

The background of the cover is a black and white photograph of a thick stack of papers rolled up into a cylinder. The papers are slightly aged and have some texture visible. The roll is positioned diagonally across the frame, from the bottom left towards the top right. The lighting creates soft shadows and highlights the edges of the pages.

Annual Financial Statements **2007**
for the year ended 31 December 2007



Annual Financial Statements

for the year ended 31 December 2007

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Statement of the directors' responsibility for the year ended 31 December 2007

The directors are responsible for the preparation, integrity and fair presentation of the consolidated annual financial statements of Royal Bafokeng Holdings (Proprietary) Limited and its subsidiaries. The consolidated annual financial statements presented on pages 4 to 88 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 consolidated annual 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 consolidated 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 consolidated annual financial statements comply with relevant legislation.

Royal Bafokeng Holdings (Proprietary) Limited 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 that 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 consolidated annual financial statements. The directors have no reason to believe that the Group or any entity within the Group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These consolidated financial statements support the viability of the Company and of the Group.

Directors' approval of financial statements

The consolidated annual financial statements for the year ended 31 December 2007 set out on page 4 to 88 were approved by the directors on 26 June 2008.



Director



Director

Report of the independent auditor to the members of Royal Bafokeng Holdings (Proprietary) Limited and its subsidiaries

We have audited the annual financial statements and group annual financial statement of Royal Bafokeng Holdings (Proprietary) Limited, which comprise the directors' report; the balance sheet and the consolidated balance sheet as at 31 December 2007; the income statement and the consolidated income statement; the statement of changes in equity and the consolidated statement of changes in equity; the cash flow statement 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 88.

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 controls 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 controls. 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 of 31 December 2007, and their financial performance and their 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.

PricewaterhouseCoopers Inc.

Director: JM Minie

Registered Auditor

Pretoria

29 August 2008

Report of the board of directors for the year ended 31 December 2007

The directors have pleasure in presenting their report, which forms part of the audited consolidated annual financial statements, for the year ended 31 December 2007.

Royal Bafokeng Holdings (Pty) Ltd ("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 is building a diversified investment portfolio with assets in the resources, industrial, financial and services 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"), 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 contribute directly to the upliftment of the RBN.

1. Nature of business

RBH's main activities in 2007 were focused on:

- pursuing strategic investments, primarily in the resources, financial services, information technology and food sectors;
- devoting increased attention to existing investments; and
- participating in social development through deliberate social investment spending.

2. Operating and financial review

During 2007, over 60 potential investment opportunities were assessed and analysed. While the majority were rejected, some of the opportunities were developed into the transactions detailed in section 2.1 below.

2.1 Transactions completed in 2007

2.1.1 Impala Platinum Holdings Limited ("Implats")

RBH's landmark transaction with Implats, concluded in March 2007, commanded much of the energy of the RBH team during 2006. In that transaction, RBH effectively exchanged its royalty arrangement with Implats for a 12.1% stake in the latter, taking its total share holding to 13.4% and thus becoming Implats' largest single shareholder. The conclusion of the transaction marks the progression of RBN/RBH from the role of passive 'landlord' to active investor, with non-executive RBH representation on the boards of both Implats and its operating subsidiary, Impala Platinum Limited (Impala).

2.1.2 Metair Limited ("Metair")

RBH, through a trust formed with Coronation Capital, holds an effective 12.5% in Metair. This stake represents the first significant investment by a black-owned company in the automotive manufacturing sector. Metair encompasses a portfolio of companies manufacturing and distributing products predominantly for the automotive industry. Five operating subsidiaries and one associate company are autonomously managed, each with a specific product focus.

Automotive components are supplied primarily to South African assemblers of new vehicles as well as to the replacement market. An increasing proportion of the output is exported. Products manufactured include heating and cooling systems, shock absorbers, springs, lead acid batteries, lighting and signalling devices, plastic mouldings and wiring harnesses.

2. Operating and financial review (continued)

2.1 Transactions completed in 2007 (continued)

2.1.3 MB Technologies (Pty) Ltd ("MB Tech")

RBH increased its stake in MB Tech, Africa's leading IT hardware distribution group, from 26% to an effective 55% during the year. The Group owns Tarsus Technologies, Channelware, A.C.T. and Printacom among its operating companies. Some of the brands that it distributes to the local market include: Hewlett Packard, IMB/Lenovo, Samsung, Acer, Lexmark, Toshiba and Siemens.

2.1.4 Platinum Stars (Pty) Ltd

In May 2007, the Group acquired a 51% controlling interest in Premier Soccer League club H.P. Silver Stars, later renamed Platinum Stars (Pty) Ltd. The club, inaugural winners of the high-stakes Telkom Cup in the 2006-07 season, finished second in the Premier Soccer League (PSL) log table for 2006-07 and qualified for the CAF Champions League competition.

2.1.5 M-Tech Industrial (Pty) Ltd ("M-Tech")

RBH acquired 25,01% of M-Tech, a company formed 18 years ago by three academics to capitalise on a gap in the market for a niche engineering consultancy that could fuse the academic world with the practical aspects of the nuclear industry.

M-Tech is involved in nuclear energy through the development of plant simulators, specialised consultation in the field of thermal-fluids systems design, and other aspects of nuclear technology and heat pumps. The company has been part of the ongoing development of important aspects of Pebble Bed Modular Reactor (PBMR) technology.

2.1.6 South African Coal Mine Holdings Limited ("SACMH")

RBH acquired an effective 33,28% of SACMH, a coal producing company. SACMH specialises in low-seam opencast and underground coal mining. The company acquired two coal mines in the Mpumalanga Province, Ilanga near the Witbank coalfield and Umlabu in the Breyton area. Royal Bafokeng Capital, a subsidiary of RBH, is the controlling shareholder in SACMH with a 65% interest. SACMH recently announced a strategic partnership with Fraser Alexander for the provision of material handling and beneficiation services by the latter.

2.1.7 Praxima Holdings (Pty) Ltd ("Praxima")

RBH acquired 30% of Praxima (Pty) Ltd, which caters for the payroll needs of companies with one to several thousand employees. Its integrated payroll and HR solution is fully scalable, rules-based and continually updated to be fully compliant with the most recent tax and labour legislation.

2.1.8 Platinum Leopards Rugby (Pty) Ltd

RBH acquired 49,9% of Platinum Leopards Rugby (Pty) Ltd (formerly Leopards Rugby Union (Pty) Ltd), the professional arm of the Leopards Rugby Union based in the North West Province. Platinum Leopards is responsible for all the commercial and marketing activities of rugby in the North West including managing the team that plays in the Currie Cup.

2.1.9 Royal Bafokeng Finance (Pty) Ltd ("RBF")

In January 2007 RBH diluted its holdings in RBF to 50,1% through the issue of additional shares to Capricorn Capital Partners. This resulted in the reduction of RBH's effective shareholding in Zurich Insurance Company South Africa, formerly known as SA Eagle Insurance Company, from 10% to 5,01%.

Report of the board of directors for the year ended 31 December 2007

2. Operating and financial review (continued)

2.1 Transactions completed in 2007 (continued)

2.1.10 Liberty Star Consumer Holdings (Pty) Ltd ("Libstar")

In December 2007 the Competition Commission approved the RBH sale of 38% of Libstar to the Lereko Metier Capital Growth Fund ("Lereko Metier"). The shares were transferred to Lereko Metier subsequent to year-end.

2.1.11 First Uranium Limited

RBH through its subsidiary, Fraser Alexander (Pty) Ltd, disposed of an investment in Mine Waste Solutions in June 2007 to Simmer & Jack for a consideration of R70 million, settled in the form of 1 082 893 shares in First Uranium Corporation, a company listed on the Toronto Stock Exchange.

2.2 Transactions announced in 2007 but not yet completed

Zaptronix Limited

The Group will hold 30% of Zaptronix, a public company listed on AltX, which is involved in all aspects of the electronics and communications industry and which designs and supplies energy management systems for local and global markets.

2.3 Corporate Social Investment

Sustainable development and corporate citizenship are central to the manner in which RBH conducts its business. As a community-owned investment company, RBH's business is not only about making profits, but also ensuring that the production of these profits is sustainable on an inter-generational basis and that the community RBH serves itself becomes sustainable.

In 2007, RBH spent R4,5 million on sustainable development projects in the RBN through its corporate social investment (CSI) programme. In addition to the RBH funds, RBH encouraged its corporate partners to make contributions in an aggregate amount of R5,5 million to community development initiatives in the RBN.

RBH's CSI programme is focused on a number of areas which are priorities for development in the RBN. These focus areas are health, education, entrepreneurship development, social development, music and sports development. In all the focus areas, specialist service providers and experts have been engaged in project development and implementation.

Primary health care was identified by the RBH Board as its flagship CSI programme. In 2007, RBH commissioned baseline work on the delivery of primary health care in the RBN area and engaged in partnership discussions with the North West Department of Health (NWDOH). A high level memorandum of agreement (MOA) was concluded between the NWDOH and the RBN at the end of 2007. The MOA sets out the principles that govern specific partnerships between the parties (and other partners such as the mines) to improve the effectiveness of primary health care delivery in the region. The physical and service upgrade of the various clinics in the Bafokeng Cluster was identified as the most urgent project.

In the area of sports, RBH sponsored the Samba soccer programme in the RBN villages. Some 3 400 children were enrolled and trained during 2007. RBH is also the primary sponsor of the Nelson Mandela Challenge, one of the highlights of the South African football calendar. RBH covers the costs of staging the game, while all ticket receipts go to the Nelson Mandela Children's Fund.

In the area of music, 2007 was the first of a three-year sponsorship commitment by RBH to the Black Tie Ensemble, a group of mainly black singers. The terms of the sponsorship include an outreach programme to RBN schools and villages.

RBH also manages the RBN interest in the Impala Bafokeng Trust, the joint trust established by Impala and the RBN as part of the landmark shares-for-royalty transaction.

3. Share capital

There were no changes in the issued share capital of RBH.

4. Material matters and post-balance sheet events

4.1 Minerals Oil and Gas Services (“MOGS”)

RBH’s Board has approved the Company’s entry into the oil and gas service industry, complementing its existing interest in mining services, while opening new markets in Africa and Middle East.

4.2 RBR/BRPM

Subsequent to year-end RBH subsidiary Royal Bafokeng Resources lodged a cash guarantee of R40 million with regards to the BRPM mine. This is a legislative requirement of the Department of Minerals and Energy.

4.3 Changes in tax rate

The Minister of Finance, in his budget speech on 20 February 2008, announced a decrease in the corporate tax rate from 29 percent to 28 percent for the financial period ending 31 March 2008.

4.4 Vodacom Limited

RBH was named as one of the preferred strategic partners for Vodacom’s broad-based black economic empowerment deal. The terms of the transaction were not announced at the finalisation of these consolidated annual financial statements.

4.5 Mutual & Federal

Given the current economic environment, Old Mutual and RBH were unable to agree on mutually acceptable terms with regard to the sale of Mutual & Federal by Old Mutual to RBH. These talks were terminated in early March 2008.

4.6 Impala Holdings Limited (“Implats”)

In April 2008, Implats announced that it had entered into agreements with Aquarius Platinum Ltd (AQP) and Aquarius Platinum South Africa Ltd (AQPSA) in terms of which these companies will purchase Implats’ entire interest in AQP and AQPSA respectively, through share buy-backs. The combined consideration for both transactions amounts to US\$744 million (excluding secondary tax on companies (STC) credits).

The salient terms of the transaction are that:

- AQP will purchase Implats’ 8,4% holding for a total consideration of US\$285 million; and
- AQPSA, a 54%-held subsidiary of AQP, will purchase Implats’ 20% holding in AQPSA for a total consideration of US\$459 million.

5. The RBH Share Trust

In order for RBH to attract and retain top quality financial talent, a financial programme was designed to allow, amongst others, employees to share equitably in the value added by them to the RBN asset base.

Report of the board of directors for the year ended 31 December 2007

6. Directors and officers

6.1 Directors

The following directors were in office during the year.

RBH directorate at 31 December 2007:

Name	Title	Appointment date
Kgosi LT Molotlegi	Chairman	11 August 2006
NDJ Carroll	Chief executive officer	8 March 2006
TV Mokgatlha	Non-executive director	11 August 2006
AR Jackson	Executive director	8 March 2006
SD Phiri	Non-executive director	11 August 2006
T Nyama	Non-executive director	1 October 2007

6.2 Company secretary

The Company secretary at the date of this report is Buyi Mayekiso. The business and postal address of the company secretary is as follows:

Registered office	Postal address
Santam Place	P O Box 55669
17 Fricker Road	Northlands
Illovo	2116
2196	

7. Subsidiaries

Refer to note 39 for the list of all the subsidiaries of Royal Bafokeng Holdings (Pty) Ltd.

8. Address

Registered office	Postal address
Santam Place	P O Box 55669
17 Fricker Road	Northlands
Illovo	2116
2196	

9. Country of incorporation

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

10. 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

for the year ended 31 December 2007

	Notes	Group		Company	
		2007 R'000	2006 R'000	2007 R'000	2006 R'000
ASSETS					
Non-current assets		20 271 815	4 883 673	1	1
Property, plant and equipment	3	520 112	1 510 378	–	–
Intangible assets	4	1 938 038	73 068	–	–
Investment in subsidiaries	5	–	–	1	1
Available-for-sale financial asset	6	258 831	1 650 637	–	–
Investment in associates	7	17 439 671	1 229 473	–	–
Environmental trust deposit	8	33 493	7 480	–	–
Trade and other receivables	9	35 823	412 637	–	–
Deferred income tax assets	10	45 847	–	–	–
Current assets		2 319 006	1 184 418	–	–
Financial asset at fair value through profit and loss	11	81 972	254 631	–	–
Derivative assets	12	3 569	–	–	–
Available-for-sale financial asset	6	64 974	–	–	–
Trade and other receivables	9	1 393 372	738 994	–	–
Inventories	13	395 262	15 505	–	–
Assets held for sale	14	1 449	2 348	–	–
Prepaid tax	15	6 856	2 658	–	–
Cash guarantees provided	16	178 722	15 562	–	–
Cash and cash equivalents	16	192 830	154 720	–	–
Total assets		22 590 821	6 068 091	1	1
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders		3 041 175	1 849 995	–	–
Ordinary share capital	17	*	*	*	*
Retained earnings	18	1 943 905	1 094 777	–	–
Non-distributable reserve	19	(633)	44	–	–
Revaluation reserve	19	289 928	–	–	–
Foreign currency translation reserve	19	524	1 276	–	–
Other reserves	19	(23 340)	(23 340)	–	–
Available-for-sale reserve	19	831 388	777 238	–	–
Minority interest in equity		368 403	2 630	–	–
Non-current liabilities		2 032 302	732 264	–	–
Deferred income tax liabilities	10	1 010 312	491 613	–	–
Provisions	20	54 505	14 809	–	–
Borrowings	21	967 485	225 842	–	–
Current liabilities		17 148 344	3 483 202	1	1
Provisions	20	6 777	4 293	–	–
Shareholder loans	22	15 622 372	3 012 967	1	1
Liabilities held for sale	14	159	–	–	–
Borrowings	21	298 193	209 140	–	–
Current income tax liabilities	15	185 362	6 999	–	–
Bank overdraft	16	187 337	80	–	–
Derivative liabilities	12	40 966	–	–	–
Trade and other payables	23	807 178	249 723	–	–
Total liabilities		19 180 646	4 215 466	1	1
Total equity and liabilities		22 590 821	6 068 091	1	1

* Less than R1 000

Consolidated income statement

for the year ended 31 December 2007

	Notes	Group	
		2007 R'000	2006 R'000
Revenue	24	6 458 345	3 098 468
Cost of sales and services rendered		(5 031 131)	(1 872 401)
Gross profit		1 427 214	1 226 067
Administrative expenses		(594 338)	(331 409)
Impairment loss	25	(71 081)	(51 192)
Other income	26	2 386 842	308 090
Other gains/(losses) – net	27	46 132	(494)
Operating profit		3 194 769	1 151 062
Net finance cost	28	(1 490 533)	(349 294)
Finance income	28	155 523	22 346
Finance cost	28	(1 646 056)	(371 640)
Share of profit of associates		1 041 984	120 077
Profit before tax		2 746 220	921 845
Income tax expense	29	(508 120)	(153 112)
Profit for the year		2 238 100	768 733
Attributable to:			
Equity holders of the company		2 194 452	758 864
Minority interest		43 648	9 869
Profit for the year		2 238 100	768 733

Consolidated statement of recognised income and expense

for the year ended 31 December 2007

	Notes	Year ended 31 December	
		2007	2006
		R'000	R'000
Fair value gains net of tax:			
– Mineral rights	19	289 928	–
– Available-for-sale financial assets	19	54 150	437 969
– Property, plant and equipment	3	146	–
Foreign currency translation reserve	19	(752)	(16 302)
Chile withholding tax	19	(677)	43
Profit for the year	18	2 238 100	768 732
Total recognised income for the year		2 580 895	1 190 442
Attributable to:			
Equity holders of the Company		2 215 122	1 187 812
Minority interest		365 773	2 630
		2 580 895	1 190 442

Consolidated cash flow statement

for the year ended 31 December 2007

	Notes	Group	
		2007 R'000	2006 R'000
Cash flow from operating activities			
Cash generated from operations	34	982 914	827 517
Interest paid		(287 583)	(39 013)
Dividends paid		(55 480)	–
Income tax paid	15	(32 670)	(26 588)
Net cash generated from operating activities		607 181	761 916
Cash flow from investing activities			
Loans granted to associates and joint ventures		376 814	(412 637)
Proceeds from associates		15 195	(313 853)
Astrapak delinked unit		13 513	–
Proceeds from the disposal of a subsidiary		–	2 261
Disposal of stake in Royal Bafokeng Finance		37 783	–
Proceeds from disposal of property, plant and equipment		18 593	76 591
Acquisition of property, plant and equipment		(517 639)	(602 707)
Available-for-sale financial assets		(2 444)	(9 777)
Acquisition of subsidiaries		(523 915)	–
Increase in environmental trust deposit		(26 013)	(1 342)
Acquisition of intangible assets		(200 561)	(80 288)
Cash acquired through business acquisitions		59 541	66 481
Interest received		155 523	22 346
Dividends received from available-for-sale financial assets		8 404	104 763
Dividends received from associates		843 573	19 767
Net cash generated (utilised) in investing activities		258 367	(1 128 395)
Cash flow from financing activities			
Proceeds from current borrowings		77 153	209 140
Proceeds from non-current borrowings		594 227	97 797
Minorities' dividends		1 985	–
Proceeds from shareholder loans		–	321 771
Repayment of shareholder loans		(1 524 545)	(131 605)
Net cash (utilised) generated in financing activities		(851 180)	497 103
Net increase in cash and cash equivalents		14 013	130 624
Cash and cash equivalents at the beginning of the year		170 202	39 578
Foreign currency translation movement		(355)	–
Cash and cash equivalents at the end of the year	16	184 215	170 202

Notes to the consolidated annual financial statements

for the year ended 31 December 2007

1. General information

Royal Bafokeng Holdings (Pty) Ltd ("RBH") is an investment holding company that is responsible for the management and development of the commercial assets of the Royal Bafokeng Nation (RBN). The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. 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, revaluation of land and building and financial assets held for trading at fair value through profit or loss.

The preparation of consolidated financial statements in conformity with Statements of Generally Accepted Accounting Practice requires the use of estimates and assumptions (refer to 2.18) that affect the reported assets and liabilities at the date of the financial statements and the reported 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.

Functional and presentation currency

These consolidated financial statements are presented in South African rands, the Group's functional currency. All the financial information presented in rands has been rounded off to the nearest thousands.

Statements, interpretations and amendments to published statements effective in 2007:

IFRS 7 'Financial Instruments: Disclosures', and complementary amendments to the IAS 1, 'Presentation of Financial Statements – Capital Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group or Company's financial instruments, or the disclosures relating to taxation and trade and other payables.

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 2008 or later periods but which the Group has not early adopted, as follows:

- IAS 23 (AC 114) (Amendment), 'Borrowing Costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group has not early adopted IAS 23 (AC 114) as there are no qualifying assets.
- IFRS 8 (AC 145), 'Operating segments' (effective from 1 January 2009). IFRS 8 (AC 145) replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. IFRS 8 (AC 145) does not apply to the Group as it is not listed.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

2. Summary of significant accounting policies (continued)

2.1 Basis of presentation (continued)

- 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 its operations.
- IFRIC 13 (AC 446), **'Customer loyalty programmes' (effective from 1 July 2008)**. IFRIC 13 (AC 446) clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element one and the consideration receivable from the customer is allocated between the components in using fair values. IFRIC 13 (AC 446) is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.
- IFRIC 14 (AC 447), **'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008)**. IFRIC 14 (AC 447) provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 (AC 447) from 1 January 2008, but it is not expected to have any impact on its accounts.

2.2 Consolidation

2.2.1 Subsidiaries

Group accounting

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 deconsolidated 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, the difference is recognised as profit. Intercompany transactions, balances, and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless costs cannot be recovered. This is considered an impairment of an asset transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

For subsidiaries that are not wholly owned, a share of the net assets and profit for the financial year is attributable to the minority's interest. Any losses applicable to minorities in excess of their interest are allocated against the interest of the parent company, except to the extent that the minorities have a binding obligation and financial ability to cover losses.

Company

Investments in subsidiaries are measured at fair market value at acquisition date, including the cost incurred in the acquisition of shares. The difference between the cost of the investment incurred and the fair market value of the investment is recognised in the income statement as a black economic empowerment incentive gain ("BEE incentive gain").

2. Summary of significant accounting policies (continued)

2.2 Consolidation

2.2.2 Investment in associates

Group accounting

Associates are entities in which the Group generally holds between 20% and 50% of the voting rights, and has significant influence in, but no outright control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Under this method, the Group'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 carrying amount of the investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of its interest. 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, the Group does not recognise further losses unless it has incurred obligations, issued guarantees, or made payments on behalf of the associates. These investments are accounted for by the equity method except when classified as held-for-sale, in which case it is accounted for under AC 142 *Non-Current Assets Held for Sale and Discontinued Operations*.

Company

Investments in associates are measured at fair market value at acquisition date, including the cost incurred in the acquisition of shares. The difference between the cost of the investment incurred and the fair market value of the investment is recognised in the income statement as BEE incentive gain.

2.2.3 Joint ventures

Group accounting

A joint venture is a contractual arrangement where 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 its assets to the joint venture that is attributable to other ventures. The Group does not recognise its share of profits from the joint venture that result from the purchase of assets 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.

Company

Investments in joint ventures are measured at fair market value at acquisition date, including the cost incurred in the acquisition of shares. The difference between the cost of the investment incurred and the fair market value of the investment is recognised in the income statement as a BEE incentive gain.

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 and 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.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

2. Summary of significant accounting policies (continued)

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. Subsequent costs, to the extent that they increase useful lives or productivity, are capitalised. Maintenance and other subsequent costs, not meeting the above stated criteria, are expensed when incurred.

2.3.1 Non-mining assets

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. Residual values and useful lives are reviewed and adjusted appropriately at each balance sheet date.

Land and building	50 years
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

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. Revaluation of land and buildings, property, plant and equipment is transferred to equity.

2.3.2 Mining assets

Mine development cost is capitalised to capital work in progress and transferred to mining property, plant and equipment when a mining venture reaches commercial production.

Items of mining assets are depreciated on a straight-line basis over the expected useful lives, stated below:

Building	5 – 50 years
Plant and building	5 – 50 years
Vehicle	5 – 50 years
Mining	Life of the mine or if shorter, life of the asset

Items of property, plant and equipment that are withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

Residual values and useful economic lives are reviewed at least annually, and adjusted if appropriate, at each balance sheet date.

2.4 Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2. Summary of significant accounting policies (continued)

2.4 Intangible assets (continued)

2.4.1 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 whether there is any indication of impairment and analysis is performed to determine whether the carrying amount of goodwill is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Goodwill on acquisition of subsidiaries is included in 'tangible assets'. Goodwill on acquisition of an associate is included in 'investment in associates' and tested for impairment as part of the overall balance.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

2.4.2 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 on a straight-line basis. Subsequent costs, to the extent that they increase useful lives or productivity, are capitalised. Maintenance and other subsequent costs (not meeting the above stated criteria) are expensed when incurred.

2.4.3 Other intangibles

Other intangibles comprise acquired trademarks, brands, customer relationships, non-compete agreements, leasehold rights, minerals rights and environmental rehabilitation intangible assets.

The amortisation is recognised in the profit or loss on a straight-line basis over the useful life of intangible assets other than goodwill, from the date that they are available for use.

Environmental rehabilitation intangible assets	Useful life of mine
Trade name	10 – 20 years
Non-compete agreements	1 year
Customer relationships	5 – 10 years
Mineral rights	20 years
Leasehold rights	42 years

2.4.4 Research and development

The expenditure on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if the development cost can be measured reliably, if the product or process is technically and commercially feasible, if future economic benefits are probable and if the Group intends to and has sufficient resources to complete development and use or sell the assets. The capitalised expenditure includes cost of materials, direct labour and overhead costs that are directly attributable to preparing the assets for its intended use. Borrowing costs relating to the development of qualifying assets are recognised in the profit or loss as incurred. Other development expenditure is recognised in profit and loss as incurred.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

2. Summary of significant accounting policies (continued)

2.5 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if the carrying amount of these assets will be recovered principally through a sale transaction rather than through continued use. This condition will only be regarded as met if the sale transaction is highly probable and the asset (or disposal group) is available for sale in its present condition. For the sale to be highly probable, management must be committed to the plan to sell the asset (or disposal group), and the transaction should be expected to qualify for recognition as a completed sale within 12 months from date of classification.

Non-current assets (or disposal groups) held for sale, are measured at the lower previous carrying amounts or their fair value less costs to sell.

2.6 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. Significant financial difficulties of the debtors, probabilities that the debtors will enter bankruptcy, default or delinquency in payments are considered indicators that the trade receivables are impaired. 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 taken to other income in the income statement.

Prepaid expenses are initially recorded at cost and amortised through to the income statement when the service is received. Value Added Tax (VAT) refunds are initially recorded at cost and subsequently realised when the cash is received from the South African Revenue Service (SARS).

2.7 Environmental trust deposit

Deposits into the environmental trust are carried in the balance sheet at cost. These deposits capitalise the trust which was created to fund the estimated cost of pollution control and rehabilitation and mine closure at the end of the lives of the mines. Contributions are based on the estimated environmental obligations over the life of a mine. Contributions made are reflected in non-current asset. The environmental trust deposit is part of loans and other receivables. (Refer to 2.11.2).

2.8 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.

2.9 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct related production overheads (based on normal operating capacity) and excludes borrowing cost. 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)

2.10 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 the sale of products is brought into account when the risks and rewards of ownership are transferred 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 VAT, discounts and after elimination of sales within the Group.

Revenue from services rendered 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 into account the principal amount outstanding and the effective rate over the period of maturity when it is probable that such income will accrue to the Group.

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.

2.11 Financial instruments

Financial assets comprise available for sale financial assets, environmental trust deposit, trade and other receivables (excluding prepaid expenses and VAT refunds), financial assets at fair value through profit and loss, derivative asset, cash guarantees provided, cash and cash equivalents and assets held for sale.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables as well as 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.

Financial liabilities comprise borrowings, shareholder loan, liabilities held-for-sale, derivative liabilities, trade and other payables and bank overdraft. The Group classifies its financial liabilities in the following categories: liabilities at fair value through profit or loss and amortised cost.

2.11.1 Financial assets and liabilities at fair value through profit or loss

Initial recognition

Financial assets and liabilities at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset and liability 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 and liabilities in this category are classified as current assets or current liabilities. Financial assets and liabilities at fair value through profit or loss are initially recognised at cost or nil.

Gains or losses

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. 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 payment is established.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

2.11.1 Financial assets and liabilities at fair value through profit or loss (continued)

Subsequent measurement

Financial assets at fair value through profit and loss are subsequently measured at the quoted 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 financial liabilities at fair value through profit or loss are subsequently measured using valuation techniques such as Monte Carlo or discount rate.

Impairment

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.

Derivative financial instruments hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as hedging instruments and the nature of the item hedged. The Group does not hedge the exposure on net investments in foreign operations. The Group hedges the cash flow risk associated with foreign denominated recognised liability.

Fair values of various derivative instruments used for hedging purposes are disclosed in note 12. The fair value of a hedging derivative is classified as non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities. The Group's derivatives do not qualify for hedge accounting. The changes in fair value of these derivatives are recognised immediately in the income statement within other gains/(losses) – net.

2.11.2 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 comprise trade and other receivables in the balance sheet excluding prepaid tax, prepaid expenses and VAT refund (note 2.6). Environmental trust deposit and cash and cash equivalents form part of loan and receivables. Loan and receivables are initially recognised at cost.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method. The gains or losses in the changes in the value of the loan and other receivables are classified in the income statement under finance cost or income.

Impairment

A provision made for impairment of loans and other receivables is established when there is objective evidence that the Group will not be able to recover all amounts due according to the original terms of the loan and receivables. Significant financial difficulties of the counterparty, probabilities that the counterparty will enter bankruptcy, default or delinquency in payments are considered indicators that the loan and receivables are impaired.

An impairment loss of a financial asset carried at amortised cost is calculated as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rates.

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

2.11.3 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative assets 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. Financial instruments 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.

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. 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 payment 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; while 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.

Gains or losses arising from changes in the fair value of the available for sale financial assets category are recognised in equity. Dividend income from available for financial assets is recognised in the income statement as part of other income when the Group's right to receive payments is established.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

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 of 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.

Impairment of financial asset

The Group assesses at each balance sheet date whether objective evidence exists that a financial asset or a group of financial assets is impaired. In the case of equities classified as available for sale, a significant or prolonged decline in the fair values of the securities below its cost is considered as an indicator that the security is 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 2.12.

Impairment loss is recognised in the income statement and the asset is reduced by the impairment. Any accumulated loss in respect of available-for-sale financial assets, recognised previously in equity, is transferred to profit and loss.

Impairment loss is reversed if the reversal can be related objectively to an event occurring after impairment loss was recognised. For financial assets, the impairment loss reversal is recognised directly to equity whilst for amortised cost assets, the impairment loss is reversed through profit and loss.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

2. Summary of significant accounting policies (continued)

2.12 Impairment

2.12.1 For non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Impairment loss on goodwill is recognised in the profit or loss. The reversal of impairment loss on goodwill is not recognised.

Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

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 impairment, are reviewed for possible reversal of the impairment at each reporting date.

2.13 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. Lease payments with respect to non-cancellable operating leases are disclosed under commitments.

A financial lease transfers substantially all risks and rewards of ownership of an asset to the Group. Assets subject to finance leases are capitalised as property, plant and equipment at fair value of the leased assets at inception of the lease, with the related lease obligation recognised at the same amount. Capitalised leased assets are depreciated over their estimated useful lives.

Finance lease payments are allocated between finance cost and the capital repayment, using the effective interest rate method.

2.14 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. Provisions are not recognised for future operation losses.

2.14.1 Decommissioning cost and environmental rehabilitation

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Management is obliged to provide estimates of the Group's expected total spend for rehabilitation, management and remediation of negative environmental impacts at closure subsequent to the end of the lives of the mines. The estimation of the future costs of environmental obligations relating to decommissioning and rehabilitation is particularly complex and requires management to make estimates, assumptions and judgements relating to the future. These estimates are dependent on a number of factors including assumptions around environmental legislation, life-of-mine estimates and discount rates.

2. Summary of significant accounting policies (continued)

2.14 Provisions (continued)

2.14.2 Restoration costs

Estimated restoration costs are reviewed annually and discounted for using the pre-tax risk-free rate that reflects the current market assessments of the time value of money. Changes in the discounted amount of the estimated restoration costs are charged to the net profit during the period in which the changes occur. The increase in restoration due to passage of time is charged to interest paid.

2.15 Trade payables

Trade payables are initially carried at the fair value of the consideration paid for goods or services that have been received or supplied and invoiced or formally agreed with the supplier. Subsequently, they are measured at amortised cost using the effective interest rate method.

2.16 Borrowings and shareholder loans

Borrowings and shareholder loans 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.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividend on these preference shares are recognised in the income statement as interest expense.

Borrowings are classified as current liabilities unless the Group has unconditional rights to defer the settlement of the liability for at least 12 months after the balance sheet date.

2.17 Taxation

Current tax comprises tax payable calculated on the basis of the tax laws enacted at the balance sheet date.

Deferred tax assets and liabilities are determined using the balance sheet liability method for all temporary differences arising between the tax base 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.

2.18 Critical accounting estimates and assumptions

2.18.1 Critical accounting estimates and assumptions

Other financial instrument and derivatives

In assessing the fair value of financial instruments the Company uses a variety of methods and different valuation techniques such as Monte Carlo simulation and makes assumptions that are based on conditions existing at each balance sheet date. For details on assumptions used on the valuation of the fair value through profit or loss, refer to note 11 and for the detailed assumptions used for the derivatives, refer to note 12. The Group has used discounted cash flows for other financial instruments that are not traded in active markets.

Mineral rights

Independent experts are used to value mineral rights.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

2. Summary of significant accounting policies (continued)

2.18 Critical accounting estimates and assumptions (continued)

2.18.2 Critical judgement in applying the entity's accounting policy

Allowance for the impairment loss

The Group follows the guidance of IAS 39 to determine when a financial asset is impaired. The determination requires significant judgement. In making the judgement, the Group evaluates, among other factors, the history of defaults by the debtors; and the financial position of the debtor.

Available-for-sale financial assets impairment

The Group follows the guidance of IAS 39 to determine when a financial asset is impaired. The determination requires significant judgement. In making the judgement, the Group evaluates, the duration and the extent to which the fair value of an financial asset is less than its cost; and the financial health of the near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flows.

Property, plant and equipment

The estimated useful lives of property, plant and equipment are based on historical performance as well as expectations about future use and therefore require a significant degree of judgement to be applied by management. The depreciation rates represent management's current best estimates of the useful lives of the assets.

Residual value of the property, plant and equipments are reviewed at least annually. Adjustments will affect the depreciation charge for the reporting period.

Uncertified revenue

Uncertified revenue is based on the progress certificates prepared in consultation with clients.

Post-retirement health care

The post-retirement health care benefits are determined by a certified actuary. The principal assumptions are included in the notes of provisions.

Provision for obsolete stock

The directors use their judgement in selecting the appropriate stock obsolescence policy. When determining an appropriate policy and provision, the directors apply industry knowledge taking into account factors including the saleability of various stock items based on the ageing of current stockholdings, current market trends and technological change. This assessment is affected by recent developments in the industry, the pace of technological change as well as trading terms with major customers.

2.19 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.

2.20 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. Summary of significant accounting policies (continued)

2.21 Foreign currency transactions

2.21.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in South African rands, the Company's functional and presentation currency.

Transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.21.2 Foreign currency transactions

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss and other changes in carrying amount are recognised in equity.

Foreign currency translation

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

2.22 Employee benefits

2.22.1 Defined contribution plans

Contributions to defined contribution pension plans are charged to the income statement as incurred.

2.22.2 Pension obligations

The Group operates or contributes to defined pension plans for its employees in some of the countries in which it operates. These plans are generally funded through payments to trustee-administered funds.

2.22.3 Other post-retirement benefits

The Group, through its subsidiaries, has warranted obligations in respect of a post-retirement health care benefit plan for pensioners of a former subsidiary. The gross obligation is determined by annual independent actuarial calculations using the projected unit credit method estimating the future benefits attributable to pensioners. Variations in the Group's obligation are recognised in the income statement annually.

2.22.4 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

3 Property, plant and equipment

	Land and buildings	Furniture and fittings	Mining assets	Plant and machinery
	R'000	R'000	R'000	R'000
2007				
At 1 January 2007	26 758	1 220	620 949	522 590
Additions *	6 927	7 344	61 278	347 208
Revaluation	–	108	–	–
Disposal and scrapping	–	(215)	–	(13 198)
Impairment charge	–	(2)	–	(300)
Depreciation	(2 206)	(1 242)	(51 418)	(108 896)
Derecognition of joint venture assets	(19 295)	(9)	(630 047)	(269 278)
Transfer	410	–	(410)	–
At 31 December 2007	12 594	7 204	352	478 126
Cost or valuation	13 378	11 005	2 212	622 484
Accumulated depreciation	(784)	(3 801)	(1 860)	(144 358)
	12 594	7 204	352	478 126

* Acquisition is made up of the following:

- Translation of foreign operations
- Subsidiary assets acquired
- Additions post acquisition

2006

At 1 January 2006	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)
At 31 December 2006	26 257	1 220	620 949	522 590
Cost or valuation	42 719	6 561	689 409	702 919
Accumulated depreciation	(15 962)	(5 341)	(68 460)	(180 329)
	26 257	1 220	620 949	522 590

Work in progress	Office and computer equipment	Vehicles and equipment	Computer software	Capitalised lease improvements	Total
R'000	R'000	R'000	R'000	R'000	R'000
317 377	13 981	7 248	52	203	1 510 378
122 769	17 606	2 186	4 163	4 345	573 826
-	38	-	-	-	146
-	(84)	(319)	-	-	(13 816)
-	(14)	-	-	-	(316)
-	(11 062)	(1 876)	(461)	(1 119)	(178 280)
(440 030)	(6 319)	(6 848)	-	-	(1 371 826)
-	-	-	-	-	-
116	14 146	391	3 754	3 429	520 112
116	30 135	1 366	7 055	9 141	696 891
-	(15 989)	(975)	(3 301)	(5 712)	(176 779)
116	14 146	391	3 754	3 429	520 112
					(120)
					56 307
					517 639
					573 826
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

Notes to the consolidated annual financial statements for the year ended 31 December 2007

4 Intangible assets

	Cost	Accumulated amortisation	Book value
2007			
Mineral rights	840 630	–	840 630
Customer relations	377 600	(41 727)	335 873
Brands	385 600	(30 913)	354 687
Non-compete agreement	28 150	(23 458)	4 692
Goodwill	406 351	(9 979)	396 372
Leasehold rights	819	(166)	654
Environmental rehabilitation – intangible asset	5 966	(835)	5 130
	2 045 116	(107 078)	1 938 038

2006

Goodwill	5 495	–	5 495
Brand	34 200	(6 270)	27 930
Customer relations	40 000	(3 667)	36 333
Environmental rehabilitation – intangible asset	3 979	(669)	3 310
	83 674	(10 606)	73 068

	Goodwill	Brands	Customer relations	Environ- mental rehabili- tation intangible asset	Mineral rights	Non- compete agreements	Leasehold rights	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	

2007

At 1 January 2007	5 495	36 333	27 930	3 310	–	–	–	73 068
Additions	400 818	339 100	343 400	1 986	381 630	28 150	673	1 495 758
Impairments	(9 979)	–	–	–	–	–	–	(9 979)
Revaluations	38	–	–	–	459 000	–	–	459 038
Amortisation	–	(20 746)	(35 457)	(166)	–	(23 458)	(20)	(79 847)
At 31 December 2007	396 372	354 687	335 873	5 130	840 630	4 692	654	1 938 038

2006

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

5 Investment in subsidiaries

	Group		Company	
	2007	2006	2007	2006
Investment in subsidiaries	R'000	R'000	R'000	R'000
Royal Bafokeng Management Services (Pty) Ltd	–	–	1	1
RBH Resources Holdings (Pty) Ltd	–	–	–	–
RBH Financial Holdings (Pty) Ltd	–	–	–	–
RBH Industrial Holdings (Pty) Ltd	–	–	–	–
RBH Services Holdings (Pty) Ltd	–	–	–	–
RBH Telecommunication Holdings (Pty) Ltd	–	–	–	–
Pacific Breeze Trading 673 (Pty) Ltd	–	–	–	–
Total	–	–	1	1

Refer to note 39 for details of subsidiary companies.

Detailed information on subsidiaries, direct and indirect, is stated below.

Investment in subsidiaries

Principal subsidiaries

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

This wholly-owned subsidiary was acquired on 1 February 2006. The interest was consolidated in the current year financial statements. RBH Services Holdings (Pty) Ltd hold 100% of Fraser Alexander Holdings (Pty) Ltd which in turn holds 100% of Fraser Alexander (Pty) Ltd.

Revenue	1 291 034	904 307	–	–
Operating profit	86 488	77 444	–	–
Net profit	105 163	47 241	–	–
Net assets	152 251	48 517	–	–
Assets	749 274	573 300	–	–
Liabilities	(597 023)	(524 783)	–	–

Subsidiaries	Country of incorporation
MB Technologies (Pty) Ltd ("MB Tech")	South Africa

The Group holds an effective 55% of MB Technologies (Pty) Ltd which was acquired in two stages. The first acquisition of 26% was in June 2006 and the second tranche in March 2007. The financial year-end of MB Tech is February. Audited annual financial statements, as at 31 December 2007, were obtained for the purpose of preparing the consolidated financial statements. The Group's interest is held through Royal Bafokeng MB Technologies (Pty) Ltd, which in turn is 67%-held by Royal Bafokeng MB Technologies Holding (Pty) Ltd ("RMBT Holdco"). RMBT Holdco in turn is wholly owned by RBH Services Holdings (Pty) Ltd. Refer to note 37 on the application of business combination standard for MB Tech.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

5 Investment in subsidiaries (continued)

	Group		Company	
	2007	2006	2007	2006
Investment in subsidiaries	R'000	R'000	R'000	R'000
Revenue	3 487 487	–	–	–
Operating profit	201 658	–	–	–
Net profit	105 908	–	–	–
Net assets	557 552	–	–	–
Assets	1 357 161	–	–	–
Liabilities	(799 608)	–	–	–

Subsidiaries Country of incorporation

Platinum Stars (Pty) Ltd
(Previously known as
HP Silver Stars FC) South Africa

Royal Bafokeng Sports Holding (Pty) Ltd ("RB Sports") owns 1 percent of Platinum Stars, a company acquired in May 2007 with a year-end of February. Management accounts for December 2007 were used for the purposes of preparing the considered annual financial statements. RB Sports is a wholly owned subsidiary of RBH Services Holding (Pty) Ltd. Refer to note 37 on the application of business combination standard for Platinum Stars.

Revenues	8 589	–	–	–
Operating loss	(4 010)	–	–	–
Net loss	(4 010)	–	–	–
Net assets	1 301	–	–	–
Assets	5 369	–	–	–
Liabilities	(4 068)	–	–	–

Subsidiaries Country of incorporation

Leopard Rugby (Pty) Ltd
("Leopards") South Africa

RB Sports owns 49% of Leopards, a company acquired in October 2007. The investment in Leopards is treated as an investment in a subsidiary because RB Sports has a financial veto and appoints the majority of the directors. Its financial year-end is 31 December. Refer to note 37 on the application of business combination standard for Leopards.

5 Investment in subsidiaries (continued)

	Group		Company	
	2007	2006	2007	2006
Investment in subsidiaries	R'000	R'000	R'000	R'000
Revenue	1 084	–	–	–
Operating loss	(1 918)	–	–	–
Net loss	(2 239)	–	–	–
Net assets	(778)			
Assets	4 122	–	–	–
Liabilities	(4 900)	–	–	–
Subsidiaries	Country of incorporation			
South African Coal Mine Holdings Limited ("SACMH")	South Africa			
<p>Royal Bafokeng Ventures (Pty) Ltd ("RBV"), which is 100%, owned by RBH Financial Holdings, owns 50.2% of Royal Bafokeng Capital (Pty) Ltd ("RBC"), which in turn owns 65% of SACMH. RBC acquired 65% of SACMH in June 2007. Its yearend is 31 December. Refer to note 37 on the application of business combination standard for SACMH.</p>				
Revenue	88 060	–	–	–
Operating profit	(405)	–	–	–
Net loss	(16 059)	–	–	–
Net assets	523 220			
Assets	997 928	–	–	–
Liabilities	(474 708)	–	–	–

6 Available-for-sale financial assets

6.1 Non-current financial assets

	%				
Zurich Insurance Company South Africa Ltd	10	246 498	182 693	–	–
Impala Platinum Holdings Ltd	1,3	–	1 456 800	–	–
Additions through subsidiaries		1 189	8 723	–	–
Other investments		11 144	2 421	–	–
		258 831	1 650 637	–	–

Notes to the consolidated annual financial statements for the year ended 31 December 2007

6 Available-for-sale financial assets (continued)

6.1 Non-current financial assets (continued)

The details of the available-for-sale investment are as follows:

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Zurich Insurance Company South Africa Ltd				
Beginning of year	182 693	225 321	–	–
Cost capitalised	472	261	–	–
	183 165	225 582	–	–
Fair value adjustment	63 333	(42 889)	–	–
End of year	246 498	182 693	–	–
The investment in Zurich Insurance Company South Africa Ltd (formerly SA Eagle) was acquired at R97 per share from SA Fire House Limited on 13 April 2005. The fair value is determined by reference to the bid price and this price traded at R202 per share at 31 December 2007 (R150: 31 December 2006).				
Impala Platinum Holdings Limited ("Implats")				
Beginning of year	1 456 800	932 000	–	–
Fair-value adjustment	–	524 800	–	–
Transfer to Investment in associates	(1 456 800)	–	–	–
End of year	–	1 456 800	–	–
The investment in Implats represents 8 000 000 shares with a market value of R237,25 at 31 December 2007 (2006: R182,10). The shares were reclassified to investment in associates during March 2007.				
Additions through subsidiaries				
Beginning of year	8 723	–	–	–
Buffelsbed Share Block Limited	–	300	–	–
Ingwelala Share Block Limited	–	2 985	–	–
Transferred to other investment	(8 723)	–	–	–
Nampak Limited	5	–	–	–
Cost capitalised	1 184	5 438	–	–
End of year	1 189	8 723	–	–
Other investments				
Beginning of year	2 421	–	–	–
Transferred from additions through subsidiaries	8 723	–	–	–
Cost capitalised	7 859	2 421	–	–
End of year	11 144	2 421	–	–

6 Available-for-sale financial assets (continued)

6.2 Current financial asset (continued)

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
First Uranium Limited				
Additions	80 246	–	–	–
Impairment loss	(15 272)	–	–	–
End of year	64 974	–	–	–

The investment in First Uranium represents 1 082 893 shares. The fair value is determined by reference to the quoted bid price. The bid price of First Uranium shares dropped to R60 at the end of the year. This was considered an impairment indicator and, as a result, the asset was impaired to its fair value at the end of the year.

7 Investment in associates

The principal associates who are listed and unlisted are:

	Country of incorporation	% Interest held	Group	
			2007 R'000	2006 R'000
Impala Platinum Holdings Limited	South Africa	13,40	16 164 842	–
Merafe Resources Limited	South Africa	29,40	629 961	557 927
Astrapak Limited	South Africa	20,00	272 965	328 011
Pasco Risk Management (Pty) Ltd	South Africa	25,10	5 441	4 956
Senwes Limited	South Africa	17,64	99 183	90 530
Liberty Star Consumer Holdings (Pty) Ltd	South Africa	*	–	2 833
MB Technologies (Pty) Ltd	South Africa	*	–	227 216
Mine Waste Solutions (Pty) Ltd	South Africa	*	–	18 000
M-Tech Industrial (Pty) Ltd	South Africa	25,01	12 939	–
Metair Limited	South Africa	12,50	257 331	–
Praxima Holdings (Pty) Ltd	South Africa	30,00	25	–
Port Wild Props 12 (Pty) Ltd	South Africa	26,00	**	**
			17 442 687	1 229 473
Ingram Micro (note 38)	South Africa	50,00	(3 016)	–
			17 439 671	1 229 473

* The interest in Libstar was sold in December 2007. Mine Waste Solutions was sold during the year in exchange for shares in First Uranium. The MB Technologies investment was transferred to investment in subsidiaries.

** Amount less than R1 000.

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 over the following pages.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

7 Investment in associates (continued)

Name

Impala Platinum Holdings Ltd ("Implats")

Background

Implats, listed on the JSE Limited, has Royal Bafokeng Holdings (Pty) Ltd and the Public Investment Corporation as its major shareholders. Implats is the second largest platinum producer in the world. Its year end is 30 June.

Proportion of ownership

The percentage shareholding in Implats is 13,4% which is below the 20% threshold for an investment to be treated as an associate. However, significant influence is exercised through Board representation as well as the existence of material transactions between the investee and the Group.

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Beginning of year	–	–	–	–
Transfer from available-for-sale investment	1 456 800	–	–	–
Cost of investment	12 482 644	–	–	–
Pre-acquisition dividend	(635 694)	–	–	–
Cost capitalised	10 238	–	–	–
Black economic empowerment incentive gain	2 143 347	–	–	–
End of year	15 457 336	–	–	–
Share of post-acquisition profits *	882 185	–	–	–
Net ordinary dividend received	(174 679)	–	–	–
	16 164 842	–	–	–

Goodwill amounting to R14 billion is included in the carrying amount of the investment

Summarised financial information of Implats:

Total assets	51 611 000	–	–	–
Total liabilities	16 384 000	–	–	–
Revenue	32 994 300	–	–	–
Net profit for the year	7 622 400	–	–	–

Fair value of investment

Fair value at 31 December 2007	19 719 082	–	–	–
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The fair value is determined by reference to bid price and this price traded at R237,25 on 31 December 2007 (2006: R182,10).

* Share of profit is after tax and minority interest of associate.

7 Investment in associates (continued)

Name

Merafe Resources Limited ("Merafe")

Background

Merafe is listed on the JSE Limited. It is a black economic empowerment company, the major shareholders of which 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 is 29,4%. The shareholding in Merafe was diluted from 30,1% during the course of the year.

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Beginning of year	557 927	506 502	–	–
Share of post-acquisition profits *	72 034	51 426	–	–
End of year	629 961	557 927	–	–
Summarised financial information of Merafe:				
Total assets	2 586 203	2 128 424	–	–
Total liabilities	1 147 676	1 001 373	–	–
Revenue	1 655 803	1 030 486	–	–
Net profit for the year	240 113	160 205	–	–
Fair value of investment				
Fair value at 31 December 2007	1 677 982	556 216	–	–

The fair value is determined by reference to the bid price and this price traded at R2,33 on 31 December 2007 (2006: R0,75)

* Share of profit is after tax and minority interest of associate.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

7 Investment in associates (continued)

Name

Astrapak Limited ("Astrapak")

Background

Astrapak is a listed entity incorporated in the Republic of South Africa. The investment in Astrapak 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 Astrapak Group specialises in the production and supply of plastic packaging and has a 28 February year-end. The fair value for Astrapak shares on 31 December 2007 was R10,10 per share, compared with R12,80 in 2006.

The shares held by the Group were previously linked units, meaning that for every share held there was a corresponding debenture. These debentures were redeemed during the year.

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

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Beginning of year	328 011	324 760	–	–
Impairment loss (note 25)	(52 570)	–	–	–
Repayment of debentures	(13 513)	–	–	–
	263 922	324 760	–	–
Share of post-acquisition profits *	17 727	27 310	–	–
Net ordinary dividends received	(6 689)	(6 689)	–	–
Interest on linked units	(1 995)	(1 419)	–	–
Movement in equity	–	(15 951)	–	–
End of year	272 965	328 011	–	–

Goodwill amounting to R151 805 425 (2006: 185 828 471) is included in the carrying amount of investment. The reduction is mainly due to impairment.

Summarised financial information of Astrapak:

Total assets	2 138 683	1 808 718	–	–
Total liabilities	1 223 375	914 685	–	–
Revenue	2 350 474	2 223 131	–	–
Net profit for the year	90 755	146 388	–	–
Fair value movements recognised in equity	–	(1 286)	–	–
Fair value of investment				
Fair value at 31 December 2007	272 965	345 936	–	–

The bid quoted share price at 31 December 2007 was R10,10 (31 December 2006: R12,80 cents)

Impairment has been recognised in the current year on consolidation.

* Share of profit is after tax and minority interest of associate.

7 Investment in associates (continued)

Name

Pasco Risk Management (Pty) Ltd ("Pasco")

Background

Pasco is a 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. Pasco's year-end is 31 December.

Proportion of ownership

The percentage shareholding in Pasco is 25,1%.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Beginning of the year	4 956	–	–	–
Cost of investment	–	4 000	–	–
Cost capitalised	–	23	–	–
Share of post-acquisition profit *	755	933	–	–
Dividend received	(270)	–	–	–
	5 441	4 956	–	–

The purchase price allocation was not done due to the immaterial amount of the investment.

Summarised financial information of Pasco:

Total assets	22 891	19 078	–	–
Total liabilities	1 523	1 051	–	–
Revenue	20 507	23 539	–	–
Net profit/loss for the year	4 212	6 375	–	–
Movements in equity dividends	(1 000)	(750)	–	–

Fair value of investment

Fair value at 31 December 2007	8 700	10 000	–	–
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The fair value was based on the directors' valuation.

* Share of profit is after tax and minority interest of associate.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

7 Investment in associates (continued)

Name

Senwes Limited ("Senwes")

Background

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

The Group holds 31 896 503 ordinary shares in Senwes which represents a 17,64% interest in Senwes and a 65% interest in the consortium.

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 is 17,64%.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Beginning of the year	90 530	–	–	–
Cost of investment	–	79 741	–	–
Share of post-acquisition profits *	26 834	23 867	–	–
Net ordinary dividends received	(18 181)	(13 078)	–	–
End of the year	99 183	90 530	–	–

Summarised financial information of Senwes:

Total assets	2 590 234	2 229 536	–	–
Total liabilities	1 754 669	1 482 769	–	–
Revenue	2 182 951	1 305 857	–	–
Net profit for the year	170 680	102 102	–	–

Fair value of investment

Fair value at 31 December 2007	161 000	96 000	–	–
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The fair value was based on the director's valuation.

* Share of profit is after tax and minority interest of associate.

7 Investment in associates (continued)

Name

Liberty Star Consumer Holdings (Pty) Ltd ("Libstar")

Background

The Group held 38% in Libstar, an investment holding company that was formed during 2006 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. Its year-end is 31 December.

The Group disposed of its interest in Libstar in December 2007. The sale proceeds were received subsequent to year-end.

Proportion of ownership

The percentage shareholding in Libstar is 38%.

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Beginning of year	2 833	–	–	–
Cost of investment	–	3 800	–	–
Disposal of 50%	–	(1 900)	–	–
Balance	2 833	1 900	–	–
Share of post-acquisition profits *	5 964	933	–	–
Proceeds on sale of Libstar	(47 423)	–	–	–
Profit on sale of Libstar	38 626	–	–	–
End of year	–	2 833	–	–
Summarised financial information of Libstar.				
Total assets	–	404 611	–	–
Total liabilities	–	248 787	–	–
Revenue	–	659 373	–	–
Net profit for the year	–	650	–	–
Fair value of investment				
Fair value at 31 December 2007	–	66 000	–	–

* Share of profit is after tax and minority interest of associate.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

7 Investment in associates (continued)

Name

MB Technologies (Pty) Ltd ("MB Tech")

Background

The Group acquired a 26% interest in MB Tech, a value-added information technology distribution group, on 27 March 2006. MB Tech's year-end is 28 February. The Group's interest in MB Tech was transferred to investment in subsidiaries. Refer to note 37 on the application of business combination.

Proportion of ownership

The percentage shareholding in MB Tech is 26%.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Beginning of the year	227 216	–	–	–
Cost of investment	–	210 500	–	–
Transfer to investment in subsidiaries (note 37)	(227 216)	–	–	–
Cost capitalised	–	252	–	–
	–	210 752	–	–
Share of post-acquisition profits *	–	16 464	–	–
End of the year	–	227 216	–	–
Summarised financial information of MB Tech:				
Total assets	–	1 096 834	–	–
Total liabilities	–	627 007	–	–
Revenue	–	3 490 554	–	–
Net profit for the year	–	122 969	–	–
Fair value of investment				
Fair value at 31 December 2007	–	273 000	–	–

The fair value was based on the directors' valuation.

* Share of profit is after tax and minority interest of associate.

7 Investment in associates (continued)

Name

Mine Waste Solutions (Pty) Ltd ("MWS")

Background

The Group owns 35% of the issued share capital of the associates through its subsidiary Fraser Alexander Holding (Pty) Ltd, but does not exercise any significant influence due to minority protections contained in the shareholders agreements. During 2007, the shares in MWS were exchanged for shares in First Uranium Limited. These shares were subsequently sold to RBH Services Holdings (Pty) Ltd in exchange for the reduction of the loan between RBH Services Holdings and Fraser Alexander Holdings (Pty) Ltd.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Investment in associate				
Beginning of the year	18 000	–	–	–
Cost of investment	–	18 000	–	–
	18 000	18 000	–	–
Share of post-acquisition profits *	19 879	–	–	–
Proceeds from the sale of investment	(70 000)	–	–	–
Profit from the sale of investment	32 121	–	–	–
Net ordinary dividend received	–	–	–	–
End of the year	–	18 000	–	–
Summarised financial information of MWS:				
Total assets	–	87 590	–	–
Total liabilities	–	39 859	–	–
Revenue	–	167 818	–	–
Net profit	–	34	–	–
Number of shares held	–	18 000	–	–

* Share of profit is after tax and minority interest of associate.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

7 Investment in associates (continued)

Name

M-Tech Industrial (Pty) Ltd ("M-Tech")

Background

M-Tech was established 18 years ago to capitalise on a gap in the market for a niche engineering consultancy that could fuse the academic world with the practical aspects of the nuclear industry. Involved in nuclear energy, M-Tech's operations include among others, development of plant simulators, specialised consultation in the field of thermal-fluids systems design and in certain aspects of nuclear technology and heat pumps.

The Group acquired 25,01% of M-Tech in May 2007. Its year-end is 28 February.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Cost of investment	12 500	–	–	–
Cost capitalised	50	–	–	–
	12 550	–	–	–
Share of post-acquisition profits *	389	–	–	–
	–	–	–	–
End of the year	12 939	–	–	–

The directors valued the stake in M-Tech at R12,5 million, however the difference in the value is not regarded as a possible indicator of impairment since they believe that it is temporary.

Summarised financial information of M-Tech:

Total assets	166 980	–	–	–
Total liabilities	5 303	–	–	–
Revenue	23 056	–	–	–
Net profit	3 323	–	–	–

* Share of profit is after tax and minority interest of associate.

7 Investment in associates (continued)

Name

Metair Limited ("Metair")

Background

The Group holds an effective 12,5% in Metair. This stake represents the first significant investment by a black investor in the automotive manufacturing sector. Metair encompasses a portfolio of companies manufacturing and distributing products predominantly for the automotive industry. Five operating subsidiaries and one associate company are autonomously managed and each has a specific product focus.

Automotive components are supplied primarily to South African assemblers of new vehicles as well as to the replacement market. An increasing proportion of the output is exported. Products manufactured include heating and cooling systems, shock absorbers, springs, lead acid batteries, lighting and signaling devices, plastic mouldings and wiring harnesses. Metair's year-end is 31 December. The number of shares held by the Group in Metair through the Trust is 18 955 663.

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Cost of investment	194 647	–	–	–
Pre-acquisition dividend	(6 066)	–	–	–
Cost capitalised	515	–	–	–
BEE incentive gain	51 019	–	–	–
	240 115	–	–	–
Share of post-acquisition profits *	17 216	–	–	–
End of the year	257 331	–	–	–

The purchase price allocation was not complete at year-end.

The dividend of 40 cents per share was declared after yearend by Metair.

Summarised financial information of Metair:

Total assets	1 906 837	–	–	–
Total liabilities	716 493	–	–	–
Revenue	2 984 293	–	–	–
Net profit	174 509	–	–	–
Fair value at 31 December 2007	260 640	–	–	–

The bid quoted share price on 31 December 2007 was R13,75.

* Share of profit is after tax and minority interest of associate.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

7 Investment in associates (continued)

Name

Praxima Holdings (Pty) Ltd ("Praxima")

Nature of the business

Praxima caters for the payroll needs of companies with one to several thousand employees. The integrated payroll and human resource solution is fully scalable and rules-based. Payroll is continually updated to be fully compliant with the most recent tax and labour legislation. The Group acquired 30% of Praxima in August 2007. Praxima's year-end is 31 December.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Beginning of the year	–	–	–	–
Share of post-acquisition profits *	25	–	–	–
Cost of the investment	**	–	–	–
	25	–	–	–

The directors valued the investment in Praxima at R1 million

Summarised financial information of Praxima:

Total assets	4 069	–	–	–
Total liabilities	3 884	–	–	–
Revenue	2 180	–	–	–
Net profit	184	–	–	–
Directors' valuation	1 080	–	–	–

* Share of profit is after tax and minority interest of associate.

** The cost of the investment is less than R1 000.

7 Investment in associates (continued)

Name

Port Wild Props 12 (Pty) Ltd ("Portwild")

Background

Portwild is an armature winding services company that provides services to the mining industry. Its year-end is 30 June.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Cost of investment	**	**	–	–
Incentive gain	–	–	–	–
Share of post-acquisition profits *	–	–	–	–
	**	**	–	–
	**	**	–	–

The investment in Portwild is less than R1 000. The equity accounting losses are over the investment made. The investment is written down to zero. The directors valued the stake at zero.

Summarised financial information of Portwild:

Total assets	5 793	–	–	–
Total liabilities	6 765	–	–	–
Revenue	4 103	–	–	–
Net profit	(76)	–	–	–
Directors' valuation	–	–	–	–

* Share of profit is after tax and minority interest of associate.

** The cost of the investment is less than R1 000.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

8 Environmental trust deposit

The Group, through its joint venture in Bafokeng Rasimone Platinum Mine, contributes to the Platinum Producer's 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. This is restricted cash.

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

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Beginning of year	7 480	6 138	–	–
Contributions during the year	26 013	1 342	–	–
End of year	33 493	7 480	–	–

9 Trade and other receivables

Trade and other receivables	1 324 096	1 146 961	–	–
Less: Impairment provision (note 36.2)	(23 948)	(4 174)	–	–
Trade receivable net	1 300 148	1 142 787	–	–
Other receivables	10 983	7 464	–	–
Related party loans and receivables	95 161	1 380	–	–
Prepaid expenses	12 954	–	–	–
Deposits	40	–	–	–
VAT refundable*	9 909	–	–	–
	1 429 195	1 151 631	–	–
Less: non-current assets (refer below)	(35 823)	(412 637)	–	–
Total trade and other receivables	1 393 372	738 994	–	–

* included in the VAT refundable there is VAT provision amount of R9 497.

The carrying amount of trade and other receivables approximate the fair value. All the non-current receivables are due within two years from the balance sheet date except for the loan to Praxima Holdings (Pty) Ltd of R1 million which is repayable within five years. The effect of discounting the future cash inflow is immaterial.

Non-current assets

Non-current assets comprise of the loan to the joint venture partner, royalty asset and loan to Praxima Holdings (Pty) Ltd

Loan to the joint venture partner

Beginning of year	374 376	(119 195)	–	–
Reclassification of royalty asset	(822 715)	–	–	–
Acquisition of asset	(216 486)	(192 676)	–	–
Financing operations	905 386	681 270	–	–
Tax prepayment	(182 505)	–	–	–
Net interest charge	(23 313)	4 977	–	–s
End of year	34 733	374 376	–	–

9 Trade and other receivables (continued)

Non-current assets (continued)

The loan receivable of R35 million (2006: R374 million) relates to the cash that accrued to Group in terms of the joint venture agreement which became effective on 1 March 2004. The loan accrues interest at 12,105%. From 1 November 2007 the interest rate amount was reduced to 7,547%.

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Royalty assets				
Beginning of year	–	–	–	–
Reclassification from joint venture partner loan	822 715	–	–	–
Interest charged	101 522	–	–	–
Repayment of the royalty asset	(924 237)	–	–	–
End of year	–	–	–	–
The royalty asset related to the right to receive cash from the joint venture partner and was repaid during the year. This asset was obtained in terms of the joint venture agreement and attracted interest at a rate of 12,105% per annum.				
Loan to Libstar Consumer Holdings (Pty) Ltd				
Beginning of year	38 261	–	–	–
Loan advanced	2 660	73 136	–	–
Loan repaid	(1 396)	(37 860)	–	–
Adjustment to prior year *	2 730	–	–	–
Transfer to other debtors *	(46 908)	–	–	–
Interest accrued	4 652	2 985	–	–
End of year	–	38 261	–	–
* The adjustment is related to the correction of an incorrect estimate occurred during the previous year and the transfer to debtors arose as a result of the sale of interest in Libstar. The loan bears interest at prime lending rates plus 2,5%.				
Loan to Praxima Holdings (Pty) Ltd				
Beginning of year	–	–	–	–
Loan advanced	1 080	–	–	–
Interest charged	–	–	–	–
End of year	1 080	–	–	–
Total non-current assets	35 823	412 637	–	–

Security

Refer to cash and cash equivalents notes for detailed disclosure with regarding the cession of trade and other receivables.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

10 Deferred income tax

Deferred income taxes are calculated in full on temporary differences under the balance sheet liability method using the principal tax rate 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	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Beginning of year	491 613	256 795	–	–
Derecognition (note 38)	(251 908)	–	–	–
Acquisition of subsidiary	315 667	34 900	–	–
Income tax charge	285 398	129 508	–	–
Tax charged directly to the equity	123 695	70 410	–	–
End of year	964 465	491 613	–	–

Deferred tax liabilities

	Depreciation	Fair value gains	Other	Option assets	Intangibles	Total
	R'000	R'000	R'000	R'000	R'000	R'000

2006

At 1 January 2006	–	83 465	173 329	–	–	256 794
Charge to income statements	(531)	1 742	100 807	27 491	–	129 509
Charge directly to equity	–	77 002	–	–	–	77 002
Acquisition of subsidiary	7 081	–	3 010	–	18 636	28 727
At 31 December 2006	6 550	162 209	277 146	27 491	18 636	492 032

2007

Charge to income statements	19 883	316 766	(12 484)	1 786	(22 739)	303 212
Charge directly to equity	–	140 539	2 814	–	–	143 353
De-recognition	–	(251 908)	–	–	–	(251 908)
Acquisition of subsidiary	291	–	121 374	–	197 999	319 664
Reclassification	–	3 959	–	–	–	3 959
At 31 December 2007	26 724	371 565	388 850	29 277	193 896	1 010 312

10 Deferred income tax (continued)

Deferred tax assets

	Retirement benefit	Provisions	Impairment loss	Tax loss	Other	Total
	R'000	R'000	R'000	R'000	R'000	R'000
2006						
At 1 January 2006	-	-	-	-	-	-
Charge to income statements	-	419	-	-	-	419
At December 2006	-	419	-	-	-	419
2007						
Charge to income statements	-	3 428	2 215	15 102	(3 232)	17 513
Charge directly to equity	-	-	-	-	301	301
Acquisition of subsidiary	-	16 451	-	4 337	2 867	23 655
Reclassifications	-	3 959	-	-	-	3 959
At 31 December 2007	-	24 257	2 215	19 439	(64)	45 847

Equity

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Land and buildings	-	-	-	-
Available-for-sale reserve	140 995	131 812	-	-
Mining rights	257 545	-	-	-
Revaluation reserve	300	-	-	-
	396 840	131 812	-	-

11 Financial assets at fair value through profit and loss

SA Eagle put and call option

Beginning of year	54 900	76 600	-	-
Fair-value adjustment	4 600	(21 700)	-	-
End of year	59 500	54 900	-	-

MB Technologies call option

Beginning of year	179 439	-	-	-
Transfer to investment in subsidiary (note 37)	(179 439)	-	-	-
Fair-value adjustment	-	179 439	-	-
End of year	-	179 439	-	-

Notes to the consolidated annual financial statements for the year ended 31 December 2007

11 Financial assets at fair value through profit and loss (continued)

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
DHL call option				
Beginning of year	20 292	–	–	–
Expenses written off	(35)	–	–	–
Initial investment – cost capitalised	–	35	–	–
Adjustment to prior year balance *	(10 104)	–	–	–
Fair value adjustment	12 319	20 257	–	–
End of year	22 472	20 292	–	–
Total	81 972	254 632	–	–

* In the prior year the option asset of R20,257 million and a related liability of R10,104 million were separately recognised. The reclassification was made in the current year.

SA Fire House Limited

On 13 April 2005, a sale agreement was signed between SA Fire House, RBF, Zurich Insurance Company South Africa 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 when 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.

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:

- 1 the strike price of the RBF put option;
- 2 the 30-day volume weighted average trading price of SA Eagle's shares quoted on the JSE Limited ("JSE") immediately preceding the three-year period after the purchase of 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
- 3 the NAV per share as set out in the most recently audited financial statements of SA Eagle for the full financial year immediately preceding the three-year period after the purchase of the SA Eagle shares under the sale agreement.

11 Financial assets at fair value through profit and loss (continued)

Valuation

The above structure comprises of three interrelated 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 NAV of the underlying share was used.

The valuation, as described above, was performed by an independent valuation expert as at 31 December 2007. As at 31 December 2007, the fair value of the option was R59 500 000 (R54 900 000: 2006).

MB Technologies (Pty) Ltd ("MB Tech")

Royal Bafokeng MB Technologies (Pty) Ltd (a wholly owned subsidiary of Royal Bafokeng MB Technologies Holdings (Pty) Ltd ("RMBMT Holdco")) 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. The exercise of an option resulted in Royal Bafokeng Holdings (Pty) Ltd effectively owning 55% of MB Technologies.

MB Tech call option

ABSA Capital, Coyote and Spiller issued Royal Bafokeng MB Technologies with call options. The call option ran from 1 January 2007 to 31 December 2007 and was exercised at the end of February 2007 at a strike price. The value of the option was transferred to the investment in subsidiary at individual company level.

Valuation

The fair value calculation was derived by performing a one-month call option calculation. However, the intrinsic value was determined. The option term was for a one-month period only and the option is deep in the money hence 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. The value of the option was transferred to the investment in the current year.

DHL (Pty) Ltd ("DHL")

On 10 May 2006, Deutsche Post International B.V ("DPI") sold 500 200 shares (25,01%) in DHL to Royal Bafokeng DHL (Pty) Ltd ("RBDHL") for R13,5 million which is financed by a vendor loan from DPI at 0% interest. In turn, RBDHL ceded the sale shares to DPI as security for the loan.

The following payment terms shall apply to the DHL ordinary shares:

Subject to solvency and liquidity requirements, DHL has undertaken to pay out at least 75% of its profit after tax (PAT) annually as a dividend to the shareholders in proportion to their shareholding. RBDHL is to utilise at least 75% of this dividend to service the loan from DPI. The remainder of the dividend will flow through to the shareholders of RBDHL as a trickle dividend.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

11 Financial assets at fair value through profit and loss (continued)

DHL call option

This transaction was valued as a call option and a Monte Carlo implementation of the Black-Scholes-Merton methodology (BSM) has been adopted 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 payoff 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 RBDHL. Within the Monte Carlo method, the following input parameters are used to simulate the DHL 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 NAV of the underlying share was used.

The DPI long call option is exercisable at any time from one year after the effective date where the purchase price will be determined via the following formula: $\max(\text{PAT } 3 \text{ years} \times 6,36 \times 25,01\% \text{ or initial purchase price})$. The lock-in period is three years where RBDHL is prohibited from selling any of its shares. The remaining lock-in period is now 17 months. After three years, RBDHL may sell the shares or a portion of their shares back to DPI at a stipulated cash price determined via a formulae: $\{\text{initial purchase price plus percent (NAV T - NAV O)}\}$, where DPI has the right of refusal. The outstanding loan balance shall be deducted from the sale price.

The simulation for each price sensitive data between the valuation date and settlement date yielded an initial stock price via a PE multiple of 6,36. The stock price was estimated at 77,85 and the dividend yield at 13,2%. The expected volatility of DHL's share price is 30%.

Economic put option

The economic put option can be regarded as an embedded derivative feature of the debt which is separately presentable at fair value and can be recognised in the financial statements of RBDHL as well as the financial statements of the Group.

The valuation as described above was performed by an independent valuation expert as at 31 December 2007. The fair value of the option was R22,472 million (2006: R20,257 million)

12 Derivatives

The derivatives are classified as fair value through profit or loss (note 35):

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Derivative assets				
Forward exchange contract asset	3 569	–	–	–
Derivative liabilities				
Embedded derivative	39 557	–	–	–
Forward exchange contract liability	1 409	–	–	–
	40 966	–	–	–

Embedded derivative

The Group has an embedded derivative liability which is an obligation to share some of the profits with Investec Limited in the event of a sale of the Group's investment in MB Tech. The profit participation is in relation to the Class C preference shares stipulated in note 21. The class C preference shares attract interest at 75% of prime. After 18 months, this percentage increases by 5% and continues to increase by 5% quarterly until the termination of the deal on 1 March 2010.

12 Derivatives (continued)

The class C preference share is unsecured. As compensation for this lack of security, the interest rate is higher and the class C preference shares participate in the increase in value of the business (embedded derivative).

The following parameters of the underlying share were used within Monte Carlo Simulation: the expected dividend yield of 5%, the expected volatility of 28,4%, and the price earnings ratio of 10. The following details were also integral to the simulation process: interest rate acceleration dates, the maturity date and the dividend payment dates.

The value at 31 December 2007 is R39 million. This embedded derivative liability was valued by an independent expert.

Forward exchange contracts

Foreign currency contracts are measured using quoted forward exchange rates and yield curves. These interest rates are derived from quoted interest rates and matching maturities of the contracts.

Derivative facility

This unsecured facility is for a forward exchange contract for an amount of up to a maximum of R20 million. This facility is for the exclusive use of Advanced Channel Technologies (Pty) Ltd of which no portion was utilised at 31 December 2007.

13 Inventories

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Raw materials	11 093	4 657	–	–
Work in progress	5 834	(1)	–	–
Finished goods	367 392	867	–	–
Consumable goods	10 943	10 017	–	–
Provision for obsolete stock	–	(35)	–	–
	395 262	15 505	–	–

The inventory is stated at net realisable value. Tarsus's inventory is encumbered (Refer to note 16).

14 Financial instruments held for sale

Assets held for sale	1 449	2 348	–	–
Liabilities held for sale	159	–	–	–

Fraser Alexander Holdings (Pty) Ltd, a wholly owned subsidiary of RBH Services Holdings (Pty) Ltd, presents plant items due for replacement as held for sale. Impairment losses of R0,3 million (2006: R1,335 million) were recognised on these assets.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

15 Current income tax asset and liability

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Amounts unpaid at beginning of year	(4 341)	–	–	–
Acquisition of business	16 286	(1 189)	–	–
Reclassification of tax due to restructuring	–	(6 592)	–	–
Current year charge – per income statement	(223 111)	(23 148)	–	–
Translation of foreign operations	(10)	–	–	–
Per the cash flow statement	32 670	26 588	–	–
Net tax per balance sheet	(178 506)	4 341	–	–
Current income tax liability	(185 362)	(6 999)	–	–
Prepaid tax	6 856	2 658	–	–
Net tax per balance sheet	(178 506)	4 341	–	–

16 Cash and cash equivalents

Cash and cash equivalents comprise:

Cash guarantees provided	178 722	15 562	–	–
Petty cash	6	20	–	–
Cash at bank	192 824	154 700	–	–
	371 552	170 282	–	–
Bank overdraft	(187 337)	(80)	–	–
	184 215	170 202	–	–

Currency analysis of cash and cash equivalents

South African rand	164 831	159 921	–	–
Australian dollar	–	100	–	–
Botswana pula	303	3 431	–	–
Chilean peso	7 950	5 256	–	–
Ghanaian cedis	2 840	36	–	–
Namibian dollar	368	395	–	–
Swazi emalangeni	206	(80)	–	–
United States dollar	7 717	1 143	–	–
	184 215	170 201	–	–

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

Cash guarantees provided

The following subsidiaries have been provided with cash guarantees by the Group.

The Group has provided a cash guarantee of R150 million to Royal Bafokeng MB Technologies (Pty) Ltd with regard to the preference shares issued by Investec Bank. The cash earns interest from the bank at 9,5%. The amount is included in cash equivalents due to the short-term maturity of the guarantee.

16 Cash and cash equivalents (continued)

The Group has issued a cash guarantee of R2,5 million to Reichmans Capital, a division of Investec Bank, for the overdraft facility that Reichmans Capital provided to Hardrock Engineering (Pty) Ltd.

The Group has issued a cash guarantee of R13 million to Investec Bank on behalf of South African Coal Mine Holdings Limited with regard to the funding obtained from Investec Bank of R26 million. The funding was subsequently paid after year-end. The cash guarantee earns interest linked to prime rate and the effective rate is 10% per annum.

Banking facilities of the Group

	Maximum	Utilised	Unutilised
	R'000	R'000	R'000
Nedbank facility			
Multi-option facility	400 000	253 027	146 973
Stock financing option	150 000	–	150 000
Nedbank invoice discounting facility	250 000	–	250 000
ABSA facility			
General banking facility	20 000	20 000	–
ABSA invoice discounting facility	120 000	53 900	66 100
Derivative facility	100 000	–	100 000

Multi-option facility

This facility is secured by cross deeds of suretyship between MB Tech subsidiaries as well as a cession of trade receivables by subsidiaries participating in the cash management system and limited notarial bond over the inventory of Channelware (Pty) Ltd for an amount of R20 million.

Stock finance facility

This facility is secured by notarial bonds amounting to R150 million over the stockholding of Tarsus Technologies (Pty) Ltd where utilisation is required to be covered three times by the value of the inventory on hand.

Invoice discounting facility

An invoice-discounting facility is available to the Group with utilisation thereof being limited to 80% of the value of those specific debtors' invoices of Tarsus Technologies (Pty) Ltd as approved by Nedcor Bank Limited. As at 31 December 2007, no portion of this facility was utilised.

General banking facility

Advanced Channel Technologies (Pty) Ltd has a general banking facility of R20 million which is secured by a limited suretyship issued by MB Technologies (Pty) Ltd for an amount of R10 million subject to the company's equity being at least R25 million.

ABSA invoice discounting facility

Advanced Channel Technologies (Proprietary) Limited has an invoice-discounting facility amounting to R120 million with utilisation thereof being limited to 90% of the value of those specific debtors' invoices of Advanced Channel Technologies (Pty) Ltd as approved by Absa Bank Limited.

Derivative facility

Tarsus Technologies (Pty) Ltd and Advanced Channel Technologies (Pty) Ltd each have a forward exchange contract facility with a maximum total contract exposure of R100 million.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

17 Ordinary share capital

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Authorised ordinary share capital				
1 000 Ordinary shares with a par value of R1,00	1	1	1	–
Issued ordinary share capital				
100 Ordinary shares with a par value of R1,00	*	*	*	–

* Less than R 1 000

18 Retained earnings

Opening balance	1 094 777	–	–	–
Merger reserve allocation	–	418 982	–	–
Net profit for the year	2 238 100	768 732	–	–
Derecognition of a portion relating to BRPM (note 38)	(1 271 620)	–	–	–
Transfer from/(to) non-distributable reserve	23 340	(43)	–	–
Realised income	108	–	–	–
Dilution in a subsidiary	31 664	–	–	–
Transfer to minorities	(43 648)	(9 869)	–	–
Dividend paid	(13 509)	–	–	–
RBH Share trust distribution	(32 283)	–	–	–
Restructuring adjustment	(83 024)	(83 024)	–	–
End of the year	1 943 905	1 094 777	–	–

19 Reserves

	Non	Revaluation	FCTR*	Other	Available-	Total
	distributable	reserve		reserves	for-sale	
	reserve	reserve	R'000	R'000	reserve	R'000
	R'000	R'000	R'000	R'000	R'000	R'000
2007						
At 1 January 2007	44	–	1 276	(23 340)	777 238	755 218
Movement in reserves	(677)	–	(752)	–	–	(1 429)
Revaluation of property, plant and equipment	–	146	–	–	–	146
Realised gain	–	(108)	–	–	–	(108)
Reserves at acquisition (note 37)	–	(36 000)	–	–	–	(36 000)
Revaluation and fair value movements	–	325 890	–	–	54 150	380 040
Fair value gains – gross *	–	459 000	–	–	63 333	522 333
Fair value gains – tax	–	(133 110)	–	–	(9 183)	(142 293)
At 31 December 2007	(633)	289 928	524	(23 340)	831 388	1 097 867

19 Reserves (continued)

	Non-distributable reserve	Revaluation reserve	FCTR**	Other reserves	Available-for-sale reserve	Total reserves
	R'000	R'000	R'000	R'000	R'000	R'000

2006

At 1 January 2006	–	–	–	–	–	–
Reallocation of merger reserve	1	–	–	(5 762)	339 268	333 507
Movement in reserves	43	–	1 276	(17 578)	–	(16 259)
Fair value gains – gross	–	–	–	–	512 245	512 245
Fair value gains – tax	–	–	–	–	(74 275)	(74 275)
At 31 December 2006	44	–	1 276	(23 340)	777 238	755 218

* Independent experts from SRK Consulting Engineers and Scientists were used to review the competent person's report. The report resulted in a material revaluation (note 4). Available-for-sale reserve was determined using the bid price of the share listed on the JSE.

** Foreign currency translation reserve.

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Foreign currency translation reserve (FCTR)				
Beginning of year	(1 276)	–	–	–
Translation of foreign operations affecting income	(92)	51	–	–
Property, plant and equipment	120	(279)	–	–
– Cost	13	(706)	–	–
– Accumulated depreciation	107	427	–	–
Trade and other receivables	676	690	–	–
Other receivables and prepaid expenses	(74)	(445)	–	–
Cash and cash equivalents	355	(1 628)	–	–
Deferred tax	(10)	(36)	–	–
Loan and borrowings	(99)	27	–	–
Other payables	(124)	344	–	–
End of year	(524)	(1 276)	–	–

Notes to the consolidated annual financial statements for the year ended 31 December 2007

20 Provisions

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Non-current				
Provisions for decommissioning costs	9 431	6 746	–	–
Provision for restoration costs	4 222	2 909	–	–
Provision for post-retirement medical expenses	5 408	5 154	–	–
Provision for rehabilitation	35 444	–	–	–
	54 505	14 809	–	–
Current				
Beginning of year	4 293	61	–	–
Reversal of provision	2 514	–	–	–
Movement	(2 051)	(61)	–	–
Acquisition of subsidiary	2 021	4 293	–	–
End of year	6 777	4 293	–	–

Non-current

	Operating incentive liability R'000	Provision for decommission- ing costs R'000	Provision for restoration costs R'000	Post-retirement medical aid provision R'000	Provision for rehabilitation R'000	Total R'000
--	--	--	--	--	--	----------------

2007

At 1 January 2007	–	6 746	2 909	5 154	–	14 809
Acquired through the subsidiary	–	–	–	–	35 444	35 444
Movement during the year *	–	2 685	1 313	254	–	4 252
At 31 December 2007	–	9 431	4 222	5 408	35 444	54 505

2006

At 1 January 2006	152	5 554	2 509	–	–	8 215
Acquired through the subsidiary	–	–	–	5 154	–	5 154
Movement during the year	(152)	1 192	400	–	–	1 440
At 31 December 2006	–	6 746	2 909	5 154	–	14 809

* Movement includes increase in provisions and finance charges.

20 Provisions (continued)

Post-retirement medical aid provision

The post-retirement health benefits are 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 2007 and the principal actuarial assumptions used were:

	Group		Company	
	2007	2006	2007	2006
	%	%	%	%
Rate of medical inflation	6,0	5,50	–	–
Investment returns	8,0	7,50	–	–

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Total amounts expensed during the year	695	400	–	–

Provision for decommissioning costs and restoration costs

These provisions relate to the mining operation of the company

21 Borrowings

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Non-current				
Loan from JP Morgan	–	131 605	–	–
Bank borrowings	354 131	80 449	–	–
Loan from DPI (note 11)	–	7 262	–	–
Joint venture funding	6 528	6 528	–	–
Redeemable preference shares	605 066	–	–	–
Loan from related parties	1 760	–	–	–
	967 485	225 842	–	–
Current				
Loan from JP Morgan	137 158	–	–	–
Bank borrowings	161 035	96 083	–	–
Liabilities held for sale	–	148	–	–
Redeemable preference shares	–	110 067	–	–
Loan from DPI	–	2 842	–	–
Total	298 193	209 140	–	–
Total borrowings	1 265 678	434 982		
Liabilities held for sale (note 14)	159	–	–	–
Effective interest rate	13%	8%		

The loan from JP Morgan bears an interest rate of 9,9% per annum and is repayable in May 2008. 50% of the loan was subsequently refinanced through a shareholder loan.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

21 Borrowings (continued)

Redeemable preference shares

Redeemable preference shares are secured with a cash guarantee of R150 million and the shares of MB Tech and subordination of shareholder loans in Royal Bafokeng MB Technologies.

Category	Number of shares	Par value	Redeemed
Class A	15 000	1,000	15 000
Class B	6 100	1,000	6 100
Class C	420 556 000	0,0001	–
Class D	150 000 000	0,0001	–

Class A and B, issued to Absa Limited, were redeemed during the year and attracted dividends at 71% and 85% of the prime lending rate respectively. Class C and D, issued to Investec Limited attracted a dividend at 75% and 69,5% of the prime lending rate respectively. Class D preference shares are secured by a cash guarantee of R150 million which is lodged by Royal Bafokeng Management Services. There is a profit participation of Class C holders on the sale of MB Technologies. The provision of the profit participation is included in the balance of the liability. This loan is secured by shares in MB Technologies.

Bank borrowings

Finance leases are secured by plant and equipment with a book value of R259,1 million (2006: R212,2 million) and R30 million worth of stock. The loan accrues interest at a rate between 1% and 4,75% above Jibar. Included in the bank borrowings is a facility for R100 million which incurred interest at a fixed rate of 12,75% fixed until April 2008. Thereafter, a maximum rate of prime less 1,25% will apply.

An Investec loan of R26 million, which incurred interest at prime linked rates, is secured by 100% of Ilanga Mine and a cash guarantee in Investec of R13 million and 36 million shares of SACMH.

Joint venture funding

The joint venture funding Loan bears no interest and has no repayment terms. The unsecured loan is owed to Bafokeng Brick and Tile (Pty) Ltd, the associate 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 carrying value of the loan is R13 500 000 and the fair value is R10 463 000. The loan repayment for December 2007 was not made due to foreign exchange regulation delays. This loan is secured by DHL shares.

	Group	
	2007	2006
	R'000	R'000

Maturity analysis

31 December 2007

Within 1 year	298 196	211 477
1 – 2 years	198 032	186 040
2 – 5 years	657 182	27 425
Over 5 years	112 268	10 042
	1 265 678	434 984

21 Borrowings (continued)

The carrying amount and the fair value of the non-current borrowings:

	Carrying value		Fair value	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Loan from JP Morgan	–	131 604	–	131 604
Bank borrowings	354 131	80 449	354 131	80 449
Loan from DPI	–	7 262	–	7 262
Joint venture funding	6 528	6 528	6 528	6 528
Redeemable preference shares	605 066	–	605 066	–
Loan from related parties	1 760	–	1 760	–
	967 485	225 843	967 485	225 843

The fair value of the current borrowings equal their carrying amounts as the impact of discounting is not significant. The fair values are based on cash flows discounted using prime rates.

22 Shareholder loans

	At	Adjustment	Additional loan	Total repayments	Interest	At
	1 January	to prior				31 December
	2007	year				2007
	R'000	R'000	R'000	R'000	R'000	R'000
Royal Bafokeng Capital (Pty) Ltd	–	–	17 000	–	955	17 955
Royal Bafokeng Astrapak (Pty) Ltd	274 385	–	–	(21 504)	37 608	290 488
Royal Bafokeng Finance (Pty) Ltd	13 300	–	–	(14 091)	791	–
Royal Bafokeng Libstar (Pty) Ltd	41 649	901	2 660	(1 396)	6 608	50 422
Royal Bafokeng Resources Holdings (Pty) Ltd (Implats)	608 786	–	–	–	84 894	693 680
Royal Bafokeng Resources Holdings (Pty) Ltd (Merafe)	765 915	–	–	(274 260)	88 174	579 830
Royal Bafokeng Resources (Pty) Ltd	822 716	–	–	(924 237)	101 522	–
Royal Bafokeng Pasco (Pty) Ltd	4 357	–	–	–	616	4 973
RBH Services Holdings (Pty) Ltd	177 500	–	–	(17 600)	23 907	183 807
Royal Bafokeng MB Technologies (Pty) Ltd	112 058	–	–	–	15 837	127 895
Royal Bafokeng Agri Invest (Pty) Ltd	89 482	–	–	(13 078)	11 830	88 235
Royal Bafokeng Management Services (Pty) Ltd	–	–	150 000	–	17 748	167 748
Royal Bafokeng Automotive (Pty) Ltd	–	–	194 647	(6 066)	22 572	211 153
Royal Bafokeng M-Tech (Pty) Ltd	–	–	12 500	–	1 136	13 636
Royal Bafokeng Impala Investment Holding Company	–	–	9 392 958	(438 648)	1 045 734	10 000 045
Royal Bafokeng Sport Holdings (Pty) Ltd	–	–	9 500	(9 565)	65	–
Capital Advanced – RBRH *	75 000	–	–	–	–	75 000
Capital Advanced – RBF *	15 000	–	–	–	–	15 000
Royal Bafokeng Tholo Investment Holding Company	–	–	3 089 686	–	–	3 089 686
Other loans **	12 819	–	–	–	–	12 819
	3 012 967	901	12 868 952	(1 720 445)	1 459 997	15 622 372

These loans were granted to different companies within the Group. The loans bear interest at a risk-free rate plus 5% and prime rate depending on the agreement. The loan is repaid with the dividends received from investee companies. There are no fixed repayment terms. The loans are repayable on realisation of the investments. By December, none of the investments had been sold. The carrying amounts of the loans, above approximate fair value as the interest rate used, is the Group's effective interest rate.

* This represents the initial start-up capital of Royal Bafokeng Resources Holdings (Pty) Ltd and Royal Bafokeng Finance (Pty) Ltd.

** Other loans comprise a dividend received by Royal Bafokeng Resources Holdings (Pty) Ltd in 2004 to fund its operations.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

23 Trade and other payables

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Trade and other payables	564 253	111 500	–	–
Amounts due to related parties	12 366	–	–	–
Accruals	98 180	138 224	–	–
VAT liabilities	13 275	–	–	–
Other	119 104	–	–	–
	807 178	249 723	–	–

The Group's trade and other payables portion of the liabilities is denominated in foreign currencies and represents the most significant area where the Group is exposed to the risk of foreign exchange fluctuations.

The Group seeks to mitigate the effect of currency exposures by borrowing, as far as possible, in the functional currency which is the South African rand. Group policy is to hedge all significant currency translation exposure. Foreign liabilities relating to the Group are covered by forward-exchange contracts. The company uses derivatives to eliminate or reduce the exposure of its foreign currency denominated liabilities. The company does not enter into derivative contracts for speculative purposes.

The table below stipulates outstanding amounts per the foreign currencies:

	Outstanding foreign amount	Outstanding rand amount	Average exchange rate
British pound	1 049	14 539	13,85
Euro	13	133	10,09
United States dollar	42 024	287 054	6,83

24 Revenue

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Sale of goods	3 487 487	615 133	–	–
Construction contract revenue	456 601	330 870	–	–
Mining operations	1 594 254	1 468 496	–	–
Mining-related services rendered	910 009	679 228	–	–
Other income	9 994	4 741	–	–
	6 458 345	3 098 468	–	–

25 Impairment loss

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Impairment of goodwill	11 711	–	–	–
Financial asset at fair value through profit and loss	–	21 700	–	–
Available-for-sale financial assets	5 810	29 492	–	–
Investment in associates	52 571	–	–	–
Impairment of trade and other receivables	989	–	–	–
	71 081	51 192	–	–

26 Other operating income

Foreign exchange gain	–	293	–	–
Profit on sale of Ilanga mine	32 000	–	–	–
Profit on sale of property, plant and equipment	4 311	–	–	–
Net profit on sale of scrap	915	–	–	–
Rent received	35	–	–	–
Dividend income from fair value through profit and loss assets	3 876	–	–	–
Gain on acquisition	76 452	–	–	–
Loss on debt restructuring	(17 574)	–	–	–
Other	7 172	–	–	–
Profit from the sale of investment in associates	70 747	203 034	–	–
Black economic empowerment incentive gain (note 7)	2 200 504	–	–	–
Dividend income from available for sale financial assets	8 404	104 763	–	–
	2 386 842	308 090	–	–
Black economic empowerment incentive gain comprise of:				
Gain on acquisition of Implats	2 143 347	–	–	–
Gain on acquisition of Metair	51 019	–	–	–
Gain on acquisition of SACMH	6 138	–	–	–
	2 200 504	–	–	–

Notes to the consolidated annual financial statements for the year ended 31 December 2007

26 Other operating income (continued)

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Mine Waste Solutions (non-cash item)				
Proceeds from the sale of investment (non-cash item)	70 000	–	–	–
Net asset value of the investment	(37 879)	–	–	–
	32 121	–	–	–
Ilanga Mine (non-cash item)				
Proceed from the sale of investment (non-cash item)	52 000	–	–	–
Net asset value of the investment	(20 000)	–	–	–
	32 000	–	–	–

The Group acquired a mine through its subsidiary and sold it for shares in SACMH on 30 June 2007. Ilanga was never consolidated in the Group's books since it was bought with a view to disposing of it within 12 months.

Liberty Star Consumer Holdings (Pty) Ltd (non-cash item)				
Proceeds from the sale of investment (non-cash item)	47 423	–	–	–
Net asset value of the investment	(8 797)	–	–	–
	38 626	–	–	–

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%, thus making it an associate. In November 2007, the company disposed of 38% of the shareholding to Lereko Metier Capital Growth Fund. The cash was received subsequent to year-end.

27 Other losses/gains – net

Gain from financial assets at fair value through profit and loss	16 919	–	–	–
Loss on sale of assets	(8)	–	–	–
Gain on derecognition assets and liabilities (note 38)	29 166	–	–	–
Foreign exchange gain (loss)	55	(494)	–	–
	46 132	(494)	–	–

28 Net finance cost

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Finance cost				
Interest on shareholder loans (note 22)	1 459 997	332 249	-	-
Dividend on redeemable preference shares	53 577	-	-	-
Interest paid by joint venture partner	23 694	4 278	-	-
Interest paid on borrowings	108 788	35 113	-	-
	1 646 056	371 640	-	-
Finance income				
Interest received from banks	46 570	11 108	-	-
Interest received from joint venture partner *	101 904	9 254	-	-
Interest received from related parties	7 049	1 984	-	-
	155 523	22 346	-	-
Net finance cost	1 490 533	349 294	-	-

* The interest relates to the royalty asset.

29 Income tax expense

Current tax				
South African	213 189	19 466	-	-
Foreign	2 805	1 602	-	-
Over provision	(71)	-	-	-
Deferred				
Current year charge	285 167	131 794	-	-
Secondary tax on companies	7 189	81	-	-
Withholding tax	(159)	169	-	-
	508 120	153 112	-	-
Tax rate reconciliation	-	-	-	-
Net profit	2 746 220	921 845	-	-
Standard tax rate (%)	29	29	29	29
Taxation at standard rate	796 403	267 335	-	-
Non-deductible expenditure	474 092	108 732	-	-
Under provision of tax in the prior year	(71)	-	-	-
Non-taxable income	(578 165)	(208 136)	-	-
Profits taxed at capital gain tax rates	(191 296)	(19 960)	-	-
Consolidation adjustment	-	674	-	-
Secondary tax on companies	7 189	4 579	-	-
Changes in foreign tax rate	(505)	(8)	-	-
Withholding tax	-	(128)	-	-
Tax loss utilised	473	23	-	-
	508 120	153 112	-	-
Effective tax rate (%)	18.50	16.61	-	-

Notes to the consolidated annual financial statements

for the year ended 31 December 2007

30 Operating profit is arrived at after taking the following into account:

	Group		Company	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
Expenses				
Depreciation	178 280	138 838	–	–
Amortisation	79 847	1 335	–	–
Legal fees	5 545	3 753	–	–
Auditor's remuneration	6 765	638	–	–
– Current year audit fees	5 779	638	–	–
– Other services	324	–	–	–
– Under or over provision	632	–	–	–
Operating lease rental	19 405	1 039	–	–
Loss on sale of assets	441	–	–	–
Provision for restoration	1 122	–	–	–
Provision for rehabilitation	2 429	–	–	–
Directors' remuneration	943	–	–	–
Research and development costs	2 276	–	–	–
Repairs and maintenance	2 859	–	–	–
Net foreign exchange	6 760	(293)	–	–
Realised	1 023	(42)	–	–
Unrealised	(1 413)	(251)	–	–
Loss on foreign exchange	7 150	–	–	–
Employee benefits	795 763	359 469	–	–
30.1 Employee benefits				
Salaries and wages	737 363	332 191	–	–
Medical aid	727	7 400	–	–
Incentive bonus	31 915	3 760	–	–
Leave provision	20 977	15 036	–	–
Post-retirement medical fees	4 781	1 082	–	–
Total	795 763	359 469	–	–

31 Commitment, contingent assets and liabilities

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000

The Group's performance guarantees to clients in accordance with contractual agreements were as follows:

Guarantees

Contract guarantees	133 534	51 878	–	–
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These guarantees, issued by financial institutions on behalf of the Group, are a requirement in order to secure contracts.

Operating lease commitments

Land and buildings

Due within one year	18 862	93 342	–	–
Due within two to five years	58 104	61 131	–	–
Due thereafter	3 624	24 303	–	–

	80 590	178 776	–	–
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Motor vehicles and equipment

Due within one year	117 722	–	–	–
Due within two to five years	125 097	–	–	–
Due thereafter	242 819	–	–	–

Total commitments	323 409	178 776	–	–
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These operating lease commitments comprise cash outflow commitments. The Group has a non-cancellable lease agreement over land and buildings and plant and machinery.

The finance lease is secured over plant and equipment value with a book value of R278 million (2006: R211,2 million)

Contingent asset and liabilities

There were no contingent liabilities in the current year (2006: R0,5 million). SACMH has issued summons against Ingwe Collieries for damages as a result of repudiation and the breach of contract by the latter. At this stage no counter claim has been issued by Ingwe. The claim submitted is valued at R48 million.

32 Retirement benefit option

The Group makes fixed contributions to defined contribution funds and is not liable for any post-retirement expenditure except post-retirement medical costs at one of the subsidiaries.

MB Technologies

Pensions are provided for employees by contributions to the MB Technologies' Pension Fund and the MB Technologies Provident Fund which are governed by the Pension Funds Act, 1956. The funds are defined contribution plans with member contributions invested in the pension fund and the employer contributions in the provident fund. The assets of the fund are held separately from those of the Group in a fund controlled by trustees.

The cost charged to income of R4 526 942 (February 2007: R4 126 602) represented contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

32 Retirement benefit option (continued)

Fraser Alexander

The Group continues to operate a fixed contribution, provident and pension fund. As with all the fixed contribution funds, the liabilities equal assets at all times and no actuarial valuation is required. Certain salaried employees who are executive directors of the company are non-contributory members of the Executive Retirement Plan. All salaried employees under the age of 63 are contributory members of the Fraser Alexander Group Pension Fund and non-contributory members of the provident fund.

The contribution paid by year-end amounts to R16,1 million (2006: R12,6 million).

Employees of Fraser Alexander Construction Division who earn wages are members of the Construction Industry Retirement Benefit Fund. Employees of Fraser Alexander Tailing and Bulk Mech who earn wages are members of the Bridging Provident Fund administered by Lekana Employee Benefit Solutions.

The contributions paid the Group for the year amounted to R7,1 million (2006: R6,8 million)

33 Related party disclosure

	Group		Company	
	2007	2006	2007	2006
	R'000	R'000	R'000	R'000
Amounts owing by related parties:				
Shareholder – Royal Bafokeng Nation	–	–	–	–
Associates and joint ventures	7 017	969	–	–
Third parties	85 026	414 416	–	–
	92 043	415 385	–	–
Amounts owing to related parties:				
Shareholder – Royal Bafokeng Nation	(15 622 372)	(3 012 966)	–	–
Associates and joint ventures	(3 244)	–	–	–
Third parties	(3 885)	–	–	–
	(15 629 501)	(3 012 966)	–	–
Services rendered to related parties:				
Shareholder – Royal Bafokeng Nation	–	–	–	–
Associates and joint ventures	8 232	8 688	–	–
Third parties	34 986	12 230	–	–
	43 218	21 298	–	–
Services rendered by related parties:				
Shareholder – Royal Bafokeng Nation	(1 358 473)	(332 249)	–	–
Associates and joint ventures	78 715	7 963	–	–
Third parties	(38 564)	–	–	–
	(1 318 322)	(324 286)	–	–
Key management compensation:				
Salaries and other short-term benefits	(115 129)	(53 425)	–	–

All transactions within the Group are at fair market values.

34 Cash flow from operations

	Group	
	2007 R'000	2006 R'000
Profit before tax	2 746 220	921 845
Impairment losses	71 081	52 527
Impairment loss on fixed assets	316	–
Impairment loss on trade and other receivables	11 114	–
Foreign currency translation reserve movement	92	–
Profit on sale of interest in subsidiary	–	494
Profit on sale of interest in associates	(70 747)	–
Fair value movements	–	(417)
Gain on financial assets at fair value through profit and loss	(16 919)	(189 592)
Loss on debt restructure and acquisition	17 574	–
Negative goodwill	(76 452)	–
Depreciation	178 280	138 838
Amortisation of intangibles	79 847	10 081
Dividends from available-for-sale financial assets	(8 404)	(104 763)
Profit on sale of property, plant and equipment	(5 226)	(4 218)
Share of profit of associates	(1 041 984)	(120 077)
Net finance costs	1 490 533	349 294
Increase in short-term provision	106	4 232
Increase in long-term provision	37 727	6 594
Black economic empowerment incentive gain	(2 200 504)	–
Investments written off	–	155
Unrealised foreign exchange loss	1 413	(42)
Loss on sale of assets	449	126
Profits on derecognition of assets and liabilities	(29 166)	–
Change in working capital	(202 436)	(237 560)
Increase in trade and other receivables	(124 156)	(420 204)
Increase in inventories	(137 619)	(9 866)
Increase in derivative assets	(3 569)	–
Increase in derivative liabilities	40 966	–
Decrease in assets held for sale	899	2 348
Increase in trade and other payables	20 884	94 858
Increase in liabilities held for sale	159	–
Cash generated from operations	982 914	827 517

Notes to the consolidated annual financial statements for the year ended 31 December 2007

35 Financial instruments

35.1 Categories of financial instruments

Financial assets	Financial assets at FV through profit and loss			Available-for-sale financial receivables	Loan and receivables	Total	Fair value
	held for trading	financial	receivables				
	R'000	R'000	R'000	R'000	R'000	R'000	R'000

2007

Financial assets at fair value through

profit and loss	85 540	–	–	85 540	85 540
Available-for-sale financial assets	–	323 804	–	323 804	323 804
Trade and other receivables	–	–	1 406 292	1 406 292	1 406 292
Cash and cash equivalents	–	–	192 830	192 830	192 830
Cash guarantees provided	–	–	178 722	178 722	172 722
Environmental Trust deposit	–	–	33 493	33 493	33 493
Financial assets held for sale	–	–	1 449	1 449	1 449
	85 540	323 804	1 812 786	2 222 130	2 222 130

2006

Financial assets at fair value through

profit and loss	254 632	–	–	254 632	254 632
Available-for-sale financial assets	–	1 650 637	–	1 650 637	1 651 637
Trade and other receivables	–	–	1 151 632	1 151 632	1 151 632
Cash guarantees provided	–	–	15 561	15 561	15 561
Cash and cash equivalents	–	–	154 720	154 720	154 720
Environmental trust deposit	–	–	7 480	7 480	7 480
Financial assets held for sale	–	–	2 348	2 348	2 348
	254 632	1 650 637	1 331 741	3 237 010	3 237 010

35 Financial instruments (continued)

35.1 Categories of financial instruments (continued)

Financial liabilities	Financial liabilities at FV through		Total	Fair value
	profit and loss held for trading	Amortised cost		
	R'000	R'000	R'000	R'000
2007				
Borrowings	–	15 892 038	15 892 039	15 892 038
Trade and other payables	–	793 904	793 904	793 904
Financial liabilities	40 966	298 193	339 159	339 159
Liabilities held for sale	–	149	149	149
Redeemable preference shares	–	605 066	605 066	605 066
Bank overdraft	–	187 337	187 337	187 337
	40 966	17 771 687	17 812 653	17 812 653

2006

Borrowings	–	3 337 964	3 337 964	3 333 964
Trade and other payables	–	256 722	256 722	256 722
Redeemable preference shares	–	110 067	110 067	110 067
	–	3 704 753	3 704 753	3 704 753

36. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivatives to hedge certain exposures.

36.1 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet a financial commitment in any location or currency. This risk is minimised through the holding of cash balances and sufficient available borrowing facilities (refer to note 16). In addition, detailed cash flow forecasts are regularly prepared and reviewed by Treasury and the Board. The cash needs of the Group are managed according to its requirements. The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to repay the liability. The cash flows include both the principal and interest payments.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

36. Financial risk management (continued)

	< than 1 year	1 – 2 years	2 – 5 years	> 5 years
	R'000	R'000	R'000	R'000
2007				
Finance leases	128 581	85 315	37 701	–
Loan from DPI	6 428	4 034	3 037	–
Non-current borrowings	–	187 600	788 937	111 990
Current borrowings	437 704	–	–	–
Shareholder loans	1 479 160	1 241 006	3 786 777	15 622 372
Trade and other payables	807 178	–	–	–
	2 859 051	1 517 955	4 616 452	15 734 362
2006				
Finance leases	93 342	61 131	24 303	–
Loan from DPI	2 842	3 227	4 034	3 396
Non-current borrowings	–	–	–	10 038
Current borrowings	127 545	146 057	–	–
Shareholders' loans	–	–	3 012 967	–
Trade and other payables	249 723	–	–	–
	473 452	210 415	3 041 304	13 434

Derivatives

The table below analyses the Group's derivatives which will be settled within 12 months. The balances due within 12 months equal their carrying balances as the impact of disclosing is not significant.

	< than 1 year	1 – 2 years	2 – 5 years	> 5 years
	R'000	R'000	R'000	R'000
2007				
Held for trading				
Forward rate cover				
Outflow	3 569	–	–	–
Inflow	(1 409)	–	–	–
	2 160	–	–	–
Embedded derivative				
Outflow	–	–	40 966	–
	–	–	40 966	–

36.2 Credit risk

The exposure to credit risk is monitored on an ongoing basis. The credit risk arises on cash and cash equivalents, derivative financial instruments and deposit with financial institutions as well as credit exposure to wholesale and retail customers including outstanding receivables and committed transactions.

For the banks and financial institutions, only independently rated parties with a minimum rating of 'A+' are accepted. Wholesale and retail customers are subject to risk control assessments that assess the credit quality of the customer, taking into account its financial position, past experience and other factors. The utilisation of the credit risk is regularly monitored.

36. Financial risk management (continued)

		2007	Credit limit	2006	Credit limit
		R'000	R'000	R'000	R'000
Counterparty	Rating				
Bank A	AAA	76 429	120 000	–	–
Bank B	AA	250 100	790 000	–	–
Bank C	A	–	–	–	–
		326 529	910 000	–	–
Major customers					
Customer 1 *	A	462 650	–	550 893	–
Customer 2		95 796	–	–	–
Customer 3		36 416	113 200	–	–
Customer 4		33 326	37 620	–	–
		628 187	150 820	550 893	–

* This is based on the off-take agreement hence no limits are set.

The maximum credit exposure for trade and other receivables by type of customer are:

	Group	
	2007	2006
	R'000	R'000
Mining	649 432	–
Government and local authorities	69	–
Industrial	4 431	–
Services	542 840	–
Other (financial services, banks and other)	103 376	–
	1 300 148	–

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or historical information about the counterparty default rates.

Cash at bank and short-term bank deposits

AAA	37 623	98 608
AA	333 915	71 650
A	–	–
	371 537	170 258
Derivative financial assets		
AAA	–	–
AA	3 569	–
A	–	–
	3 569	–

Notes to the consolidated annual financial statements for the year ended 31 December 2007

36. Financial risk management (continued)

The exposure of foreign debtors is limited to 1% of the debtors' amount.

	Group	
	2007 R'000	2006 R'000
South Africa	1 290 185	1 068 929
Non-domestic	9 963	8 465

	Gross 2007 R'000	Impairment 2007 R'000	Gross 2006 R'000	Impairment 2006 R'000
	Impairment losses			
Not past due	714 760	(22 205)	260 820	–
Past due 0-30 days	265 835	(1 016)	169 906	(126)
Past due 30 -120 days	147 387	(1 181)	145 236	(1 130)
More than 120 days	197 104	(535)	131 919	(3 246)
	1 325 086	(24 937)	707 881	(4 502)

The movement in the impairment allowance with regards to trade receivables during the year was as follows:

	Group	
	2007 R'000	2006 R'000
Balance in January	4 502	2 841
Acquired through the subsidiary	23 783	–
Movement recognised	(4 338)	1 661
	24 937	4 502

An impairment loss on debtors of R989 000 was recognised in the current year.

The Group has the following major customers:

	No of customers	Value	
		R'000	%
2007			
Greater than R100 million	1	462 649	35
Greater than R50 million < R100 million	1	95 795	7
Less than R50 million	136	332 838	25
	138	891 282	67
2006			
Greater than R100 million	1	550 892	78
Greater than R50 million < R100 million	–	–	–
Less than R50 million	–	–	–
	1	550 838	78

36. Financial risk management (continued)

36.3 Market risk

36.3.1 Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect of the US dollar, the GB pound, Ghanaian cedis, Malian xof, Botswana pula and Chilean peso. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group, through its subsidiary, has an investment in a foreign operation the net assets of which are exposed to foreign currency translation risk.

The Group acquired currency as a result of off-shore purchases and cash held by off-shore entities. The foreign currencies in which the Group deals are the Chilean peso, the Botswana pula, the Namibian dollar, the Swazi emalangeni, the British pound, the euro and the United States dollar. The foreign currency risk is hedged with foreign exchange contracts. However, hedge accounting was not applied.

Sales denominated in foreign currency represent 1% (2006 less than 1%) of the Group's annual turnover and due to its insignificance, the Group does not hedge any of its estimated foreign currency exposure in respect of forecast sales and trade receivables. Foreign currency proceeds are repatriated to South Africa on a frequent basis. Forward foreign rate cover is used to hedge the currency risk in respect of the stock, fixed assets purchased and to hedge the exposure of the foreign-denominated liabilities. The Group does not enter into forward rate cover for speculative purposes. The Group's investments in its off-shore subsidiaries are not hedged as the currency positions are considered to be long term in nature.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at 31 December 2007 are disclosed in note 23 and note 16.

Currency analysis

	Rate at year-end		Average rate	
	2007	2006	2007	2006
Botswana pula	1,1750	1,1940	1,1298	1,2209
Chilean peso	0,0135	0,0127	0,0138	0,0133
Ghanaian cedis	0,0008	0,0008	0,0007	0,0008
Malian xof	0,0147	0,0008	0,0153	0,0008
Namibian dollar	1,0000	1,0000	1,0000	1,0000
Swaziland emalangeni	1,0000	1,0000	1,0000	1,0000
United States dollar	0,1424	0,1508	0,1480	0,1437
Euro	0,0991	0,0000	0,0000	0,0000
Great British pound	0,0722	0,0000	0,0000	0,0000

Sensitivity analysis

The 10% strengthening of the rand against the following currencies at 31 December would increase (decrease) equity and profit and loss by the amounts shown below. This analysis assumes that the entire variable, in particular interest rates, remain constant. The weakening of the rand will have equal but the opposite effect on these currencies.

Notes to the consolidated annual financial statements for the year ended 31 December 2007

36. Financial risk management (continued)

36.3 Market risk (continued)

36.3.1 Foreign exchange risk (continued)

	Movement in profit and loss	Movement in profit and loss
	2007 R'000	2006 R'000
Chilean peso	82	526
Botswana pula	(273)	343
United States dollar	8 410	114
Malian xof	401	–
Ghanaian cedis	1 250	4
	9 870	987

36.3.2 Interest rate risk

Fluctuations in interest rates impact on the long-term loans, which result in interest rate risk. However, this risk is minimal since the Group obtains 93% of its borrowings from the shareholder. These loans bear interest at a risk free rate plus 5%. In certain instances, refinancing of the shareholder loans with the cheaper debt is considered.

Financial liabilities

Variable interest rate borrowings	13 267 420	2 167 875
Fixed interest rate borrowings	112 332	954 320
Non-interest bearing borrowings	3 210 049	116 615
	16 589 801	3 238 810

Interest rate sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would increase (decrease) future equity and profit or loss by the amounts shown below. This assumes that all variables in particular foreign currency rates remain constant. The analysis was performed on the same basis for 2006.

	Balance at year-end R'000	Profit or loss Increase by 100 basis points R'000	Decrease by 100 basis points R'000
31 December 2007			
Variable rate borrowings	13 267 420	132 674	(132 674)
31 December 2006			
Variable rate borrowings	2 167 875	21 679	(21 679)

36. Financial risk management (continued)

36.3 Market risk (continued)

36.3.3 Price risk

The Group is exposed to equity securities price risk because of the investments it holds that are classified on the consolidated balance sheet as either available-for-sale investment or at fair value through profit and loss. To manage the risk, the Group diversifies its portfolio.

The Group's investments in equities of other entities are publicly traded and are included in one of the two equity indexes: ALSI or TOR 300.

The table below summarises the impact of increases or decreases of the ALSI or TOR 300 on the Group's equity and profit for the year. The analysis is based on assumptions that equity indexes had increased or decreased by 100 basis points with all other variables held constant and all the Group's equity instruments moved accordingly to historic correlation with the index. The analysis is performed on the same basis for 2006.

	Index	Name	Equity movements	
			Increase by 100 basis points R'000	Decrease by 100 basis points R'000
2007				
JSE	J300	ALSI	3 154	(2 397)
Canada	TOR200	TOR	528	(2 087)

2006

JSE	J300	ALSI	29 377	(3 510)
-----	------	------	--------	---------

Available-for-sale reserves will increase/decrease as a result of gains/losses on equity securities classified as available-for-sale investment.

36.4 Capital risk management

The Group's objectives, when managing capital, is to safeguard its ability to continue as a going concern in order to provide returns for the shareholders and benefits for other stakeholders and to maintain optimum capital structure to reduce cost of capital. In order to maintain or adjust the capital structure, the Group will sell assets to reduce debts. The Group monitors capital on the basis of the gearing ratio. The ratio is calculated as: net debts divided by total capital. Net debt is calculated as the total borrowings (including 'current and non-current borrowings') as shown in the consolidated balance sheet less cash and cash equivalents. The total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The board's target to debt equity ratio is 30% for 2007 and the return was 26%. The gearing ratios as at 31 December 2007 and 2006 were as follows:

Notes to the consolidated annual financial statements for the year ended 31 December 2007

36. Financial risk management (continued)

36.4 Capital risk management (continued)

	Group	
	2007 R'000	2006 R'000
Debts		
Non-current borrowings (note 21)	967 485	225 843
Current borrowings (note 21)	485 530	209 140
	1 453 015	434 983
Cash and cash equivalents (note 16)	371 605	170 281
Net debt	1 081 410	264 702
Equity	3 041 772	1 849 995
Total capital	4 123 182	2 114 697
Net debt equity ratio (%)	26,23	12,52

37 Business combinations

On 1 March 2007, the Group acquired 81,3% of MB Technologies (Pty) Ltd.

	Second acquisition R'000	First acquisition R'000
Purchase considerations		
– Cash paid	462 825	210 500
– Cost incurred	2 640	252
Total purchase consideration	465 465	210 752
FV of the purchase considerations	465 644	210 752
Option asset value	179 439	–
Fair value of assets and liabilities	529 375	179 456
Goodwill	115 708	31 296

37 Business combinations (continued)

The assets and liabilities arising from the acquisitions are as follows:

	1 March 2007		30 June 2006	
	Fair value	Acquiree's carrying amounts	Fair value	Acquiree's carrying amounts
	R'000	R'000	R'000	R'000
Property, plant and equipment	14 129	14 129	11 252	11 252
Goodwill	310 185	310 185	319 685	319 685
Intangible asset	8 500	8 500		–
Brands	330 600	–	298 900	–
Customer relations	343 400	–	321 600	–
Non-compete agreements	28 150	–	21 000	–
Trade and other receivables	469 567	469 567	451 989	451 989
Cash and cash equivalents	44 709	44 709	250 599	250 599
Inventories	232 951	232 951	241 698	241 698
Trade and other payables	(499 825)	(499 825)	(845 693)	(845 693)
Borrowings	(124 813)	(124 813)	(202 314)	(202 314)
Provisions	(2 378)	(2 378)	–	–
Deferred income tax liability – net	(186 831)	(16 793)	(174 931)	(11 104)
Minorities	(11 066)	(11 066)	(3 570)	(3 570)
Net asset	957 279	458 752	690 215	234 750
Minority interests	427 903	205 062	510 759	173 715
Net asset acquired	529 375	253 690	179 456	61 035
Goodwill	115 529	391 214	31 297	149 718
Purchase consideration settled in cash and in options	644 904	644 904	210 753	210 753
Cash and cash equivalent in the subsidiary acquired	44 709	44 709	250 599	250 599

Notes to the consolidated annual financial statements for the year ended 31 December 2007

37 Business combinations (continued)

On 1 May 2007, the Group acquired 51% of Platinum Stars (Pty) Ltd (previously called HP Silver Stars (Pty) Ltd.)

	Acquisition R'000
Purchase considerations	
– Cash paid	9 500
– Cost incurred	–
Total purchase consideration	9 500
Fair value of assets and liabilities	(478)
Goodwill (note 4)	9 978

The assets and liabilities arising from the acquisitions are as follows:

	May 2007	
	Fair value R'000	Acquirer's carrying amounts R'000
Property, plant and equipment	445	445
Cash and cash equivalents	1 184	1 184
Trade and other receivables	600	600
	2 229	2 229
Trade and other payables	(1 797)	(1 797)
Borrowings	(1 079)	(1 079)
Deferred income tax	(291)	(291)
	(3 168)	(3 168)
Net liability	(939)	(939)
Minorities	(460)	–
Net liability acquired	(479)	(940)
Goodwill	9 978	–
Purchase consideration settled in cash	9 500	9 500
Cash and cash equivalent in the subsidiary acquired	1 184	1 184

37 Business combinations (continued)

During November 2007, the Group acquired 49% of Leopard Rugby Union (Pty) Ltd.

	Acquisition R'000
Purchase considerations	
– Cash paid	2 300
– Cost incurred	–
Total purchase consideration	2 300
Fair value of assets and liabilities	577
Goodwill (note 4)	1 722

The assets and liabilities arising from the acquisitions are as follows:

	October 2007	
	Fair value R'000	Acquiree's carrying amounts R'000
Property, plant and equipment	2 213	2 213
Cash and cash equivalents	1 149	1 149
Trade and other receivables	2 229	2 229
Trade and other payables	(1 946)	(1 946)
Borrowings	(2 951)	(2 951)
Deferred tax	–	–
Net asset	1 157	1 157
Minority interest	(580)	(580)
Net asset acquired	577	577
Goodwill	1 723	1 723
Purchase consideration settled in cash	2 300	2 300
Cash and cash equivalent in the subsidiary acquired	1 149	1 149

Notes to the consolidated annual financial statements for the year ended 31 December 2007

37 Business combinations (continued)

On 30 June 2007, the Group acquired 65% of South African Coal Mine Holdings Limited, through the disposal of Ilanga mine for shares in the former.

	Acquisition R'000
Purchase considerations	
– Cash paid/shares	84 785
– Cost incurred	
Total purchase consideration	84 785
Fair value of assets and liabilities	165 437
Negative goodwill (note 26)	(76 462)

Assets and liabilities arising from the acquisitions are as follows:

	30 June 2007	
	Fair value R'000	Acquiree's carrying amounts R'000
Property, plant and equipments	428 878	428 878
Cash and cash equivalents	12 552	12 552
Investment in Ilanga	37 911	–
Brands	9 188	9 188
Trade and other receivables	16 565	16 565
Trade and other payables	(32 525)	(32 525)
Borrowings	(110 000)	(110 000)
Deferred income tax	(114 512)	(114 512)
Net assets	248 057	210 148
Minority interest	(86 820)	(73 551)
Net assets acquired	165 237	136 595
Negative goodwill	(76 462)	51 808
Purchase consideration settled in cash	84 785	84 785
Cash and cash equivalent in the subsidiary acquired	12 552	12 552

38 Interest in joint ventures

Bafokeng Concor Technicrete (Pty) Ltd

The Group has a 51% interest in the joint venture, Bafokeng Concor Technicrete (Pty) Ltd, the main business of which 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. Sales and results of the joint venture are included in the consolidated balance sheet and income statement.

	Group	
	2007	2006
	R'000	R'000
Property, plant and equipment	4 640	5 020
Current assets	5 736	10 017
Deferred income tax assets	–	532
	10 376	15 569
Long-term borrowings	(9 571)	(10 038)
Provisions for liabilities and charges	(666)	(542)
Current liabilities	(1 413)	(7 180)
	(11 650)	(17 760)
Net liability	(1 274)	(2 191)
Revenue	22 230	10 707
Profit/(loss) before tax	2 203	(29)
Income tax expense	–	–
Profit/(loss) after tax	2 203	(29)

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 tonnes per annum sinter plants in Wonderkop, began in December 2005 and was scheduled for completion 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	
	2007	2006
	R'000	R'000
Non-current assets	301	–
Current assets	16 436	32 831
	16 736	31 831
Current liabilities	(7 585)	(26 573)
Net asset	9 151	6 258
Revenue	44 025	110 523
Profit before tax	5 920	6 257
Income tax expense	(1 717)	–
Profit after tax	4 203	6 257

Notes to the consolidated annual financial statements for the year ended 31 December 2007

38 Interest in joint ventures (continued)

	Group	
	2007	2006
	R'000	R'000

Hardrock Engineering (Pty) Ltd ("Hardrock")

RBH acquired a 51% interest in Hardrock, on 17 October 2006, through its subsidiary RBC. Hardrock has not been consolidated as it was considered immaterial. Hardrock's year-end is 28 February. The shareholding in Hardrock did not change during the year.

Property, plant and equipment	415	221
Loans receivables	415	113
Current assets	7 048	2 369
	7 878	2 703
Current liabilities	(1 160)	(1 842)
Loans payable	(8 004)	(1 026)
	(9 164)	(2 868)
Net liability	(2 446)	(165)
Revenue	5 261	1 307
Loss before tax	(1 255)	(723)
Income tax expense	-	-
Loss after tax	(1 255)	(723)

Ingram micro ("Ingram")

The Group has a 50% equity shareholding with equivalent voting powers in Ingram (Pty) Ltd, a joint venture in the Republic of South Africa. The results reported by the joint venture are equity accounted with the total loss reported by the joint venture during the period of R30 million being included in the Group's results. This is due to the fact that all losses incurred by the joint venture are guaranteed by the Group.

	Group	
	2007	2006
	R'000	R'000
Property, plant and equipment	1 438	-
Current assets	24 800	-
Total assets	26 239	-
Current liabilities	29 256	-
	26 239	-
Net liability	(3 071)	-
Revenue	5 261	-
Loss before tax	(1 255)	-
Income tax expense	-	-
Loss after tax	(1 255)	-

38 Interest in joint ventures (continued)

	Group	
	2007	2006
	R'000	R'000

Ingram Micro (Pty) Ltd has a multi-option banking facility with Nedcor Bank Limited for an amount of R30 million, of which R19.3 million was utilised by 31 December 2007. This facility is secured by a limited guarantee given by MB Technologies (Pty) Ltd.

The company has an invoice discounting facility of R80 million with Absa Bank Limited which is secured by its trade receivables and a cession of the credit insurance policy with such trade receivables being insured to 90% of their fair value. As at 31 December 2007, no portion of this facility was utilised.

Bafokeng Rasimone Platinum Mine ("BRPM")

Assets and liabilities derecognised

On 15 December 2007, the BRPM joint venture agreements were restated and new agreements were signed. These agreements stated that Royal Bafokeng Resources, notwithstanding anything stated in the earlier or any agreement, will not be purchasing and assuming 50% of the assets and liabilities of the combined mine.

With effect from 1 January 2008, Royal Bafokeng Resources will buy new assets and contribute these to the joint venture as and when the assets are required.

This necessitated derecognition of the assets and liabilities that were previously recognised in the joint venture agreement signed in 2002. The Group took a decision to retain all liabilities relating to the rehabilitation of the environment, as well as related assets, as it had previously undertaken mining activities through the joint venture.

The table below states the amount derecognised and the profit that arose as a result of the derecognition.

Liabilities	85 695	–
Deferred tax	251 908	–
Retained earnings	1 271 620	–
Property, plant and equipment	(1 371 826)	–
Prepaid tax	(182 505)	–
Movement in debtors	(25 673)	–
Cash	(53)	–
Profit on derecognition of assets and liabilities	29 166	–

Notes to the consolidated annual financial statements for the year ended 31 December 2007

38 Interest in joint ventures (continued)

	Group	
	2007 R'000	2006 R'000
The Group has a 50% equity shareholding 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.		
Deferred tax assets	3 959	–
Property, plant and equipment	–	1 236 340
Intangible assets	5 130	3 310
Environment trust deposit	33 492	7 480
Loan receivable	34 743	374 376
Current assets	462 650	550 893
	539 975	2 172 399
Long-term borrowings	–	(835 534)
Deferred income tax liability	–	(179 329)
Provision for liabilities and charges	(13 653)	(9 655)
Current income tax liability	144 175	–
Current liabilities	–	(43 404)
	157 828	(1 067 922)
Net assets	382 147	1 104 477
Revenue	1 500 932	1 468 496
Profit before tax	749 261	750 206
Income tax expense	(118 995)	–
Profit after tax	630 265	750 206

39 Subsidiaries, joint ventures and associations

39.1 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	Nature of business	Ownership interest	
		2007	2006
		%	%
Subsidiaries			
Royal Bafokeng Management Services (Pty) Ltd*	2	100	100
RBH Resources Holdings (Pty) Ltd*	2	100	100
RBH Industrial Holdings (Pty) Ltd*	2	100	100
RBH Services Holdings (Pty) Ltd*	2	100	100
RBH Financial Holdings (Pty) Ltd*	3	100	100
RBH Telecom Holdings (Pty) Ltd*	3	100	100
RBH Resources (Pty) Ltd*	3	100	100
Subsidiaries within the Group			
Merafe Investments (Pty) Ltd	3	100	100
Royal Bafokeng Resources Granite (Pty) Ltd	3	100	100
Royal Bafokeng Astrapak (Pty) Ltd	4	100	100
Quickvest 399 (Pty) Ltd	3	100	100
Royal Bafokeng BCT (Pty) Ltd	4	100	100
Royal Bafokeng Properties (Pty) Ltd	3	100	100
Royal Bafokeng Ventures (Pty) Ltd	4	100	100
Royal Bafokeng Resources Platinum (Pty) Ltd	3	100	100
Royal Bafokeng Libstar (Pty) Ltd	4	100	100
Royal Bafokeng Pasco (Pty) Ltd	4	100	100
Royal Bafokeng Capital (Pty) Ltd	4	51.2	51.2
Royal Bafokeng Tholo Investment Holding Company	4	100	100
Royal Bafokeng Sports Holdings (Pty) Ltd	5	100	100
Royal Bafokeng Financial Services Group (Pty) Ltd	4	100	100
Royal Bafokeng Impala Investment Holding Company (Pty) Ltd	4	100	100
Royal Bafokeng Agri Investments (Pty) Ltd	4	100	100
Royal Bafokeng Finance (Pty) Ltd	4	50.1	50.1
Fraser Alexander Holdings (Pty) Ltd	4	100	100
Royal Bafokeng MB Technologies (Pty) Ltd	4	100	100
Royal Bafokeng MB Technologies Holding Company (Pty) Ltd	4	100	100
Royal Bafokeng DHL Holdings Company (Pty) Ltd	3	100	100
Royal Bafokeng DHL (Pty) Ltd	4	70	70
Cross Point Trading 67 (Pty) Ltd	1	100	100
Salestalk 268 (Pty) Ltd	1	100	100
Royal Bafokeng Automotive (Pty) Ltd	4	100	100
Royal Bafokeng M-Tech (Pty) Ltd	4	100	100
Central Lake 342 (Pty) Ltd	4	100	100
Pacific Breeze Trading 673 (Pty) Ltd	3	100	100
Fraser Alexander (Pty) Ltd	1	100	100
Envirogreen (Pty) Ltd	3	100	100
Envirogreen Water (Pty) Ltd	3	100	100
F.I.E.L.D Engineering (Pty) Ltd	3	100	100
FA Load and Haul Services (Pty) Ltd	3	100	100
Fraser Alexander Bulk Mech (Pty) Ltd	3	100	100
Fraser Alexander Construction (Pty) Ltd	3	100	100
Fraser Alexander Group Services (Pty) Ltd	3	100	100

Notes to the consolidated annual financial statements for the year ended 31 December 2007

39 Subsidiaries, joint ventures and associations (continued)

Entity	Nature of Business	Ownership interest	
		2007	2006
		%	%
Subsidiaries within the Group (continued)			
Fraser Alexander Mineral Processing (Pty) Ltd	3	100	100
Fraser Alexander Services (Pty) Ltd	2	100	100
Fraser Alexander Tailings (Pty) Ltd	3	100	100
Rand Tailings (Pty) Ltd	3	100	100
Zizwe Bulk Mech (Pty) Ltd	3	100	100
Central Trading Ltd (BVI)	4	100	100
Fraser Alexander (Chile) SA	1	100	100
Fraser Alexander Botswana (Pty) Ltd	1	100	100
Fraser Alexander Ghana (Pty) Ltd	1	100	100
Fraser Alexander Namibia (Pty) Ltd	1	100	100
Fraser Alexander Swaziland (Pty) Ltd	1	100	100
Fraser Alexander Zimbabwe (Pvt) Ltd	1	100	100
Zimbulk (Pvt) Ltd	3	100	100
Yomhlaba Coal (Pty) Ltd	1	100	–
Jigmining Operations No 1 (Pty) Ltd	1	100	–
Jigmining Operations No 3 (Pty) Ltd	1	100	–
South African Coal Mining Operations (Pty) Ltd	1	100	–
SACM (Breyten) (Pty) Ltd	1	100	–
South African Coal Mining Equipment Company (Pty) Ltd	1	100	–
Voorslag Coal Handling (Pty) Ltd	1	100	–
Ilanga Coal Mining (Pty) Ltd	1	100	–
Umlabu Collieries (Pty) Ltd	1	100	–
MB Technologies (Pty) Ltd	7	81	26
Advanced Channel Technologies (Pty) Ltd	7	85.9	–
MB Technologies Investment (Pty) Ltd		94.4	–
Channel Capital (Pty) Ltd	7	73.6	–
Channel Distribution Warehouse (Pty) Ltd	7	95.0	–
Channelware(Pty) Ltd (prev Storgate Africa)	7	93.0	–
Global Outsourcing Services (Pty) Ltd	7	92.5	–
MB Worksoft Applicationware (Pty) Ltd	3	–	–
MBT Secretarial Services (Pty) Ltd	5	100	–
MBT Services (Pty) Ltd	5	100	–
PartneRewards (Pty) Ltd	7	100	–
Platinum Micro (Pty) Ltd	7	100	–
Tallycom (Pty) Ltd	3	–	–
Tarsus (Pty) Ltd	7	100	–
Tarsus Technologies (Pty) Ltd	7	92.1	–
SF Software Services (Pty) Ltd	7	100	–

Nature of business

- | | |
|-----------------------|--------------------------------------|
| 1. Mining services | 5. Management services |
| 2. Investment holding | 6. Construction and related services |
| 3. Dormant | 7. Retail |
| 4. SPV | |

3.6.2 Joint ventures

Bafokeng Rasemone Platinum Mine	Unincorporated	50
Metuba (Pty) Ltd	(2005/036156/07)	26
Bafokeng Concor Technicrete (Pty) Ltd	(2004/0334156/07)	51
Ingram Micro (Pty) Ltd	(2007/000032/07)	50

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