measured reliably.

Revenue from sale of products and services is brought to account when the risks and rewards of ownership transfer and it is both probable that the economic benefits associated with the transaction will flow to the company and when the amount of the revenue can be measured reliably, net of Value Added Tax (VAT) and discounts.

Revenue from rendering of services is based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is probable that such income will accrue to the company.

Dividend income is brought to account as at the last day of registration in respect of listed shares and when declared in respect of unlisted shares.

2.9 Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.5).

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other (losses)/gains – net, in the period in which they arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.9 Financial assets (continued)

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

Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences of non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

The fair values quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.5.

2.10 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Property, plant and equipment and other non-current assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.11 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.12 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. Where the effect of discounting is material, provisions are discounted to reflect the present value. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

2.13 Trade payables

Trade payables are initially carried at the fair value of the consideration to be paid in future for goods or services that have been received or supplied and invoiced or formally agreed with the supplier, but subsequently at amortised cost.

2.14 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective interest rate method: any difference, between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing.

2.15 Taxation

a) Current taxation

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date, and any adjustment of tax payable for previous years.

b) Deferred taxation

Deferred tax assets and liabilities are determined, using the balance sheet liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantially enacted before the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

Summary of accounting policies
for the year ended 31 December 2006

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2.16 Financial instruments

Interest rate risk

Fluctuations in interest rates impact on the returns of short-term cash investments giving rise to interest rate risk. In the ordinary course of business, the company receives cash from its operations to fund working capital and capital expenditure requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks.

Credit risk

The financial assets that expose the company to potential credit risk include cash, debtors, trade and other receivables.

Liquidity risk

With the existing liquid assets, the company has no substantial liquidity risk.

Fair value estimation

In assessing the fair value of financial instruments, the company uses a variety of methods and makes assumptions that are based on conditions existing at each balance sheet date. The carrying amount of the financial instruments approximate their fair value, except for the interest-free loans with no fixed repayment terms. The fair value component of these loans could therefore not be calculated. These loans are disclosed at cost.

2.17 Offset

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when the company has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.18 Share capital

Ordinary shares are classified as equity.

2.19 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

a) Income taxes

Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.19 Critical accounting estimates and judgements continued

b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The group uses its judgement to make assumptions that are mainly based on market conditions existing at each balance sheet date. Significant judgement was used in computing the fair value of the investments in associates. More details on these assumptions are given in Note 8.

c) Post-employment obligations

Significant judgement and actuarial assumptions are required to determine the fair value of the post-employment obligations. More details on these assumptions are given in Note 18 to the financial statements.

d) Environmental rehabilitation liability

In determining the environmental rehabilitation liability an inflation rate of 5% was assumed to increase the rehabilitation liability for the next 26 years, and a rate of 5% (2005: 5%) to discount that amount to present value. The discount rate assumed of 5% is a risk-free rate.

Notes to the annual financial statements

for the year ended 31 December 2006

3 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Furniture and fittings R'000	Mining assets R'000	Plant and machinery R'000
Group				
Year ended 31 December 2006				
Opening net book amount	16 325	1 109	554 047	283 031
Translation of foreign operations	–	–	–	14
Additions	5 807	402	132 091	144 806
Subsidiary assets acquired	7 277	–	–	222 179
Disposal and scrapping	(395)	(2)	(31 874)	(32 541)
Assets held-for-sale	–	–	–	(2 348)
Impairment charge	–	–	–	(1 335)
Depreciation	(2 257)	(289)	(33 315)	(91 216)
	26 757	**1 220**	**620 949**	**522 590**
At 31 December 2006				
Cost or valuation	42 719	6 561	689 409	702 919
Accumulated depreciation	(15 962)	(5 341)	(68 460)	(180 329)
	26 757	**1 220**	**620 949**	**522 590**
Group				
Year ended 31 December 2005				
Opening net book amount	23 799	1 571	543 809	278 867
Additions	–	13	957	–
Disposal and scrapping	–	–	–	(8 977)
Depreciation	(8 872)	(475)	(13 498)	(28 488)
Transfer from WIP	1 398	–	22 779	41 629
	16 325	**1 109**	**554 047**	**283 031**
At 31 December 2005				
Cost or valuation	30 030	6 161	589 192	372 144
Accumulated depreciation	(13 705)	(5 052)	(35 145)	(89 113)
	16 325	**1 109**	**554 047**	**283 031**

An impairment of R1.335 million has been recognised against the plant and vehicles of the group. The decline in the recoverable amounts of certain

Work in progress R'000	Office and computer equipment R'000	Vehicles and equipment R'000	Computer software R'000	Capitalised lease improvements R'000	Total R'000
251 290	5 447	10 777	60	326	1 122 412
–	265	–	–	–	279
66 087	13 515	2 233	68	269	365 278
–	7 973	–	–	–	237 429
–	(6 727)	(960)	–	–	(72 499)
–	–	–	–	–	(2 348)
–	–	–	–	–	(1 335)
–	(6 492)	(4 805)	(73)	(391)	(138 838)
317 377	**13 981**	**7 245**	**55**	**204**	**1 510 378**
317 377	34 061	31 928	338	1 259	1 826 571
–	(20 080)	(24 683)	(283)	1 055	(316 193)
317 377	**13 981**	**7 245**	**55**	**204**	**1 510 378**
162 098	2 203	11 467	132	632	1 024 578
157 069	15 650	–	37	19	173 745
–	(25)	–	–	–	(9 002)
–	(12 381)	(2 761)	(109)	(325)	(66 909)
(67 877)	–	2 071	–	–	–
251 290	**5 447**	**10 777**	**60**	**326**	**1 122 412**
251 290	19 035	30 655	270	990	1 299 767
–	(13 588)	(19 878)	(210)	(664)	(177 355)
251 290	**5 447**	**10 777**	**60**	**326**	**1 122 412**

tain assets to below their carrying value amount was caused by a combination of severe working conditions and limited application of certain assets.

Notes to the annual financial statements
for the year ended 31 December 2006

4 INTANGIBLE ASSETS

	Cost	Accumulated amortisation	Book value
Contract and customer relations	34 200	(6 270)	27 930
Fraser Alexander Brand	40 000	(3 667)	36 333
Goodwill	5 495	–	5 495
Environmental rehabilitation mining asset	3 979	(669)	3 310
	83 674	(10 606)	73 068

	Goodwill	Fraser Alexander brand	Customer relations	Environmental rehabilitation mining asset	Total
At 1 January 2006	–	–	–	2 861	2 861
Additions	5 495	40 000	34 200	593	80 288
Amortisation	–	(3 667)	(6 270)	(144)	(10 081)
At 31 December 2006	5 495	36 333	27 930	3 310	73 068
At 1 January 2005	–	–	–	3 937	3 937
Amount capitalised	–	–	–	(957)	(957)
Amortisation	–	–	–	(119)	(119)
At 31 December 2005	–	–	–	2 861	2 861

Amortisation rates	**%**
Fraser Alexander brand	10%
Contract and customer list	20%

Goodwill arose as a result of investments made by Fraser Alexander Holdings (Pty) Ltd into its group companies. The purchase price was allocated to customer list and Fraser Alexander brand and the balance was allocated to goodwill.

5 INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries	Percentage shareholding	Group **2006 R'000**	Group 2005 R'000	Company **2006 R'000**	Company 2005 R'000
Royal Bafokeng Management Services	100%	**–**	–	**1**	–
Royal Bafokeng Resources Holdings	100%	**–**	–	**–**	–
Royal Bafokeng Financial Holdings	100%	**–**	–	**–**	–
Royal Bafokeng Industrial Holdings	100%	**–**	–	**–**	–
Royal Bafokeng Services Holdings	100%	**–**	–	**–**	–
Royal Bafokeng Telecommunication Holdings	100%	**–**	–	**–**	–
Total		**–**	–	**1**	**–**

Refer to directors' report for details of subsidiary companies (page 7).

Principal subsidiaries

Subsidiaries	Country of incorporation
Fraser Alexander Holdings (Pty) Ltd	South Africa

The subsidiary is a wholly owned subsidiary. It was acquired on 1 February 2006. This interest was consolidated in the current year financial statements. The acquired business contributed revenues of R904 307 000 and operating profit of R77 737 000 to the group for the period from 1 February 2006 to 31 December 2006, and its assets and liabilities at 31 December 2006 were R573 300 000 and R524 783 000 respectively.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
SA Eagle put option and call option				
At 1 January 2006	**76 600**	–	**–**	–
Initial investment	**–**	76 600	**–**	–
Fair value adjustment	**(21 700)**	–	**–**	–
At 31 December 2006	**54 900**	76 600	**–**	–
MB Tech call option				
Initial value of option	**179 439**	–	**–**	–
	179 439	–	**–**	–
DHL call option				
Initial investments – cost capitalised	**35**	–	**–**	–
Initial value of option	**20 257**	–	**–**	–
	20 292	–	**–**	–
Total	**254 631**	76 600	**–**	**–**

SA Fire House Limited

On 13 April 2005, a sale agreement was signed between SA Fire House, RBF, Zurich Insurance Company and RBN which resulted in SA Fire House transferring 1 217 950 shares that it held in SA Eagle (the shares) to RBF for a consideration of R117 716 216. This resulted in RBF obtaining an effective 10% equity shareholding in SA Eagle.

In addition to the sale of the shares from SA Fire House to RBF, various share option agreements were entered into and concluded as part of the Sale Agreement. The terms of the options are as follows:

RBF put option

SA Fire House wrote a put option to RBF (RBF put option) which entitles RBF to sell its 10% shareholding in SA Eagle back to SA Fire House three years after the purchase of the SA Eagle shares under the Sale Agreement. The strike price of the put option is equal to the price that RBF initially paid to SA Fire House for the purchase of the shares in SA Eagle under the Sale Agreement plus an amount that will provide RBF with an internal rate of return (IRR) of 15% for the period from the date of the initial purchase to the day on which the RBF put option becomes exercisable.

RBF call option

SA Fire House sold a call option to RBF (RBF call option), which entitles RBF to purchase additional shares (call option shares) in SA Eagle from SA Fire House that will result in RBF increasing its shareholding in SA Eagle to 24.9%. The RBF call option is exercisable only in the instance where RBF does not exercise the RBF put option. The RBF call option may be exercised within a period of six months following the expiry of the RBF put option. The strike price of the RBF call option is equal to 90% of the Net Asset Value (NAV) as defined within the Sale Agreement.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS CONTINUED

SA Fire House call option

RBF sold a call option to SA Fire House (SA Fire House call option) which entitles SA Fire House to purchase the full 10% shareholding that RBF purchased under the Sale Agreement where RBF does not exercise either the RBF put option or the RBF call option. The call option is exercisable within a period of 90 days after the RBF call option period expires. The strike price of the SA Fire House call option is equal to the greater of:

- the strike price of the RBF put option;
- the 30-day volume weighted average trading price of SA Eagle's shares quoted on the Johannesburg Securities Exchange (JSE) immediately preceding the three-year period after the purchase of the SA Eagle shares under the Sale Agreement or the fair market value at that point in time if the SA Eagle shares are no longer listed on the JSE; or
- the NAV per share as set out in the most recently audited financial statements of SA Eagle for the full financial year immediately proceeding the three-year period after the purchase of the SA Eagle shares under the Sale Agreement.

Valuation

The above structure comprises three inter-related options. The first option being a long put option over the SA Eagle sale shares, the second option is a long call option on additional SA Eagle shares while the third option is a short call on the SA Eagle sale shares. The second option is dependent on the state of the first option, while the third option is conditional on the state of the first two options. In addition, the strike prices of each option are not known upfront, as they are dependent on the stock path, dividends paid during the life of the option and/or the state of the company's balance sheet at the time of maturity.

In order to capture the path dependency as well as the interrelation of the different options the Monte Carlo simulation has been used in determining the fair value of the option structure. Within the Monte Carlo method, the following input parameters are used to simulate the SA Eagle share price: the market price of the underlying share at the valuation date, the expected dividend yield of the underlying share over the life of the option, the expected volatility of the underlying share over the life of the option, and the risk-free interest rate over the life of the model. In addition to these, in order to simulate the strike price, the expected Net Asset Value of the underlying share was used.

The valuation as described above was performed by an independent valuation expert as at 31 December 2005. As at 31 December 2006, the fair value of the option was R54 900 000 (R76 600 000: 2005).

MB Technologies (Pty) Ltd (MB Tech)

Pedal Trading 130 (a wholly owned subsidiary of Royal Bafokeng Finance (Pty) Ltd (RBF)) acquired 31 300 shares in MB Tech representing 26% for an amount of R210 500 000 on 26 March 2006. The purchase was financed partly by internal financing and partly by issuing preference shares in Pedal Trading 130 comprising preference A and B shares.

MB Tech call option

ABSA Capital, Coyote and Spiller issued Pedal Trading 130 with call options. The call option runs from 1 January 2007 to 31 December 2007, and the option can be exercised at any time during that period. The strike price escalates by 2% per month, starting from 1 February 2007.

Valuation

The fair value calculation was derived by performing a one-month call option calculation. However, the intrinsic value was determined. As the option term is only a one-month period and the option is deep in the money, the methodology was considered reasonable. The intrinsic value is calculated as the difference between the stock price and the exercise price.

The valuation as described above was performed by an independent valuation expert as at 31 December 2006, and was valued at R179 439 288.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS CONTINUED

DHL International (Pty) Ltd (DHL)

On 1 March 2006, Royal Bafokeng DHL (Pty) Ltd formerly called CSHELL 137 or Newco acquired 500 200 shares representing 25.1% interest in DHL for R13 500 000. The acquisition was facilitated through an interest-free loan from DHL's holding company, Deutsche Post International (DPI). According to the agreement at least 75% of the distributable profits of the company will be declared and paid as a dividend. Royal Bafokeng DHL (Pty) Ltd should utilise at least 75% of the dividends received to pay DPI such amounts owing in respect of the loan agreement.

DHL call option

This transaction was valued as a call option and a Monte Carlo simulation was used to value the option. The Monte Carlo simulation allows for the option model to consider the dependencies which exist between the company value, the dividends paid, the debt value and the remitted value. The pay-off of this structure was valued as the time adjusted difference between the future value of the company and the future outstanding balance of the debt plus the present value of the dividend remitted to Royal Bafokeng DHL (Pty) Ltd.

Valuation

The valuation as described above was performed by an independent valuation expert as at 31 December 2006. The fair value of the option was R20 257 000.

7 AVAILABLE-FOR-SALE INVESTMENTS

		Group		Company	
	Percentage shareholding	**2006 R'000**	2005 R'000	**2006 R'000**	2005 R'000
SA Eagle	10.00%	**182 693**	225 321	**–**	–
Impala	1.30%	**1 456 800**	932 000	**–**	–
Investment acquired through subsidiaries		**8 723**	–	**–**	–
Other investment		**2 421**	1 367	**–**	–
		1 650 637	1 158 688	**–**	–
SA Eagle Limited					
1 217 950 (10%)					
Beginning of year		**225 321**	–	**–**	–
Cost of investment		**–**	117 716	**–**	–
Cost capitalised		**261**	–	**–**	–
BEE incentive gain		**–**	94 207	**–**	–
		225 582	211 923	**–**	–
Fair value adjustment		**(42 889)**	13 398	**–**	–
End of year		**182 693**	225 321	**–**	–

The investment in SA Eagle represents 1 217 950 listed shares in South African Eagle Insurance Company Limited (SA Eagle), acquired at R97 per share from SA Fire House Limited on the 13 April 2005. The share price traded at R150.00 per share at 31 December 2006. The BEE incentive gain is the difference between the cost of the investment and the fair value at the date of acquisition.

Impala Platinum Holdings Limited

Beginning of year	**932 000**	479 000
Fair value adjustment	**524 800**	453 000
End of year	**1 456 800**	932 000

The investment in Impala represents 8 000 000 shares in Impala Platinum Holdings Limited. The market value of the share at 31 December 2006 was R182.10.

8 INVESTMENT IN ASSOCIATES

The principal associates which are listed and unlisted are:

	Country of incorporation	% Interest held	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Astrapak Limited	South Africa	20%	**328 011**	324 760	**–**	–
Pasco Risk Management (Pty) Ltd	South Africa	25%	**4 956**	–	**–**	–
Senwes Limited	South Africa	17.4%	**90 530**	–	**–**	–
Liberty Star Consumer Holdings (Pty) Ltd	South Africa	38%	**2 833**	–	**–**	–
MB Technologies Group	South Africa	26%	**227 216**	–	**–**	–
Merafe Resources Limited	South Africa	32.1%	**557 927**	506 501	**–**	–
Mine Waste Solution (Pty) Ltd	South Africa	35%	**18 000**	–	**–**	–
			1 229 473	831 261	**–**	–

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

Detailed information relating to each of the investments above is set out below:

Name

Astrapak Limited

Nature of business

Astrapak Ltd is a listed entity incorporated in the Republic of South Africa. The investment in Astrapak Ltd occurred in two tranches. On 1 February 2005 the group acquired 12 011 667 shares at R7.65 per share, and on 1 March 2005 15 014 583 shares were acquired at R8.33 per share. The shares held by RBH are linked units meaning for every share held in Astrapak there is a corresponding debenture. The debentures are unsecured, have a variable interest rate and are redeemable at nominal value at the election of the debenture holder at any time after 20 years from the date of issue. Astrapak specialises in the production and supply of plastics packaging and has a 28 February year-end. The fair value for Astrapak shares on 31 December 2006 was R12.80 per share, compared to R13.50 in 2005.

The number of ordinary shares held in Astrapak Limited is 27 026 250. The percentage shareholding is 20%.

8 INVESTMENT IN ASSOCIATES CONTINUED

Nature of business continued

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Beginning of year	**324 760**	–		
Purchase of shares	**–**	216 968	**–**	–
BEE incentive gain	**–**	90 020	**–**	–
Share of profit/(loss)#	**27 310**	27 800	**–**	–
Net ordinary dividends received	**(6 689)**	(4 266)	**–**	–
Interest on preference shares	**(1 419)**	–	**–**	–
Treasury shares and non-distributable reserve movement	**(15 951)**	(5 762)	**–**	–
End of year	**328 011**	324 760	**–**	–

Goodwill amounting to R185 828 471 is included in the carrying amount of investment.

Summarised financial information of Astrapak

Total assets	**1 808 718**	1 418 231	**–**	–
Total liabilities	**914 685**	764 314	**–**	–
Revenues	**2 223 131**	1 873 962	**–**	–
Net profit/(loss) for the year	**146 388**	138 999	**–**	–
Fair value movements recognised in equity	**(1 286)**	(841)	**–**	–
Fair value of investment				
Share price on 31 December 2006 was 12.80 cents	**345 936**	364 854	**–**	–

#Share of profit is after tax.

8 INVESTMENT IN ASSOCIATES CONTINUED

Name

Pasco Risk Management (Pty) Ltd

Nature of business

Pasco is Africa's largest, privately owned, independent risk management company. Some of the services provided by Pasco include security and safety advisory, corporate investigations and fraud prevention, political risk advisory, due diligence and business intelligence advisory. In June 2006 the Group acquired a 25.1% interest in Pasco Risk Management (Pty) Ltd for R4m. Pasco's year-end is 31 December.

Proportion of ownership

The percentage shareholding in Pasco Risk Management (Pty) Ltd is 25.1%.

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Purchase of shares	**4 000**	–	**–**	–
Initial cost capitalised	**23**			
Share of profit/(loss)#	**933**	–	**–**	–
End of year	**4 956**	–	**–**	–

The purchase price allocation had not been completed by year-end.

Summarised financial information of Pasco Risk Management (Pty) Ltd				
Total assets	**19 078**	–	**–**	–
Total liabilities	**1 051**	–	**–**	–
Revenue	**23 539**	–	**–**	–
Net profit/(loss) for the year	**6 375**	–	**–**	–
Fair value of investment				
Fair value at 31 December 2006	**10 000**	–	**–**	–

The fair value was based on the director's valuation.

#Share of profit is after tax.

8 INVESTMENT IN ASSOCIATES CONTINUED

Name

Senwes Limited

Nature of business

The Royal Bafokeng Finance (Pty) Ltd (RBF) Consortium acquired 49 071 543 ordinary shares in Senwes from Senwesbel for a purchase consideration of R122 678 858 on 27 January 2006.

Royal Bafokeng Finance (Pty) Ltd (RBF) holds 31 896 503 ordinary shares in Senwes Ltd which represents a 17.4% interest in Senwes and a 65% interest in the consortium. On 10 November 2006, RBN entered into an agreement in which RBF agreed to sell its shareholding in Royal Bafokeng Senwes (Pty) Ltd to RBH. The purchase price to be paid is based on the par value of the shares issued by Royal Bafokeng Senwes (Pty) Ltd.

Senwes is a diversified agricultural business that focuses on the development of access to markets for agricultural produce, the supply of input products to the agricultural producers, and adding value to the role players in the agricultural supply chain. Senwes's year-end is 30 April.

Proportion of ownership

The percentage shareholding in Senwes Ltd is 17.4%.

	Group		**Company**	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Purchase of shares	**79 741**	–	–	–
Share of profit/(loss)#	**23 867**	–	–	–
Net ordinary dividends received	**(13 078)**	–	–	–
Carrying amount of investment	**90 530**	–	–	–

The purchase price allocation had not been completed by year-end.

Summarised financial information of Senwes Ltd				
Total assets	**2 229 536**	–	–	–
Total liabilities	**1 482 769**	–	–	–
Revenue	**1 305 857**			
Net profit/(loss) for the year	**102 102**	–	–	–
Fair value of investment				
Fair value at 31 December 2006	**96 000**	–	–	–

The fair value was based on the director's valuation.

#Share of profit is after tax.

8 INVESTMENT IN ASSOCIATES CONTINUED

Name

Liberty Star Consumer (Pty) Ltd (Libstar)

Nature of business

Libstar is an investment holding company that was formed during 2005 by RBF, Metier and Libstar management to take advantage of opportunities arising in the food manufacturing sector. Libstar has made numerous investments in the sector since inception. Libstar's year-end is 31 December.

In November 2005 RBH subscribed for 76% of the share capital of Libstar upon the formation of the company. During November 2006 the interest was diluted to 38% subsequent to the disposal of 50% of its interest to Metier.

Proportion of ownership

The percentage shareholding in Liberty Star Consumer (Pty) Ltd is 38%.

	Group		**Company**	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Cost of investment before disposal	**3 800**	–	**–**	–
Share of subsidiary profit on disposal date	**1 711**	–	**–**	–
Net asset value before disposal	**5 511**	–	**–**	–
Portion of investment disposed	**(2 755)**	–	**–**	–
Cost of investment after disposal	**2 756**	–	**–**	–
Share of profit/(loss)#	**77**	–	**–**	–
End of year	**2 833**	–	**–**	–

The purchase price allocation had not been completed by year-end.

Summarised financial information of Liberty Star (Pty) Ltd

Total assets	**404 604**	–	**–**	–
Total liabilities	**391 116**	–	**–**	–
Revenue	**659 373**			
Net profit/(loss) for the year	**2 455**	–	**–**	–

Fair value of investment

Fair value at 31 December 2006	**66 000**	–	**–**	–

The fair value was based on the director's valuation.

#Share of profit is after tax.

8 INVESTMENT IN ASSOCIATES CONTINUED

Name

MB Technologies Group

Nature of business

MB Technologies is a value-added information technology distribution group. The company acquired a 26% interest in MB Technologies Group on 27 March 2006 for R210 500 000. MB Technologies' year-end is 28 February.

Proportion of ownership

The percentage shareholding in MB Technology is 26%.

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Purchase of shares	**210 500**	–	**–**	–
Initial cost capitalised	**252**			
Share of profit/(loss)#	**16 464**	–	**–**	–
Carrying amount of investment	**227 216**	–	**–**	–

The purchase price allocation had not been completed by year-end.

Summarised financial information of MB Technologies

Total assets	**1 096 834**	–	**–**	–
Total liabilities	**627 007**	–	**–**	–
Revenues	**3 490 554**	–	**–**	–
Net profit/(loss) for the year	**122 969**	–	**–**	–

Fair value of investment

Fair value of the investment at 31 December 2006	**273 000**	–	**–**	–

The fair value was based on the director's valuation.

#Share of profit is after tax.

8 INVESTMENT IN ASSOCIATES CONTINUED

Name

Merafe Resources Limited

Nature of business

Merafe Resources Limited is a company listed on the JSE Limited. Its major shareholders are Royal Bafokeng Resources Holdings (Pty) Ltd, and the Industrial Development Corporation. Through its wholly owned subsidiary, Merafe Ferrochrome and Mining (Pty) Ltd, it participates in the Xstrata-Merafe Chrome Venture, the world's largest ferrochrome producer.

Proportion of ownership

The percentage shareholding in Merafe Resources Limited is 32.1%

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Beginning of year	**506 501**	318 498	**–**	–
Purchase of shares	**–**	176 730	**–**	–
Share of profit/(loss)#	**51 426**	13 384	**–**	–
Movements in equity of an associate	**–**	(2 111)	**–**	–
End of year	**557 927**	506 501	**–**	–
Summarised financial information for Merafe Resources Limited				
Total assets	**2 128 424**	2 023 340	**–**	–
Total liabilities	**1 001 373**	1 118 473	**–**	–
Revenue	**1 030 486**	614 562	**–**	–
Net profit/(loss) for the year	**160 205**	41 707	**–**	–
Fair value of investment				
Fair value at 31 December 2006	**556 216**	439 300	**–**	–

The share price of Merafe Resources on 31 December 2006 was 75c (2005: 61c)

The decrease in the share price was considered temporary and the investment was therefore not impaired.

#Share of profit is after tax.

8 INVESTMENT IN ASSOCIATES CONTINUED

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Name				
Mine Waste Solution (Pty) Ltd				
Investment at fair value	**18 000**	–	**–**	–
The fair value was based on the directors' valuation.				
Summarised information from associate				
Total assets	**87 590**	–	**–**	–
Total liabilities	**39 859**	–	**–**	–
Revenue	**167 818**	–	**–**	–
Net profit or loss	**34**	–	**–**	–
Number of shares held	**130 000**	–	**–**	–

The group owns 35% of the issued share capital of the associate through its subsidiary Fraser Alexander Holding (Pty) Ltd. However, there are more minority protections contained in the shareholders' agreements. The current re-mining operation will terminate in January 2008, but a pre-feasibility study is currently underway for the development of another gold and uranium project that will extend the life of the investment by at least another seven years.

9 LOAN RECEIVABLE

From BRPM				
Opening balance	**(119 195)**	–	**–**	–
Acquisition of asset	**(192 676)**	–	**–**	–
Financing operations	**681 270**	–	**–**	–
Net interest charge	**4 977**	–	**–**	–
Loan due from BRPM	**374 376**	–	**–**	–

The loan receivable of R374 million (2005: (R119 million)) relates to the 50% of cash that accrued to Royal Bafokeng in terms of the joint venture agreement which became effective on 1 March 2004. The loan accrues interest at 12.105%.

Loan advanced to Libstar	**73 136**	–	**–**	–
Loan repaid	**(37 860)**	–	**–**	–
Interest accrued	**2 985**	–	**–**	–
Loan due from Libstar	**38 261**	–	**–**	–
Total loans receivable	**412 637**	–	**–**	–

Loan to Liberty Star bears interest at prime lending rates plus 2.5%. The loan has a maturity period of greater than five years.

Notes to the annual financial statements
for the year ended 31 December 2006

10 DEFERRED TAX

Deferred income taxes are calculated in full on temporary difference under the balance sheet liability method using the statutory tax of 29%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The deferred tax assets and liabilities during the period are as follows:

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Fair value movement	**131 812**	56 753	**–**	–
Temporary difference on assets	**275 396**	130 727	**–**	–
BEE gain	**26 713**	26 713	**–**	–
Raising of an option assets	**35 451**	–	**–**	–
Acquisition of subsidiaries	**34 900**	–	**–**	–
Reclassification of tax due to restructuring	**(3 626)**	–	**–**	–
Income statement charge	**(6 233)**	46 960	**–**	–
Provision	**(2 800)**	–	**–**	–
Changes in tax rate	**–**	(4 358)	**–**	–
End of year	**491 613**	256 795	**–**	–
Deferred tax liability				
Balance at 1 January 2006	**256 795**	130 727		
Movement in revenues	**116 908**	56 753		
Income statement charge	**117 910**	69 315		
Balance at 31 December 2006	**491 613**	256 795		

11 ENVIRONMENTAL TRUST DEPOSIT

The group through its joint venture in Bafokeng Rasimone Platinum Mine contributes to the Platinum Producers' Environmental Trust annually. The trust was created to fund the estimated cost of pollution control, rehabilitation and mine closure at the end of the life of the mine. Contributions are determined on the basis of the estimated environmental obligation over the life of a mine. Contributions made are reflected as environmental trust deposit.

The following table provides a reconciliation of the environmental trust deposit:

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Cash deposit held in rehabilitation trust at the beginning of the year	**6 138**	5 019	**–**	–
Increase in cash deposit during the year	**1 342**	1 119	**–**	–
At year-end	**7 480**	6 138	**–**	–

12 Trade and other receivables

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Trade debtors	**712 948**	288 520	**–**	–
Prepayments	**7 464**	1 298	**–**	–
Sundry debtors	**17 202**	28 972	**–**	–
Receivables from related party	**1 380**	–	**–**	–
	738 994	318 790	**–**	–

Trade receivables worth R151 125 000 were ceded as security for a long-term debt amounting to R173 163 000.

Trade receivables under the company related to funds owned by group company whereas that under group related to money owned by customers.

Fair value of trade receivable

The carrying amount approximates fair value due to short-term maturity of these financial assets.

13 INVENTORY

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Raw materials	**4 657**	1 125	**–**	–
Consumable stores	**10 017**	3 816	**–**	–
Finished goods	**831**	698		
	15 505	5 639	**–**	–

Inventory worth R14 057 000 is ceded as security for long-term debt which amounts to R173 163 000.

Notes to the annual financial statements

for the year ended 31 December 2006

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:				
Short-term bank deposits	**–**	33 000	**–**	–
Cash at bank and on hand	**170 282**	6 583	**–**	–
	170 282	39 583	**–**	–
Cash and cash equivalents and bank overdrafts include the following for the purpose of the cash flow statement:				
Cash at bank and on hand	**170 282**	39 583	**–**	–
Bank overdraft (Note 20)	**(80)**	(4)	**–**	–
	170 202	39 579	**–**	–

15 PREPAID TAX

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Income tax per income statement	**21 119**	–	**–**	–
Acquisition of business by Fralex	**1 189**	–	**–**	–
Reclassification of tax due to restructuring	**6 592**	–	**–**	–
Per cash flow statement	**(26 588)**	–	**–**	–
Net tax per balance sheet	**2 312**	–	**–**	–
Tax payable per balance sheet	**4 970**	–	**–**	–
Prepaid tax per balance sheet	**(2 658)**	–	**–**	–
	2 312	–	**–**	–

This relates to tax prepaid by Fraser Alexander, a wholly owned subsidiary of RBH.

16 ASSETS CLASSIFIED AS HELD FOR SALE

Fraser Alexander (Pty) Ltd, a wholly owned subsidiary of RBH, presents plant items due for replacement as held-for-sale. At 31 December 2006 the book value amounted to R2.348m. Impairment losses of R1.335m were recognised on these assets.

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Property, plant and equipment	**2 348**	–	**–**	–

17 SHARE CAPITAL

	Group 2006 R'000	Group 2005 R'000	Company 2006 R'000	Company 2005 R'000
Authorised				
1 000 ordinary shares with a par value of R1.00 each			**1**	–
Issued and fully paid				
100 ordinary shares with a par value of R1.00 each			*	–

The company has one class of ordinary shares which carry no right to fixed income.

** Less than R1 000*

18 PROVISIONS

Analysis of total provisions

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Non-current	**14 809**	8 215	**–**	–
Current	**4 293**	61	**–**	–
	19 102	8 276	**–**	–
Non-current provisions				
Long-term provision	**8 215**	8 167		
Operating incentive liability	**(152)**	(61)		
Additional provision	**1 592**	109		
Acquisition through subsidiary	**5 154**	–		
Closing balance	**14 809**	8 215		

Reconciliation	**Operating incentive liability**	**Decommission cost**	**Restoration cost**	**Post-retirement provision**	**Total**
At 1 January 2006	152	5 554	2 509	–	8 215
Acquired through the subsidiary	–	–	–	5 154	5 154
Charge to income statement	(152)	1 192	400	–	1 440
At 31 December 2006	–	6 746	2 909	5 154	14 809

Post-retirement medical aid provision

The post-retirement health benefit is in respect of Fraser Alexander Holding (Pty) Ltd. This benefit is provided in respect of 18 pensioners of a former subsidiary. The liability is unfunded and the gross obligation is determined by annual independent actuarial calculations, estimating the future benefits attributable to pensioners. Variations in the group's obligations are recognised in the income statement annually. The last actuarial valuation was done on 31 December 2006 and the principal actuarial assumptions used were:

Rate of the medical inflation	5.50%
Investment returns	7.50%
Total amounts expensed during the year	R400

Decommissioning costs

These provisions relate to the mining operation of the company.

Restoration cost

These provisions relate to the mining operations of the company.

Notes to the annual financial statements

for the year ended 31 December 2006

19 SHAREHOLDER LOANS

	Interest rate	At 1 January 2006	Additional loan	Adjustment to prior year	Interest	At 31 December 2006
Royal Bafokeng Astrapak	R153 rate + 5%	242 107	–	–	32 278	274 385
Royal Bafokeng Finance	R153 rate + 5%	127 860	(131 605)	–	17 045	13 300
Royal Bafokeng Liberty Star	R153 rate + 5%	3 839	33 015	–	4 795	41 649
RBRH (Merafe Resources Ltd)	Prime rate	544 249	–	–	64 537	608 786
RBRH (Impala Platinum Holdings Ltd)	Prime rate	692 828	–	(7 245)	80 333	765 916
RBR	Fixed 12.11%	735 617	–	6 560	93 356	835 533
Royal Bafokeng Pasco	R153 rate + 5%	–	4 000	–	357	4 357
Fraser Alexander	R153 rate + 5%	–	156 619	–	20 881	177 500
Royal Bafokeng MB Tech	R153 rate + 5%	–	105 000	–	7 058	112 058
Royal Bafokeng Agri Invest	R153 rate + 5%	–	79 742	–	9 741	89 483
Capital advance – RBF		15 000	–	–	–	15 000
Capital advance – RBH		–	75 000	–	–	75 000
		2 361 500	321 771	(685)	330 381	3 012 967

These loans were granted to different special purposes companies within RBH. The loans bear interest at risk free-rate plus five and prime rate depending on the agreement. The loan is repaid with the dividends received from investee companies. There are no repayments terms.

20 BORROWINGS

	Group		Company	
	2006 R'000	2005 R'000	**2006 R'000**	2005 R'000
Non-current				
Loan from JP Morgan	**131 605**	–	**–**	–
Long-term borrowing from DPI	**7 262**	–	**–**	–
Other long-term loans	**80 447**	–	**–**	–
BRPM loan	**–**	119 516	**–**	–
Loan from ABSA Bank	**–**	2 001		
Joint venture funding	**6 528**	6 528		
	225 842	128 045	**–**	–
Current				
Bank overdraft	**96 083**	–	**–**	–
Short-term borrowings from DPI	**2 842**	–	**–**	–
ABSA preferences shares	**110 067**	–	**–**	–
Total	**208 992**	–	**–**	–

20 BORROWINGS CONTINUED

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Short-term debt for asset held for sale	**148**	–	**–**	–
Total short-term debt	**209 140**	–	**–**	–
Total borrowings	**434 982**	128 045	**–**	–

The short-term borrowing carrying values approximate the fair values at the end of the year due to the short-term maturity of the borrowings.

Loan from JP Morgan

The loan bears interest rate of 9.9% per annum and is repayable in May 2008.

Other long-term loans

The other long-term loans comprise various loans which bear interest at variable interest rates of between 1% and 2.75% below prime. The loans are secured by plant and equipment with a book value of R211 million.

Joint Venture Funding

The Joint Venture Funding Loan bears no interest and has no repayment terms. The loan is owed to BBT, which is the associated party to Royal Bafokeng BCT.

Loan from DPI

The loan from DPI bears no interest and is repayable over four years with dividends declared from DHL (which is a subsidiary of DPI). The loan's fair value amount was calculated using the prime lending rates. The outstanding balance on the loan is R13 500 000 and the fair value is R10 104 000.

	Within 1 year	**1 – 2 years**	**2 – 5 years**	**Total**
Maturity profile				
Other long-term loans	96 231	59 999	16 933	173 163
DPI loan	2 842	3 227	4 034	10 104
JP Morgan loan	5 237	126 368	–	131 605

21 TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Trade payables	**111 500**	24 106	**–**	–
Accrued expenses	**138 223**	18 779	**–**	–
Other	**–**	11 980	**–**	–
	249 723	54 865	**–**	–

22 BLACK ECONOMIC EMPOWERMENT INCENTIVE GAINS

	Group		Company	
	2006	2005	**2006**	2005
	R'000	R'000	**R'000**	R'000
Gains recognised on acquisition of investment				
– SA Eagle Limited (Note 7)	**–**	94 207	**–**	–
– Astrapak Limited (Note 8)	**–**	90 020	**–**	–
	–	184 227	**–**	–

23 INTEREST IN JOINT VENTURE

Bafokeng Concor Technicrete (Pty) Ltd

The group has a 51% interest in the joint venture, Bafokeng Concor Technicrete (Pty) Ltd, whose main business is the manufacture and sale of bricks, tiles and ready-mix concrete. The following amounts represent the group's 51% share of the assets and liabilities and sales and results of the joint venture, and are included in the consolidated balance sheet and income statement.

	Group	
	2006	2005
	R'000	R'000
Property, plant and equipment	**5 020**	5 427
Current assets	**10 017**	4 761
Deferred income tax asset	**532**	–
	15 569	10 188
Long-term borrowings	**(10 038)**	(8 850)
Provisions for liabilities and charges	**(542)**	–
Current liabilities	**(7 180)**	(4 177)
	(17 760)	(13 027)
Net assets	**(2 191)**	(2 839)
Revenue	**10 707**	7 780
(Loss)/profit before tax	**(29)**	2 839
Income taxes	**–**	–
(Loss)/profit after tax	**(29)**	2 839

23 INTEREST IN JOINT VENTURE CONTINUED

Metuba joint venture

Metuba is a joint venture between Metix, Tubular Technologies and RBH and was formed to build two sinter plants for Xstrata at its Wonderkop chrome operations. The project, which entails the construction of two 600 000 tpa sinter plants in Wonderkop, began in December 2005 and is scheduled to be completed by August 2007. Metix is a private smelter engineering company wholly owned by management while Tubular specialises in structural steel engineering and construction. The group has a 26% interest in the joint venture. The following amounts represent the group's 26% share of the assets, liabilities, sales and results of the income statement of the joint venture and are included in the consolidated balance sheet and income statement.

	Group	
	2006 R'000	2005 R'000
Current assets	**32 831**	–
	32 831	–
Current liabilities	**(26 573)**	–
	(26 573)	–
Net assets	**6 258**	–
Revenue	**110 523**	–
Profit before tax	**6 257**	–
Income taxes	**–**	–
Profit after tax	**6 257**	–

23 INTEREST IN JOINT VENTURE CONTINUED

Hardrock Engineering (Pty) Ltd

RBH acquired a 51% interest in Hardrock on 17 October 2006. Hardrock specialises in mine roof bolts and support. The group's share of losses in Hardrock at year-end was R723 235. The following amounts represent the group's 51% share of assets, liabilities, sales and the results of the income statement for the joint venture and have not been consolidated as they were considered immaterial.

	Group	
	2006	2005
	R'000	R'000
Property, plant and equipment	**221**	–
Loans receivables	**113**	–
Current assets	**2 369**	–
	2 703	–
Current liabilities	**(1 842)**	–
Loans payable	**(1 026)**	–
	(2 868)	–
Net assets	**(165)**	–
Revenue	**1 307**	–
Profit before tax	**(723)**	–
Income taxes	**–**	–
Profit after tax	**(723)**	–

Bafokeng Rasimone Platinum Mine

The group has a 50% in the joint venture. The following amounts represented the group's share of the assets, liabilities, sales and results of the income statement of the joint venture and are included in the consolidated balance sheet and income statement.

	Group	
	2006	2005
	R'000	R'000
Property, plant and equipment	**1 236 340**	1 117 520
Intangible assets	**3 310**	–
Environment trust deposit	**7 480**	6 138
Loan receivable	**374 376**	–
Current assets	**550 893**	195 840
	2 172 399	1 319 498
Long-term borrowings	**(835 534)**	(857 459)
Deferred tax liability	**(179 329)**	(134 278)
Provision for liabilities and charges	**(9 655)**	(8 063)
Current liabilities	**(43 404)**	(43 918)
	(1 067 922)	(1 043 718)
Net assets	**1 104 477**	275 780
Revenue	**1 468 496**	680 251
Profit before tax	**750 206**	27 272
Income taxes	**–**	(3 551)
Profit after tax	**750 206**	23 721

24 REVENUE

	Group	
	2006	2005
	R'000	R'000
Sales	**613 133**	7 780
Construction revenue	**330 870**	–
Mining operations	**1 470 496**	813 477
Mining services	**679 228**	2 110
Other	**4 741**	–
	3 098 468	823 367

25 OTHER INCOME

Sundry income	**8 807**	185 443
Foreign currency income	**293**	–
Dividends from investments	**104 763**	25 165
Options income	**189 592**	76 600
Fair value gain on financial instruments	**417**	–
Profit on disposal of property, plant and equipment	**4 129**	–
Profit on sale of scrap	**89**	–
	308 090	287 208

26 IMPAIRMENT LOSS

Fair value adjustment of SA Eagle's option	**21 700**	–
Decline in fair value of an available-for-sale financial asset – SA Eagle	**29 492**	–
	51 192	–

27 LOSS ON SALE OF INTEREST IN SUBSIDIARY

The company disposed of 50% of its 76% interest in Liberty Star Consumer Holdings (Pty) Ltd on 30 November 2006. This diluted the interest to 38% and thereby made it an associate.

	Group	
	2006	2005
	R'000	R'000
The loss on the sale was as follows:		
Proceeds	**2 261**	–
Value of investment on disposal	**(2 755)**	–
Loss on disposal	**(494)**	–

28 OPERATING PROFIT

	Group 2006 R'000	Group 2005 R'000
The following items have been recognised in arriving at profit before income tax:		
Depreciation of property, plant and equipment (Note 3)	**138 838**	67 028
Impairment of property, plant and equipment (Note 3)	**1 335**	–
Auditors' remuneration	**638**	522
Current year	**638**	487
Other services	**–**	35
Legal fees	**3 753**	1 521
Impairment of debtors	**180**	2 514
Provision for obsolete stock	**7**	–
Operating lease rental (office space)	**1 039**	1 114
Profit on sale of property, plant and equipment	**4 129**	–
Profit on sale of scrap	**89**	–
Loss on sale of property, plant and equipment	**126**	25
Foreign currency gains	**293**	–
Staff costs (see note below)	**359 469**	181 511

28.1 Staff costs

	2006 R'000	2005 R'000
Salaries and wages	**332 191**	145 384
Medical aid	**7 400**	3 730
Incentive bonus	**3 760**	12 591
Leave provision	**15 036**	17 589
Post-retirement medical fees	**1 082**	1 202
Notional share options	**–**	1 016
Total	**359 469**	181 511

29 FINANCE COSTS – NET

	2006 R'000	2005 R'000
Finance income – bank and other	**11 108**	2 260
Interest received from joint venture	**9 254**	–
Interest received other	**1 984**	–
	22 346	2 260
Finance cost – Interest on shareholders loans	**(332 249)**	(223 886)
Interest paid by joint venture	**(4 278)**	(17 759)
Interest on long-term borrowings	**(35 113)**	–
	(371 640)	(241 645)
Net finance cost	**(349 294)**	(239 385)

30 INCOME TAX EXPENSE

	Group	
	2006	2005
	R'000	R'000
Current tax		
South African	**28 852**	–
Deferred tax	**1 602**	–
Change in tax rate	**–**	(4 358)
Current year	**117 910**	73 672
STC	**4 579**	–
Withholding tax	**169**	–
	153 112	69 316
Tax rate reconciliation		
Net profit	**921 845**	307 424
Standard tax rate	**29.00%**	29.00%
Taxation at standard rates	**267 335**	89 152
Non-deductible expenditure	**108 732**	31 296
Non-taxable income	**(208 134)**	(33 791)
Profits taxed at CGT rates	**(19 960)**	(26 713)
Consolidation adjustment	**531**	–
Loss on sale arising on consolidation	**143**	–
Changes in foreign tax rate	**(8)**	–
Withholding tax	**(128)**	–
Temporary difference on assets	**–**	(4 358)
Unrecognised deferred tax asset	**23**	13 730
Secondary tax on companies	**4 578**	–
	153 112	69 316
Effective tax rate	**16.61%**	22.54%

rbh

Royal Bafokeng Holdings

Notes to the annual financial statements

for the year ended 31 December 2006

31 CASH FLOW FROM OPERATIONS

	Group	
	2006	2005
	R'000	R'000
Net profit before tax	**921 845**	307 514
Adjusted for:		
Impairment loss on option asset	**51 192**	–
Impairment of fixed assets	**1 335**	–
(Loss)/profit of sale of interest in subsidiary	**494**	(13 384)
Fair value gain	**(417)**	–
Option income	**(189 592)**	(76 600)
Depreciation	**138 838**	67 028
Amortisation of intangibles	**10 081**	–
Dividends from investments	**(104 763)**	–
Profit on sale of property, plant and equipment	**(4 218)**	–
Share of profit from associate	**(120 077)**	(23 534)
Finance costs – net	**349 294**	239 275
Increase in short-term provision	**4 232**	109
Increase in long-term provisions	**6 594**	–
BEE gain	**–**	(184 227)
Investments written off	**155**	–
Unrealised foreign exchange loss	**(42)**	–
Loss on sale of assets	**126**	25
Change in working capital		
(Increase) in trade and other receivables	**(420 204)**	(132 839)
(Increase)/decrease in inventory	**(9 866)**	(1 319)
(Increase) in assets held-for-sale	**(2 348)**	–
Increase in trade and other payables	**194 858**	16 524
Total working capital changes	**(237 560)**	(117 634)
Cash generated from operations	**827 517**	198 572

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

Net book value	**72 499**	–
Profit/(loss) on disposal	**4 092**	(25)
Proceeds from disposal	**76 591**	(25)

32 RELATED PARTY TRANSACTIONS

	Group			
	2006		2005	
	R'000		R'000	
	Transactions	**Balance**	**Transactions**	**Balance**
Royal Bafokeng Rasimone Mine				
(Joint Venture between Angloplat and Royal Bafokeng Resources)				
Loan receivable/(payable)		**374 376**		(119 195)
Interest received	**9 254**			
Interest paid	**(4 277)**	**(17 759)**		
Royal Bafokeng Nation (Administration)				
(Shareholders of Royal Bafokeng Holdings)				
Shareholder's loans		**3 012 967**		2 361 500
Interest paid on shareholder's loan	**(332 249)**		(223 776)	
Associated companies				
Libstar Consumer Holding (Pty) Ltd				
(Royal Bafokeng Libstar owns 38% of Libstar)				
Loan receivable		**38 261**		
Interest received	**2 985**		–	–
	(324 287)	**3 407 845**	(223 776)	2 242 305

33 DIRECTORS' EMOLUMENTS

	Group	
	2006	2005
	R'000	R'000
Executive		
Basic	**45 349**	6 185
Bonus and performance remuneration	**7 750**	6 770
	53 099	12 955
Non-executive directors		
Directors' fees	**326**	302
	53 425	13 257

Company executive emoluments of R12 924 000 (2005: R12 955 000) are included in the consolidated figure as these are incurred by a subsidiary company.

34 FINANCIAL RISK MANAGEMENT

Interest rate risk

The group has minimal interest risk exposure on external debts. Shareholder loans bear interest at the risk-free rate plus 5%.

In some instances refinancing of shareholders loans with cheaper debt is considered.

	Group	
	2006	2005
	R'000	R'000
Loan bearing variable rate	**2 474 524**	1 741 794
Loans bearing fixed rate (9.9% per annum)	**131 604**	–
Loan bearing fixed rate (12.11% per annum)	**835 533**	735 617
Interest-free loans	**6 258**	12 134
	3 447 919	2 489 545

Liquidity risk

Financial asset	**< 1 year**	**1 – 5 years**	**> 5 years**	**Total**
Available for sale investment	–	–	1 650 637	1 650 637
Option asset	179 439	54 900	20 292	254 632
Investment in associates	–	–	1 229 473	1 229 473
BRPM loan	–	374 376	–	374 376
Loan receivable	–	38 261	–	38 261
Trade receivable	744 000	–	–	744 000
Bank and cash	170 282	–	–	170 282
	1 093 721	467 537	2 900 402	4 461 660
Financial liabilities				
Long-term debts	–	189 594	20 967	210 561
Short-term debts	209 220	–	–	209 220
Shareholders' loans	3 012 967	–	–	3 012 967
Trade and other payables	254 893	–	–	254 893
	3 477 080	189 594	20 967	3 687 641

Credit risk

The exposure to the credit risk is monitored on an ongoing basis. The group is entitled to accounts receivable of R551 million (2005: R288 million) being the amount owed to the group by Rustenburg Platinum Mines Limited for the concentrate sold.

	Group	
	2006	2005
	R'000	R'000
BRPM debtors	**550 891**	288 111
BRPM loan receivable	**374 376**	–
Fraser Alexander debtors	**151 125**	–

34 FINANCIAL RISK MANAGEMENT CONTINUED

Currency analysis

The group acquired currency as a result of offshore purchases and cash held by offshore entities. The foreign currencies in which the group deals are the Chilean Peso, the Botswana Pula, the Namibian Dollar, the Swazi Emalangeni and the US Dollar. The foreign currency risk is not hedged.

Cash per major currencies

	Group	
	2006	2005
	R'000	R'000
South African Rand	**159 921**	39 578
Australian Dollar	**100**	–
Botswana Pula	**3 431**	–
Chilean Peso	**5 256**	–
Ghanaian Cedis	**36**	–
Namibian Dollar	**395**	–
Swazi Emalangeni	**(80)**	–
United States Dollar	**1 143**	–
Total	**170 202**	39 578

Annual Financial Statements
for the year ended 31 December 2006

PHYSICAL ADDRESS
Royal Bafokeng Holdings
17 Fricker Road
Illovo
Johannesburg
South Africa

POSTAL ADDRESS
PO Box 55669
Northlands
Johannesburg
2116
South Africa

CONTACT US
Tel: +27 (0) 11 219 6000
Fax: +27 (0) 11 219 6060
E-mail: Mpueleng Pooe – Executive: Public Affairs
info@bafokengholdings.com

www.bafokengholdings.com