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REGISTERED NO: 1247738

ACGE INVESTMENTS LIMITED

Annual Report
and Accounts

2003

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Registered office:

4 Grosvenor Place
LONDON, SW1X 7YL

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ACGE INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

The Directors of ACGE Investments Limited submit their Report together with the audited Accounts for the year ended 30 September 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company continues to be an investment holding company.

On 14 November 2002 the Company's investment in Lonmin Services Belgium SA was dissolved after receipt of a net liquidation dividend of £92,245.

On 1 July 2003 the Company sold the entire issued share capital of Lonmin Mining Supplies Limited to Lonmin Plc, the ultimate parent company, for a cash consideration of £110,060,000.

FINANCIAL RESULTS FOR THE YEAR

The Company's profit before and after taxation for the year amounted to £92,000 (2002: loss £7,180,000). The Directors paid an interim dividend for the year of £9,936,000 (2002: £10,000,000). The retained loss for the year amounted to £9,844,000 (2002: £17,180,000).

Details of the reserves are shown in the Accounts.

DIRECTORATE

The present Board of Directors of the Company is set out below:-

G E HASLAM
M J PEARCE (retired 9 May 2003)
J N ROBINSON

Messrs Haslam and Robinson served throughout the year.

DIRECTORS' INTERESTS

At the year end Messrs Haslam and Robinson were also Directors of the Company's holding company, Lonmin Plc, and their share interests are disclosable by that company

By Order of the Board

T C HERITAGE
FOR THE SECRETARIES
THE AFRICAN INVESTMENT TRUST, LIMITED
2 FEBRUARY 2004

REGISTERED OFFICE:
4 GROSVENOR PLACE
LONDON, SW1X 7YL

NOTICE TO SHAREHOLDERS

Notwithstanding the existing Elective Resolution to dispense with the laying of accounts and reports before the Company in general meeting, notice is hereby given that any member of the Company may require the laying of these accounts and reports before a general meeting of the Company.

Under Section 253(2) of the Companies Act 1985 such right is exercisable by a member giving notice in writing to that effect deposited at the registered office of the Company before the end of the period of 28 days commencing with the date shown above (being the date on which the accompanying accounts and reports were sent to members).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

(i) select suitable accounting policies and then apply them consistently;

(ii) make judgements and estimates that are reasonable and prudent;

(iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

(iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACGE INVESTMENTS LIMITED

We have audited the financial statements on pages 4 to 7.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described above, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 September 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

26 February 2004

ACGE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 SEPTEMBER 2003

	Notes	2003	2002
		£000	£000
OPERATING PROFIT		-	-
Profit on sale of investments	2	92	-
Amounts provided against investments in Group undertakings		-	(7,180)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION	3	92	(7,180)
Dividends		(9,936)	(10,000)
RETAINED LOSS FOR THE FINANCIAL YEAR		(9,844)	(17,180)
SURPLUS BROUGHT FORWARD		9,844	27,024
SURPLUS CARRIED FORWARD		-	9,844

The attached notes on pages 6 to 7 form part of these Accounts.

The Company has made no acquisitions nor discontinued any operations within the meaning of Financial Reporting Standard 3 during either 2003 or 2002.

The Company has no recognised gains or losses other than the result for the years ended 30 September 2003 and 2002. Therefore, no statement of recognised gains or losses is given.

ACGE INVESTMENTS LIMITED

BALANCE SHEET

30 SEPTEMBER 2003

	Notes	2003 £000	2002 £000
FIXED ASSETS			
Investments			
Shares in subsidiaries	4	-	110,060
CURRENT ASSETS			
Debtors:			
Amounts falling due within one year	5	10,944	-
CURRENT LIABILITIES			
Creditors: Amounts falling due within one year	6	-	(89,272)
NET CURRENT ASSETS/(LIABILITIES)		10,944	(89,272)
TOTAL ASSETS LESS CURRENT LIABILITIES		10,944	20,788
CAPITAL AND RESERVES			
Called up share capital	7	1	1
Share premium account	7	10,943	10,943
Profit and Loss account		-	9,844
EQUITY INTERESTS		10,944	20,788

The Accounts on pages 4 to 7 were approved by the Board of Directors on 2 FEBRUARY 2004 and were signed on its behalf by :-

Director J. N. ROBINSON

ACGE INVESTMENTS LIMITED

NOTES ON THE ACCOUNTS

30 SEPTEMBER 2003

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Under Financial Reporting Standard No.1, the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking.

The Company is controlled by Lonmin Plc and is exempt from disclosing related party transactions with it and other Group undertakings under Financial Reporting Standard No. 8 as it is a wholly-owned subsidiary undertaking included within the consolidated financial statements which are publicly available.

INVESTMENT INCOME

Income from shares in group companies is incorporated in the Accounts as an amount receivable in the period in respect of which the dividend was declared, except where, in the opinion of the Directors the remittability of the dividend is uncertain, in which case the income is accounted for on a received basis.

GROUP ACCOUNTS

The Company is exempt from the requirement to prepare Group accounts under S228 (1) and (2) of Companies Act 1985 being itself a wholly owned subsidiary undertaking of Lonmin Plc - a company registered in England and Wales.

DEFERRED TAXATION

FRS 19 requires deferred tax to be provided on a full provision basis. The adoption of FRS 19 has not led to the Company recording a deferred tax asset or liability in the current or prior period.

2. PROFIT ON SALE OF INVESTMENTS

	2003 £000	2002 £000
Proceeds	110,060	-
Receipt of net liquidation dividend	92	-
Less: Net book value	(110,060)	-
	92	-

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION

No emoluments were paid to the Directors during the year (2002 : £ Nil).
Details of Directors share option movements are shown within the Directors Report.

4. SHARES IN SUBSIDIARIES

	Unlisted at Cost £000	Unlisted Provision £000	Total £000
At 30 September 2002	202,320	(92,260)	110,060
Disposals	(202,320)	-	(202,320)
Provisions written back	-	92,260	92,260
At 30 September 2003	-	-	-

5. DEBTORS

	2003 £000	2002 £000
Amounts falling due within one year		
Amounts owed by ultimate parent company	10,944	-

ACGE INVESTMENTS LIMITED

NOTES ON THE ACCOUNTS Continued

30 SEPTEMBER 2003

6. CREDITORS: Amounts falling due within one year	2003 £000	2002 £000
Amounts due to ultimate parent company	-	79,211
Amounts due to subsidiary undertaking	-	61
Dividends proposed	-	10,000
	-	89,272

7. CALLED UP SHARE CAPITAL

	2003	2002
AUTHORISED		
At 30 September 2003 and 2002		
1,100 Ordinary Shares of £1 each	1	1
ISSUED AND FULLY PAID UP		
At 30 September 2003 and 2002		
1,002 Ordinary Shares of £1 each	1	1

	Paid Up Amount £000	Share Premium £000
At 30 September 2003 and 2002	1	10,943

8. ULTIMATE PARENT COMPANY

The Company's ultimate parent company is Lonmin Plc, a company registered in England and Wales.

The parent undertaking of the only group of undertakings for which group accounts are drawn up, and of which the Company is a member, is Lonmin Plc.

Copies of the consolidated accounts of Lonmin Plc can be obtained from The Secretary, Lonmin Plc, 4 Grosvenor Place, London, SW1X 7YL or from the Registrar of Companies, Crown Way, Maindy Cardiff CF4 3UZ.

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LONMIN PLC

ANNUAL REPORT AND ACCOUNTS 2003

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY

NO. 124 77 38

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Contents

BUSINESS PROFILE – FINANCIAL HIGHLIGHTS

LONMIN PLC IS THE THIRD LARGEST PRIMARY PLATINUM PRODUCER IN THE WORLD AND THE LARGEST PGM PRODUCER WITH A PRIMARY LISTING ON THE LONDON STOCK EXCHANGE.

Our Mines and Refineries are located in South Africa.
Exploration extends to North America, Australia and Southern Africa.

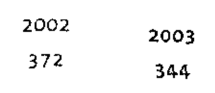
We are working towards the principles and aims of the South African Mineral and Petroleum Resources Development Act 28 of 2002, the Economic Empowerment Charter.

Financial highlights

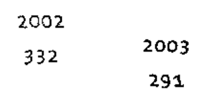
Continuing operations	2003	2002
Profits		
EBITDA[1]	$344m	$372m
Total operating profit	$297m	$331m
Profit before taxation	$291m	$332m
Earnings per share	52.5¢	121.5¢
Underlying earnings per share[2]	87.2¢	98.5¢
Dividends per share[4]	72.0¢	72.0¢
Cash flow		
Trading cash flow per share	161.0¢	118.9¢
Free cash flow per share	48.2¢	(4.6)¢
Balance sheet		
Equity interests	$648m	$675m
Net borrowings	$197m	$155m
Gearing[3]	23%	18%

1 EBITDA is Group operating profit before interest, tax, depreciation and amortisation.
2 Underlying earnings per share are calculated on attributable profit excluding exceptional items and exchange adjustments on tax as disclosed in note 8 to the Accounts.
3 Gearing is calculated on the equity and minority interests of the Group.
4 The Board recommends a final dividend of 42.0 cents per share payable on 16 February 2004 to shareholders on the registers on 23 January 2004.

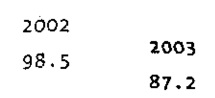
EBITDA ($ million)



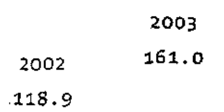
PBT ($ million)



Underlying EPS (cents)



Trading cash flow per share (cents)



FINANCIAL REVIEW

Introduction

The financial information presented has been prepared on the same basis and using the same accounting policies as those used to prepare the 2002 financial statements.

Analysis of results

Profit and loss account Turnover increased by 12% to $779 million in the year ended 30 September 2003 representing a reduction of $55 million from the gold mining operations in Zimbabwe which were sold in October 2002 offset by an increase of $137 million arising from the platinum operations in South Africa. The latter arose from a higher average price realised for the basket of metals sold of 7% against that achieved last year together with a growth in sales of PGM's. Costs in US dollars were higher than in 2002 due to a combination of the strengthening in the South African rand average exchange rate of 26% during the year and higher smelting costs following the explosion of the new smelter in December 2002. The effect on the profit and loss account has, however, been mitigated by higher levels of closing stocks at 30 September 2003 as a result of increased production from the opencast operations and higher levels of finished metal and concentrate stocks. EBITDA amounted to $344 million for the year (2002 – $372 million) and profit before tax was $291 million (2002 – $332 million).

Exceptional items in the year included a profit of $24 million on the sale of Brakspruit surface and mineral rights in South Africa which were sold in March 2003 and a loss on the sale of the Zimbabwe gold mining operations of $2 million in October 2002.

The tax charge for 2003 was $183 million compared with $75 million in 2002. $85 million of exchange losses were included in the 2003 tax charge against $48 million of exchange profits in 2002. The effective tax rate, excluding all exchange effects and a tax charge on the Brakspruit exceptional item of $3 million, was 35% compared with 37% last year.

Attributable profit fell to $74 million for the 2003 year from $185 million in 2002. Earnings per share were 52.5 cents based on a weighted average number of shares outstanding of 141 million compared with 121.5 cents for 2002 based on a weighted average number of shares outstanding of 152 million. Excluding net exceptional items of $13 million, earnings per share were 43.3 cents.

Underlying earnings per share, which are based on the attributable profit for the year excluding exceptional items and exchange on tax balances, were 87.2 cents compared with 98.5 cents for 2002.

Balance sheet Equity interests were $648 million at 30 September 2003 compared with $675 million at 30 September 2002 reflecting the attributable profit of $74 million earned in the year offset by dividends declared of $42 million and $59 million for the interim and final dividends respectively. Net borrowings amounted to $197 million at 30 September 2003 compared with $155 million at 30 September 2002 and included $215.8 million of US dollar 3.75% convertible bonds due 2008 raised to refinance existing debt in London and for general corporate purposes. Gearing at 30 September 2003 amounted to 30% on equity interests and 23% on equity and minority interests (30 September 2002 – 23% on equity interests and 18% on equity and minority interests). Stock amounted to $100 million at 30 September 2003 compared with $41 million at 30 September 2002 as a result of increased finished metal and concentrate stocks.

Cash flow

The following table summarises the main components of the cash flow during the year:

		2003 $m	2002 $m
Net cash inflow from operating activities		296	359
Interest and finance costs		(12)	3
Tax		(57)	(181)
Trading cash flow		227	181
Capital expenditure	– purchases	(161)	(152)
	– sales	25	–
Minority dividends		(23)	(36)
Free cash flow		68	(7)
Financial investment, acquisitions and disposals		10	(78)
Shares	– issued	–	3
	– bought back	–	(128)
Capital return		–	(360)
Equity dividends paid		(101)	(109)
Cash outflow		(23)	(679)
Opening net (borrowings)/cash		(155)	523
Exchange		(19)	1
Closing net (borrowings)		(197)	(155)
Trading cash flow per share		161.0¢	118.9¢
Free cash flow per share		48.2¢	(4.6)¢

Net cash inflow from operating activities was $296 million during 2003, an 18% decrease on last year's figure of $359 million. The reduction arose from the lower profitability achieved during the year together with an increase in working capital mainly due to the higher stock levels at 30 September 2003. After interest and finance costs of $12 million and tax payments of $57 million, trading cash flow amounted to $227 million in 2003 against $181 million in 2002, with trading cash flow per share of 161.0 cents in 2003 against 118.9 cents in 2002.

Capital expenditure of $161 million was incurred during the year and sales of fixed assets represented the sale proceeds of $25 million received on the sale of Brakspruit during March 2003. After minority dividends paid of $23 million, free cash flow was $68 million and free cash flow per share was 48.2 cents (2002 – a negative 4.6 cents). Financial investment, acquisitions and disposals mainly represented the net sale proceeds received on the disposal of the Zimbabwe gold mining operations. After accounting for equity dividends paid of $101 million, the cash outflow was $23 million during 2003 and net borrowings amounted to $197 million at 30 September 2003.

Dividends The Board recommends a final dividend of 42.0 cents (2002 – 42.0 cents) making total dividends for the year of 72.0 cents (2002 – 72.0 cents). This represents a cover of 0.7 times on earnings (2002 – 1.7 times). On an underlying earnings basis, this represents a cover of 1.2 times compared with 1.4 times in 2002.

Financial risk management

The Group's functional currency remains the US dollar and the share capital of the Company is based in US dollars.

The Group does not undertake any trading activity in financial instruments.

Refinancing of Ashanti During 2002, the Company granted 12.4 million non-transferable put options to Ashanti shareholders, exercisable in three equal tranches on 28 April 2004, 28 October 2004 and 28 April 2005, all at a strike price of $3.00 per share. At 30 September 2003, there were 0.1 million of these put options outstanding.

Issue of convertible bonds On 30 September 2003 the Group raised $215.8 million of debt by issuing US dollar 3.75% convertible bonds due 2008. The majority of the proceeds from the issue were used to repay existing debt outstanding under the Lloyds $355 million bank facility in London.

Interest rate risk Monetary assets and liabilities are subject to the risk of movements in interest rates. The borrowings at 30 September 2003 represented $215.8 million of long-term fixed rate borrowings in the form of US dollar 3.75% convertible bonds due 2008, an overdraft of $44 million and an outstanding finance lease obligation of $3 million in South Africa. Cash deposits represented balances of $46 million in London and $20 million in South Africa. During October 2003, a two-year floating rate interest swap was entered into in respect of the convertible bonds with interest calculated on a six-month LIBOR in arrears basis.

Liquidity risk Liquidity risk measures the risk that the Group may not be able to meet its liabilities as they fall due and, therefore, its ability to continue trading. The Group's policy on overall liquidity is to ensure that there are sufficient committed facilities in place which, when combined with available cash resources, are sufficient to meet the funding requirements in the foreseeable future. At the year end, the Group had $581 million of committed facilities in place, of which $44 million were drawn down.

In addition, in relation to the Memorandum of Understanding signed with Impala on 18 September 2003, the Company has entered into a facility letter with Lloyds TSB Bank Plc to provide funds of up to $750 million. This would replace the existing Lloyds $355 million bank facility in London. Subsequent to the year end, $205 million of the Lloyds facility was cancelled leaving a facility of $150 million in London.

Foreign currency risk Foreign currency risk arises when movements in exchange rates, particularly the US dollar against the South African rand, affect the transactions the Group enters into, reported profits and net assets. Most of the Group's operations are based in South Africa and the entire revenue stream is in US dollars. Most of the cash held in South Africa is in US dollars and is normally remitted to the UK on a quarterly basis. Short-term working capital facilities required in South Africa are drawn in US dollars or South African rand as appropriate.

Commodity price risk Commodities trade on worldwide commodities markets and are subject to price fluctuations. Therefore, the prices obtained are dependent upon the prevailing market prices. Any change in prices will have a direct effect on the Group's trading results. During the year, forward sales of small proportions of the annual output of platinum and palladium were undertaken where the Board determined that it was in the Group's interest to secure a proportion of the future cash flows. This amounted to 38,755 ounces of platinum sold forward at prices ranging from $583 to $697 per ounce and 20,140 ounces of palladium sold forward at prices ranging from $148 to $234 per ounce. There were no outstanding positions at 30 September 2003.

John Robinson, Finance Director

DIRECTORS' REPORT

The directors of Lonmin Plc submit their report together with the audited accounts for the year ended 30 September 2003.

Principal activities of the Group

During the year the Group continued to focus on the mining, refining and sale of platinum group metals.

Analyses of Group turnover, EBITDA (Group operating profit before interest, tax, depreciation and amortisation), total operating profit, profit before exceptional items and profit before taxation, analysing between principal activities and geographical origins, appear in note 1 to the Accounts and a list of the principal subsidiary undertakings, indicating their main activities, appear on page 63.

This directors' report should be read in conjunction with the chairman's statement, the chief executive's statement, the reviews and the summary financial statement each contained within the separately published Annual Review which together give a review of historic and likely future developments in the business of the Company and the principal trading operations of the Group.

On 18 September 2003, the Company announced that it had signed a non-binding Memorandum of Understanding (the "MoU") with Impala Platinum Holdings Limited ("Impala") relating to the latter's holding of 27.1% of the share capitals of Eastern Platinum Limited and Western Platinum Limited, the Group's principal operating companies. The MoU contemplates the parties entering into binding arrangements, the effect of which will be that 9.1% of the two operating companies' share capitals will be purchased by the Company for a net cash consideration of approximately $242 million, with the balance of 18.0% acquired by a new company jointly owned by the Company and Impala, Incwala Resources (Pty) Limited ("Incwala"), for a consideration of $531 million. The Company is committed to inject $116 million into Incwala by way of an equity contribution, and it is intended that Incwala will become controlled by Historically Disadvantaged South Africans as soon as practicable.

Ashanti Goldfields Company Limited ("Ashanti")

On 4 August 2003 the Company signed an undertaking in favour of AngloGold Limited ("AngloGold") pursuant to which the Company agreed to vote its holding of 36 million Ashanti shares (representing approximately 27.5% of that company's issued share capital) in favour of the proposed merger between AngloGold and Ashanti, which was on the basis of 26 AngloGold shares for every 100 Ashanti shares held.

Following a counter-bid from Randgold Resources Limited ("Randgold") the merger terms offered by AngloGold were subsequently improved to 29 AngloGold shares for every 100 Ashanti shares held. On 15 October 2003 the Company gave an irrevocable undertaking to AngloGold not to have any discussions with Randgold, or to accept or support any proposal from Randgold unless such proposal included a fully underwritten cash alternative and the board of Ashanti determined it to be a superior proposal to that of AngloGold.

The subsequent revision of its merger terms by Randgold did not contain such a cash alternative, and on 27 October 2003 the board of Ashanti announced that it continued to recommend a merger with AngloGold. On 28 October 2003, the Government of Ghana announced that it supported the decision of the Ashanti board and would accept the offer in respect of its own shareholding in Ashanti (amounting to approximately 16.8% of the issued share capital).

Full details of the Company's investments in Ashanti are set out in note 11 to the Accounts.

Independence Gold Mining (Pvt) Limited ("Independence")

On 28 October 2002 the Group sold the entire issued share capital of Independence, which owns gold mining assets in Zimbabwe, to Pemberton International Investments Limited for a cash sum of $15.5 million, paid in full on completion.

Accounting policies

The Lonmin Group financial statements are presented in accordance with UK generally accepted accounting principles.

The Group's functional currency is the US dollar. The Group adopted the US dollar as its reporting currency with effect from 1 October 1998.

Group results

An analysis of the Group's results for the year is given in the financial review on pages 2 to 4.

Dividends

The Board recommends a net final dividend of 42.0 cents per share to be paid, subject to approval by shareholders at the annual general meeting, on Monday, 16 February 2004 to shareholders on the registers at the close of business on Friday, 23 January 2004. With the net interim dividend of 30.0 cents paid on 15 August 2003 this would make a total dividend for the year of 72.0 cents per share (2002 – 72.0 cents).

Share capital and reserves

The authorised and issued share capital of the Company at 30 September 2003 and matters relating thereto are set out in notes 21 and 22 to the Accounts.

The total share capital and reserves of the Group amounted to $648 million at 30 September 2003. This compares with $675 million at 30 September 2002.

During the year, the Company allotted 59,225 ordinary shares of $1 each, for cash, following the exercise of options granted under the Company's employee share schemes.

On 30 September 2003, the Company issued approximately $215.8 million of unsecured 3.75% Convertible Bonds, due 30 September 2008. The conversion price of these bonds will be $20.4023 (£12.3277) per share, equating to a 30% premium to the reference price on the date of issue. Full conversion of these bonds would necessitate the issue of approximately 10.58 million ordinary shares, equating to 7.5% of the current issued share capital.

Further details are given in notes 21 to 23 to the Accounts.

The Company made no purchases of its own shares during the year, and no shares were made subject to a lien or charge.

Resolutions seeking shareholders' consent to the allotment of unissued share capital, the limited dis-application of the statutory pre-emption rights, and to make market purchases of the Company's shares, will be proposed at the forthcoming annual general meeting. Further details are set out in the circular accompanying this Annual Report.

Directorate

The present Board of the Company and biographical details are set out on pages 26 and 27 of the Annual Review. All those named held office throughout the year, with the exceptions of Peter Ledger, who was appointed an executive director on 21 November 2002, Michael Hartnall, who was appointed an independent non-executive director on 8 May 2003 and Peter Harper, who retired as a non-executive director on 26 October 2002.

At the forthcoming annual general meeting Ian Farmer, Peter Godsoe and Roger Phillimore retire by rotation and Michael Hartnall retires having been appointed since the last annual general meeting. Being eligible, each offers himself for re-election. As noted in the directors' remuneration report on page 16, Mr Farmer has a service contract with the Company entitling him to 364 days' notice of termination. The other three retirees are independent non-executive directors. As such, they have no service contracts with the Company and are not entitled to any notice period.

Directors' interests

No director had at any time during the year a material interest in any contract of significance in relation to the Company's business or any interests in the Convertible Bonds issued on 30 September 2003.

The following interests of the directors who held office at the end of the year are recorded in the Company's Register of Directors' Share and Debenture Interests. Fuller details of the directors' interests arising under the Company's share option schemes are shown in the directors' remuneration report on page 22. All interests in the table are beneficial.

	Shares		Share options			
	30.09.03 and 25.11.03	1.10.02 (or later date of appointment)	30.09.03 and 25.11.03	30.09.03 and 25.11.03	1.10.02 (or later date of appointment)	1.10.02 (or later date of appointment)
				Weighted average exercise price		Weighted average exercise price
	Shares of $1 each	Shares of $1 each	Shares of $1 each	Pence per share	Shares of $1 each	Pence per share
Sir John Craven[1]	44,953	42,770	–	–	–	–
Ian Farmer	2,680	2,680	116,018	847.1190	89,018	818.3407
Peter Godsoe	3,360	3,360	–	–	–	–
Peter Harper[2]	–	15,597	–	–	–	–
Michael Hartnall[3]	–	–	–	–	–	–
Edward Haslam	18,030	18,030	140,018	835.9786	140,018	835.9786
Sam Jonah[4]	31,696	16,034	31,324	434.1664	46,986	414.4799
Peter Ledger[5]	39,640	39,640	105,170	829.8136	82,170	797.2070
Sir Alastair Morton	1,296	1,296	–	–	–	–
Roger Phillimore	2,636	2,508	–	–	–	–
John Robinson	7,722	7,631	121,986	805.9857	94,986	767.3234

Notes

1 Sir John Craven held 44,070 shares at 30 September 2003 but as at 25 November 2003 he held 44,953 shares as a result of the operation of the Company's DRIP.

2 Mr Harper retired as a director on 26 October 2002. There was no change in his share interests between 30 September 2002 and the date of his retirement.

3 The opening balance for Mr Hartnall relates to 8 May 2003, the date on which he was appointed a director.

4 On 1 July 2003, Dr Jonah exercised an option over 15,662 shares at a price of 375.1070p per share. The closing mid-market quote for the Company's shares on the date of exercise was 802.5p. Dr Jonah's notional pre-tax gain was therefore £66,938, although he has retained the shares issued to him on exercise of the option.

5 The opening balance for Mr Ledger relates to 21 November 2002, the date on which he was appointed a director. His share interests include 39,640 shares held by him in The Lonmin Plc Employee Share Trust, as part of the operation of the Lonmin Plc Share Plan. Subject to Mr Ledger remaining in the employment of the Group, 40% and 60% of these will pass into his ultimate ownership on 1 January 2005 and 1 January 2007 respectively. The trust holds an additional 306,360 shares for other key managers of Lonmin Platinum, and Mr Ledger has a non-beneficial interest in those shares.

6 Save as disclosed, there were no changes to the date of this report.

7 On 30 September 2003 options were granted to Mr Farmer, Mr Ledger and Mr Robinson over 27,000, 23,000 and 27,000 shares respectively at an exercise price of 942p per share. These options are included in the table.

The closing middle market quotation for the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List, was 933p on 30 September 2003, and the price ranged between 661.5p and 999.5p during the financial year.

Substantial shareholdings

As at 25 November 2003 the Company had been notified of the following interests in three per cent or more of the Company's issued ordinary share capital:

	Number of Lonmin Plc shares	Percentage of the Company's issued share capital
Prudential Plc, and certain subsidiary companies ("Prudential")	17,177,999	12.18
Aegon Asset Management UK and certain subsidiary companies ("Aegon")	5,827,062	4.13
Zurich Financial Services and certain subsidiary companies ("Zurich")	5,645,872	4.00
Aviva Plc (and its subsidiary Morley Fund Management)	4,515,544	3.20
FMR Corp and Fidelity International Limited and certain of their direct and indirect subsidiaries ("Fidelity")	4,479,620	3.18
Legal and General Investment Management Limited ("Legal & General")	4,385,355	3.10

Notes

The interests of Aegon and Legal & General are held as fund managers on a discretionary basis for undisclosed principals. Of the interests of Aegon, interests in 4,389,275 shares have been notified pursuant to the requirements of Section 198 of the Companies Act 1985 ("the Act").

The interests of Prudential consist of both beneficial holdings and those managed on a discretionary basis for undisclosed principals. Interests in 5,943,997 shares have been notified pursuant to the requirements of Section 198 of the Act.

The interests of Fidelity arise in the context of passive investment activities only by the various investment accounts managed by Fidelity on a discretionary basis. Fidelity is a non-beneficial holder.

The interests of Zurich and its Group are held either as a beneficial owner or as a fund manager on a discretionary basis for undisclosed principals.

Charitable and political donations

No political donations were made during the year. Charitable donations made by the Group during the year in the United Kingdom amounted to £3,112 ($4,943) (2002 – £62,105 ($91,546)). The Group also made contributions to social welfare causes in South Africa during the year amounting to R21.1 million ($2.7 million) (2002 – R29.9 million ($2.8 million)). In addition the Company has granted, for a nominal service charge, a licence to the African Medical and Research Foundation United Kingdom (AMREF UK), a registered charity, to occupy temporarily spare offices at the Company's premises in London. AMREF is Africa's largest indigenous health charity and promotes African initiatives for sustained health across the Continent. The organisation tests new ideas through operations research, trains disadvantaged communities through capacity building and advocates for policy change at an international level. This has significant impact on health burdens such as HIV/AIDS which is a major concern to the Lonmin Group. Roger Phillimore is a non-executive member of the Council of Management of AMREF UK.

Research and development

Group companies continue to be actively involved in research and development projects in the areas of mineral extraction and refining. Further information is given in the review of operations on pages 8 to 11 of the Annual Review.

Policy on the payment of creditors

The Company complies with and has registered its support of the Better Payment Practice Code issued by the Better Payment Practice Group. The Company has a consistent policy and practice of paying its bills in accordance with contracts by settling the terms of payment with its suppliers when agreeing the terms of each transaction, either by accepting suppliers' terms of payment or by ensuring that suppliers are made aware of alternative terms of payment, and then abiding by the terms of payment. Trade creditors of the Company at 30 September 2003 represented 12.41 days (2002 – 4.54 days) of annual purchases.

Pension schemes

There are two pension schemes of Lonmin Group companies in the United Kingdom – the Lonmin Superannuation Scheme and The Scottish and Universal Investments Limited Group Pension and Life Assurance Scheme. Each Scheme has independent investment managers. From time to time the investment managers will hold on behalf of each Scheme small investments in Lonmin shares.

Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditors of the Company will be proposed at the forthcoming annual general meeting.

Annual General Meeting

The 2004 Annual General Meeting will be held at 11.00 am on Thursday, 5 February 2004 at The Ballroom, The Park Lane Hotel, Piccadilly, London W1J 7BX. A separate circular containing the Notice of Meeting, together with an explanation of the items of special business, is enclosed with this Annual Report.

Directors' responsibilities

A statement of the Directors' responsibilities in respect of the preparation of financial statements is given in the Corporate Governance section on pages 10 to 13.

By order of the Board
Rob Bellhouse
Company Secretary

25 November 2003

Lonmin Plc
4 Grosvenor Place
London SW1X 7YL

Registered in England
Number 103002

CORPORATE GOVERNANCE

The Combined Code In June 1998 the Committee on Corporate Governance published their final report which comprised two parts:

- a statement of the Principles of Good Governance, and
- a code of best practice, commonly known as the Combined Code.

The Company complies, and has during the year to 30 September 2003 complied, with all the provisions affecting companies (known as section 1) of the Combined Code.

The purpose of this report is to explain how the Company has applied the principles of good governance so far as these relate to listed companies. These cover four subject areas:

- directors;
- directors' remuneration;
- relations with shareholders; and
- accountability and audit.

With the exception of the principles relating to directors' remuneration (which are covered fully in the directors' remuneration report) the Board has applied the principles as follows:

Directors The Company is led and controlled by the Board of directors which currently has ten members, an independent non-executive chairman, four executive directors and five non-executive directors, four of whom the Board judges to be independent. The Board meets regularly, normally on eight occasions during the year and more frequently if necessary, including two meetings in South Africa. It has a formal schedule of matters reserved for its decision, and receives regular and timely information in a form and of a quality to enable it to discharge its duties. All directors are encouraged to make further enquiries as they feel appropriate. In addition certain directors are also directors of the principal operating subsidiaries. The Board retains full responsibility for the direction and control of the Company and no strategic powers were delegated to any committee in the year under review. All directors have access to the services of the company secretary, who is responsible for ensuring compliance with Board procedure and applicable laws and regulation. Any question of the removal of the company secretary would be a Board decision. There is a procedure in place for directors to take independent professional advice, if necessary, at the Company's expense. All directors are entitled to receive training, either on first appointment or subsequently as necessary.

The roles of chairman and chief executive are clearly separated. All directors have equal responsibilities as Board members and bring an independent judgement to bear on key issues and standards of conduct, but the Board has been structured with the executive directors having responsibility for running the Company's business and the non-executive directors bringing expertise and experience from other fields. This results in a balanced Board, with no one individual or group of individuals being able to dominate the Board's decision taking. In addition, concerns can be conveyed to Sir Alastair Morton, who is designated as the Senior Independent Director, in addition to bringing these to the attention of the chairman. Using the definition of independence contained in the new version of the Combined Code, the Board judges all of the non-executive directors to be independent, with the exception of Sam Jonah. Under the terms of the definition, Dr Jonah is not "independent" due to his previous executive career with the Group. However, the Board believes that independence is a state of mind and as such is not suited to a precise, objective test, and believes that Dr Jonah demonstrates independence of judgement.

All directors submit themselves to shareholders for re-election after first appointment and then at least every three years.

To ensure a formal and transparent procedure for the appointment of new directors to the Board, a Nomination Committee has been empowered, currently comprising Roger Phillimore (chairman) and Peter Godsoe, both of whom are independent directors. Its function is to review on an ongoing basis and at least annually the membership of the Board and recommend to the Board any proposed changes, be they executive or non-executive.

Relations with shareholders The principles encourage a dialogue with institutional shareholders based on the mutual understanding of objectives. The directors have regular dialogue with institutional shareholders, where they believe this to be in the interests of shareholders generally.

The principles also encourage boards to use the Annual General Meeting to communicate with private investors and to encourage their participation, as well as offering some detailed guidance on procedure in connection with AGMs. The Board has followed these particular principles for many years. The Company also has a website (www.lonmin.com) containing up-to-date information on the Group's activities and investor relations materials.

Accountability and audit *Directors' responsibilities* Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Directors' approach The Board's objective is to present a balanced and understandable assessment of the Company's position and prospects, particularly in the annual review, interim report and other published documents and reports to regulators.

In 1993 the Board established an audit committee which during the year comprised Sir Alastair Morton (chairman), Michael Hartnall (from his date of appointment) and Roger Phillimore, all of whom are independent non-executive directors. Sir John Craven was also a member of the committee until the date of Mr Hartnall's appointment. From 1 October 2003, Mr Hartnall has chaired the committee, which meets at least four times a year, including two meetings in South Africa. The executive directors and the external and internal auditors are invited to attend as appropriate. The committee has written terms of reference, which are regularly reviewed and approved by the Board, and its principal objectives are:

- to review the Group's accounting policies;
- to review the annual and half-year financial statements prior to their submission to the Board;
- to receive reports from the internal auditors on internal controls and to review with management and the external auditors the effectiveness of all such internal controls;
- to review the scope and results of the external audit, assess the cost effectiveness of the audit and the independence and objectivity of the auditors, including their relationship with management;
- to ensure compliance by the Group with legal and regulatory requirements, including matters affecting good corporate governance; and
- to receive reports from the risk committee on the effective management of the major risks to which the business is exposed.

The audit committee met five times formally during the year and there were a number of informal contacts between members and the finance director.

Going concern The directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements. The directors have satisfied themselves that the Group is in a sound financial position and that sufficient borrowing facilities will be available to meet the Group's foreseeable cash requirements.

Internal control and risk management The Company has complied with the Combined Code provisions on internal control. The Board has overall responsibility for the Company's system of internal control whilst management is responsible for implementing Board policies on risk and control. Any system of internal control can only be designed to manage, rather than eliminate the risk of failure to achieve the business objectives, and cannot provide absolute assurance against material misstatement or loss. There is a continuous process for identifying, evaluating and managing the significant risks faced by the Company which has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. The Company has an internal audit function which, to maintain independence and accountability, is outsourced to an external provider. During the year, the Company decided to transfer this work from its external auditors, KPMG, to Ernst & Young, who hold no other role with the Company. The audit committee supervised the selection and terms of reference of the new internal auditors.

The audit committee reviewed with the internal auditors and management the development of the Company's management of risk, operational, financial and other, associated with its activities as a major mining enterprise in South Africa. The risk committee, chaired by the chief executive, reports to the audit committee, whose chairman attends its meetings.

The component parts of the Company's approach to managing risk, which is regularly reviewed by the Board, include the following:

- Executive management is responsible for identifying the key risks facing each business. Lonplats and the Group produce a risk register identifying their key risks, the probability of those risks occurring, the anticipated impact and the mitigation measures in place. The risk registers are incorporated into Combined Assurance Plans, which allocate responsibility for managing risk to different layers of management.
- The Lonplats safety, health and environment (SHE) committee meets quarterly to review operational risk and identify ways and means of better managing risk in our business.
- The risk committee receives regular monitoring reports and meets three times a year to discuss performance in managing the key risks, whether there has been any change in these exposures and reviews the role that insurance can play in helping to mitigate the Group's risks. The chairman of the audit committee attends meetings of the risk committee and provides a full assessment of its work to the audit committee. Copies of its minutes are also circulated to the audit committee members.

The audit committee has specific responsibilities for:

- reviewing the external and internal audit work plans;
- considering reports from management and the internal and external auditors on the systems of internal control and any material control weaknesses identified;
- discussing with management the actions taken on any issues identified in these reports; and
- reviewing the effectiveness of the risk management process and identifying any significant issues which need to be referred to the Board for consideration.

The chairman of the audit committee reports the outcome of its meetings to the Board, which also receives the minutes of all audit committee meetings.

The Board, through reports from the audit committee, then reviews the following:

- the outcome of letters of assurance which are completed by management confirming compliance throughout the year with the Group's policies, procedures, risk management processes and other matters;
- reports on risk and internal control from management, the internal and external auditors, and the Combined Assurance Plans, including schedules of significant risks; and
- reports on how the risks have changed over the year under review and any issues arising.

The Board is also responsible for reviewing the effectiveness of the system of internal control, including financial, operational and compliance controls and risk management, and has undertaken such a review as part of the process of compiling this report.

Social, environmental and ethical (SEE) risks The Group is committed to high ethical standards so that business can be conducted honestly, fairly and legally. To this end the risk committee and the Lonplats SHE committee regularly considers the significance of SEE matters to the business of the Group, and receive information within the overall risk review process to enable them to make this assessment. Their aim is to identify and assess the significant risks to the Group's short and long term value arising from SEE causes, as well as the opportunities to enhance value that may arise from addressing these issues. SEE risks are therefore managed no differently from any other risks using the Group's standard policies and procedures for managing all risks on an ongoing basis. The corporate accountability statement within the Annual Review contains further information on the subject.

Future corporate governance In July 2003 the Financial Reporting Council published a revised version of the Combined Code, which will apply to accounting periods of companies commencing on or after 1 November 2003. Whilst the new regulation would therefore strictly only apply to the Company's financial year commencing on 1 October 2004, the Board believes it to be advantageous to give due consideration to the new Combined Code at an early date. The directors are presently assessing how best to give effect to the recommendations contained in the new Combined Code.

DIRECTORS' REPORT ON REMUNERATION

The report below has been prepared by the remuneration committee and approved by the Board. The Company's auditors, KPMG Audit Plc, have audited all the tables of data and related footnotes in this report, and any other items stipulated, by law, for their review.

The Remuneration Committee

The remuneration committee was established in November 1993, and its terms of reference were most recently revised in November 2002. Its principal functions are:

- to make recommendations to the Board on the Company's framework of executive remuneration;
- to determine individual remuneration packages within that framework for the executive directors and senior employees;
- to oversee the administration of the Company's share option schemes; and
- to review directors' expenses,

all of which it carries out on behalf of the Board.

The committee comprises Roger Phillimore (chairman), Peter Godsoe, Michael Hartnall and Sir Alastair Morton. All of its members are independent non-executive directors, who have no financial interest (other than as shareholders) in the matters to be decided, no potential conflicts of interest arising from cross-directorships and no day-to-day involvement in running the business of the Group. Given their diverse backgrounds and experience, these four independent non-executive directors are able to offer a balanced view on executive remuneration issues. The committee met six times during the year, and has met on a further two occasions between the year end and the date of this report.

During the year, the committee was advised by Monks Partnership, an independent firm of remuneration consultants who were appointed by the committee and report exclusively to the committee. Monks Partnership had no other involvement with the Company or Group during the year, save for the provision of advice on the level of the non-executive directors' fees to the Company. PricewaterhouseCoopers, which owns Monks Partnership, provided minor consultancy services relating to employment taxation to the Company during the year. The committee was assisted in its work by the company secretary, who also acts as secretary to the committee, and received recommendations from the chief executive in relation to remuneration of executive directors and senior managers.

The Combined Code

The June 1998 version of the Combined Code (referred to on page 10) contains various requirements relating to directors' remuneration, which have been applied as noted in this report. The Company complies and has throughout the year complied with all of the Code's principles and provisions. Importantly, no director ever plays any part in setting the level of his own remuneration.

The committee has noted the suggestions for best practice concerning remuneration contained in the revised Combined Code published in July 2003 by the Financial Reporting Council and is pleased to confirm that the Company is fully compliant.

Current remuneration policy and practice

Non-Executive Directors The fees of the non-executive directors are determined by the Board, with the benefit of professional advice. When deciding an appropriate level of fee for each non-executive director, the Board considers the responsibility and time commitment required of each individual, taking into account the number of meetings each attends; the time required for reading Board and other papers, their membership or chairmanship of Board committees or (in the case of Sir John Craven) chairmanship of the Board, and the significant overseas travel required of all non-executive directors by the Company.

During the year the fees of the non-executive directors were reviewed by the Board with the benefit of professional advice, provided by Monks Partnership. The non-executive directors did not play any part in these deliberations. The catalyst for the review was the increased, and increasing, responsibilities imposed on non-executive directors by the needs of good corporate governance, the Company's need to ensure that it can continue to attract and retain individuals of the highest calibre and the demands made on our non-executive directors resulting from the extent of strategic repositioning. The conclusion of the review was that fee levels were no longer adequate in current and foreseen circumstances and accordingly an adjustment was made, as reflected in the table of remuneration in this report.

Executive Directors The remuneration committee's objective is to provide the Company with a remuneration framework enabling it to attract, retain and motivate executive directors of the required quality, but without paying more than is necessary for this purpose. In setting the remuneration of individuals within this framework, the committee seeks to give the executive directors every encouragement to enhance the Company's performance whilst ensuring that they are fairly, but responsibly, rewarded for their individual contributions. The committee also monitors the elements and amounts of remuneration paid by comparable companies and takes account of relative performance.

Based on advice received from its consultants, the committee believes that the overall values of the remuneration packages of the executive directors are broadly comparable to those awarded by peer group companies. However, the analysis produced for the committee demonstrates that, relative to comparable companies, the current pay structures provide insufficient incentives by way of performance-related remuneration. The committee firmly believes that for the executive directors to succeed in delivering value to shareholders over the long term, they need to be given a more material and clearly identifiable incentive element within their individual remuneration packages.

As a first step towards this more performance-related remuneration strategy, the committee introduced the opportunity for all executive directors, and selected senior managers, to earn an annual cash bonus during the year. Further details of this scheme are set out in this report. The annual general meeting of the Company in 2004 will be asked to approve a new incentive plan in which the executive directors will be eligible to participate. Further details of these proposals are set out in the circular containing the notice of annual general meeting circulated with this annual report. The committee believes that participation in this plan and the annual cash bonus scheme should create a more meaningful performance-related element in each director's overall remuneration, and therefore enhance the focus on the creation of shareholder value over the longer term.

The committee is alert to the danger of paying more than is necessary, and intends to closely monitor both basic pay and total remuneration for executive directors and senior managers in the light of individual and corporate performance, to ensure that the Company's reward structures remain appropriate.

The basic components comprising the remuneration package of each executive director in the year under review were basic pay, benefits in kind, an annual cash bonus, participation in the Company's share schemes and membership of an occupational pension scheme.

Service contracts

The service contracts of Edward Haslam, Ian Farmer and John Robinson for part of the year provided for periods of notice of more than one year. These notice periods reduced on a month for month basis between 1 October 2002 (at which time the required notice was fifteen months) and 31 December 2002 (when the notice period was reduced to 364 days). All executive directors now have notice periods of 364 days.

The remuneration committee would be responsible for settling any payment to be made if a director's employment ended, and would have full regard to the provisions of the Combined Code and other components of best practice in this area. In particular, no director is contractually entitled to a payment in lieu of notice and the committee would have regard to the individual's legal duty to mitigate their loss when settling any compensation due following termination of employment.

Edward Haslam holds a contract with the Company dated 18 October 2002. This is a rolling contract terminable (other than for gross misconduct and certain other circumstances which may result in summary dismissal) on 364 days' prior written notice by either the Company or the individual. In the event of termination, the Company is entitled to impose a period of 'gardening leave' of up to six months, if it so chooses.

Ian Farmer holds a contract with the Company dated 15 October 2001, and John Robinson holds a contract with the Company dated 1 April 1999 most recently amended by a variation dated 15 October 2001, both of which are in virtually identical form to that of Mr Haslam.

Peter Ledger is based in South Africa and has a contract with the Group dated 6 October 1988, most recently amended by a variation dated 25 November 2002. He is employed on a rolling contract terminable on 364 days' prior written notice by either the Company or the individual.

The non-executive directors are each appointed for a fixed period of three years, subject to the provisions of the Company's articles of association for retirement by rotation and for earlier cessation for any other reason. No compensation would be payable to non-executive directors for loss of office, save for any arrears of fees.

Non-Group Directorships Sam Jonah is the chief executive of Ashanti Goldfields Company Limited and has, and during the year has had, no executive role with Lonmin Plc. He was, until 28 February 2003, an employee of the Company and up to this date Lonmin provided his remuneration and other benefits, with Ashanti reimbursing the Company in full. From 1 March 2003 onwards, Ashanti has paid Dr Jonah directly, although he has continued to serve as a non-executive director of Lonmin Plc. Dr Jonah is also a director of several non-Group companies and organisations.

No executive director holds any executive directorship or appointment outside the Group. It is both the Company's policy, and generally a requirement of the individual's contract of employment, that no executive director may take up such an appointment without the approval of the Board.

The Board believes that in the right circumstances the holding of non-executive directorships and similar appointments by executive directors can be useful and appropriate if they help those involved gain additional skills and experience, or promote the interests of the Group. Whilst it would be considered on a case-by-case basis, any individual holding such a role outside the Group would generally be permitted to retain any fees or other payments relating to that appointment.

Mr Haslam is a non-executive director of Ashanti Goldfields Company Limited and of Furuya Metals Co Limited, Tokyo. Mr Farmer is a non-executive director of the International Platinum Association. Neither retains any remuneration in respect of their services to these companies.

Performance graphs

The primary role of the directors is to deliver value to shareholders, and it is against this backdrop that their remuneration must be assessed. The following graphs show the value, at 30 September 2003, of £100 invested in Lonmin's shares five years previously, compared with the current value of the same amount invested at the same date in the FTSE All Share index and the FTSE Mining Sector. The Company is a constituent of both these indices, and the Board believes that these comparisons most fairly illustrate the Company's performance in delivering value to shareholders relative to both the market as a whole and its peers.

Source: Cazenove

Directors' remuneration

For the year ended 30 September 2003 the directors were remunerated as follows:

Director	Salary and fees £	Bonus £	Benefits in kind[1] £	Total for year to 30.9.03 £	Total for year to 30.9.02 £
Executive directors					
Edward Haslam	451,170	186,018	51,878	689,066	472,029
Ian Farmer	248,745	85,568	36,785	371,098	277,194
Peter Ledger[2]	200,002	71,730	26,465	298,197	–
John Robinson	281,190	96,729	23,057	400,976	295,054
Non-executive directors					
Sir John Craven	204,529	–	–	204,529	120,000
Peter Godsoe[3]	60,000	–	–	60,000	41,984
Peter Harper[4]	6,212	–	–	6,212	50,000
Michael Hartnall[5]	24,760	–	–	24,760	–
Sam Jonah[6]	50,000	–	–	50,000	50,000
Sir Alastair Morton	80,000	–	–	80,000	45,000
Roger Phillimore	107,442	–	–	107,442	60,000

Notes

1 Benefits in kind for the executive directors comprised the provision of a fully-expensed car, the provision of annual health checks and private medical insurance and, in the case of Mr Haslam and Mr Farmer, a children's education allowance. Mr Haslam also benefits from life assurance in excess of the Inland Revenue earnings cap, the cost of which is taxable as a benefit in kind and which is included in the table above.

2 Mr Ledger was appointed a director on 21 November 2002 and his remuneration disclosed above relates to the period of approximately ten months from then until the year-end.

3 Mr Godsoe was appointed a director on 29 November 2001. The comparator figure for the year to 30 September 2002 therefore relates to a period of approximately ten months.

4 Mr Harper retired on 26 October 2002.

5 Mr Hartnall was appointed a director on 8 May 2003 and his remuneration disclosed above relates to the period of approximately five months from then until the year-end.

6 The figures set out above for Dr Jonah are for the entire year under review and relate solely to his remuneration as a director of the Company which, as explained above, was in a non-executive capacity.

7 No director received any expense allowances or any compensation for loss of office during the year.

8 Although the Group's functional currency is US dollars, these figures are stated in sterling as the directors' emoluments are predominantly paid in this currency.

9 The data in this table has been audited by KPMG Audit Plc.

Annual cash bonuses

As part of its initiative to increase the proportion of performance-related incentive pay, during the year, the remuneration committee introduced an annual cash bonus scheme for the executive directors and key senior executives of the Company and Lonplats. The scheme enables the directors to earn a bonus of up to 40% of their basic pay (50% in the case of the chief executive) if the targets set within the scheme are met.

The committee examined different methods of evaluating corporate performance. The Company's financial results are heavily affected by the commodity pricing of the metals we mine, refine and sell, and by the exchange rate of the currency in which our costs are incurred (the South African rand) against the US dollar. The combined effect of these two variables, over which the Company has no control, is that our profit and earnings per share figures are extremely volatile, and not predictable. For this reason, the committee concluded that it did not have a profit measure available to it that was sufficiently robust or capable of forward projection. Since the purpose of the annual bonus plan is to drive superior management performance over the short term, it was decided to base the plan on those key measures that are capable of responding to management influence.

The bonus comprises two elements being:

- the operational element – equally weighted between platinum production (measured in troy ounces), production cost control in local currency terms (in terms of annual percentage increase) and mine safety performance (measured as a rate relative to millions of man hours worked), with stretching targets needing to be achieved before payment can result; and
- the strategic element – an assessment of the progress made in achieving the corporate developments needed to help ensure that we deliver value to shareholders over the long-term. Whilst this element is inherently more subjective, the committee's objective in creating this bonus element was to reward material progress in addressing the immediate strategic imperatives facing the Company. For the year under review these were primarily the need to address Black Economic Empowerment in South Africa, to continue our strong track record of protecting the environment and development of the Company's future strategy.

The weighting between the two elements is 65/35 for the executive directors and 80/20 for senior managers, due to their lower involvement in strategic direction. The committee believes that a scheme of this type helps to provide an appropriate degree of performance-related pay within the executive's overall remuneration, so creating a meaningful incentive to out-perform.

Pensions

Defined benefit arrangements Edward Haslam, Ian Farmer and John Robinson are members of the Lonmin Superannuation Scheme, an Inland Revenue approved UK contributory final salary scheme established as a trust independent of the Company which provides benefits for all UK employees of Lonmin Plc. The scheme is fully funded and normal retirement age for all members in service at or after 1 April 1998 is 60; members in service prior to that date can opt to retire at 65. The trust deed requires active members to make contributions to the scheme from salary and the Company to contribute in line with the recommendations of the scheme actuary, at the trustees' request. The Company has on the actuary's advice contributed to the scheme during the year.

The scheme is designed to enable all members to obtain a good standard of benefit from secure and well managed investments within the Inland Revenue maximum at normal retirement subject to their having completed appropriate periods of service. The scheme is contracted-out of the State arrangements and is fully compliant with all relevant legislation and regulatory requirements. Independent advice is sought by the Company and trustees when administering the Scheme and managing the assets. The trustees meet quarterly to review and manage all aspects of the scheme.

Commutation of pension is permitted at retirement, so enabling members to exchange part of their pension for a tax-free lump sum, subject to Inland Revenue limits.

In the event of death whilst in service a capital sum equal to four times salary is payable by the trustees together with a pension to a qualifying spouse or dependant of two-thirds of the prospective pension which would become payable to the member at age 60. In certain circumstances where there are young children or children in full-time education or vocational training, an allowance would also be payable to them.

In the event of death after leaving service but prior to retirement, a pension would be payable to a qualifying spouse or dependant.

In the case of death after retirement, a spouse's pension of two-thirds of the member's pre-commutation pension would be payable, revalued up to the date of death. If the member's death occurs within five years of retirement, the balance of the five years' unpaid pension would also be payable.

In line with the requirements of the Pensions Act 1995, pensions accrued since 6 April 1997 are (once in payment) increased each year by the lower of five per cent and the increase in UK retail price inflation (RPI). Pensions in excess of any Guaranteed Minimum Pension accrued prior to 6 April 1997 will increase by the lower of three per cent and the increase in RPI.

The Inland Revenue earnings cap restricts both pension and life assurance benefits for higher paid employees who became members of their scheme on or after 1 June 1989. It therefore does not apply to Ian Farmer and John Robinson, each being members before that date. It does apply to Edward Haslam and as a consequence he benefits from an unfunded retirement benefit scheme operating on a defined benefits basis, which is included in the data disclosed below.

Prior to joining the UK scheme on 12 November 1999, Mr Haslam was a member of The Lonmin Superannuation Scheme (Overseas). This plan was established in Jersey to provide benefits broadly similar to those under the UK scheme for those directors and senior executives of the Group employed overseas. Mr Haslam retains accrued benefits in this scheme as a deferred member, which are included in the numerical disclosures.

Further details of the executive directors' defined pension benefits are:

Director	Additional pension earned in the year [1]	Accrued pension at 30.9.03 [2]	Transfer value of accrued pension at 30.9.02 [3]	Transfer value of accrued pension at 30.9.03	Increase in transfer value [4]	Increase in transfer value net of employee's contributions [5]	Increase in transfer value net of inflation and employee's contributions [6]
	£	£	£	£	£	£	£
Edward Haslam	11,739	140,659	2,304,030	2,656,690	352,660	347,755	284,187
Ian Farmer	6,734	78,740	537,450	644,050	106,600	94,359	79,531
John Robinson	8,769	128,567	1,311,720	1,529,450	217,730	203,867	167,676

Notes

1 This additional pension earned in the year is stated without allowance for UK retail price inflation of 2.8% year-on-year. There were no changes to the basis on which benefits accrued during the year.

2 The pension entitlement shown above is that which would be paid annually on retirement at age 60, but based on service to 30 September 2003. The normal retirement dates for the three directors are 17 April 2004 (Edward Haslam), 25 March 2022 (Ian Farmer) and 4 August 2014 (John Robinson).

3 The Institute and Faculty of Actuaries introduced a new basis of calculating transfer values during the year, and the prior year figures above have been restated to take account of this change so that they are directly comparable between years.

4 The increase in transfer value represents the additional capital amount necessary to fund the increase in the accrued pension that the director would be entitled to take with him as part of the total transfer value, were he to leave the Company and move his benefits to another scheme. The figure therefore reflects prevailing market conditions at the date on which it is evaluated. For clarity, the transfer value is not a sum due to the director.

5 This adjusts the increase in transfer value to reflect the fact that the director has shared in the funding of the increased pension provision by contributing 5% of his basic pay to the scheme.

6 This adjusts further the increase in transfer value to reflect UK retail price inflation of 2.8%.

7 The data in this table has been audited by KPMG Audit Plc.

The pension entitlements shown in the table exclude any benefits that might be attributable to additional voluntary contributions.

Defined contribution arrangements Sam Jonah has a personal pension arrangement. This is a non-contributory arrangement funded until 28 February 2003 by the Company and fully reimbursed pursuant to an agreement with Ashanti Goldfields Company Limited. Since that date, Ashanti has been responsible for Dr Jonah's pension provision. No figures are therefore given for Dr Jonah.

Peter Ledger is a member of the Sentinel Mining Industry Retirement Fund, an industry-wide defined contribution plan established in South Africa. Members contribute 7.5 per cent. of their salaries and their employer contributes a total of 20.52 per cent. which the fund uses to provide retirement, disability and death benefits. For the year ended 30 September 2003, these employer contributions amounted to £26,979 (R341,145 ($43,293)). This data has been audited by KPMG Audit Plc.

Pensions generally

No element of any director's remuneration other than basic salary is pensionable.

Except as disclosed above, the Company has given no undertakings to arrange or bear the cost of any other pension benefits for any director. No former director enjoys pension benefits in excess of those provided, in accordance with the provisions of the trust deeds and rules, to all members of the relevant scheme.

Share schemes

Executive share option schemes Eligibility to participate in these schemes is not subject to a performance criterion, and the executive directors are therefore able to receive a grant of options, save that anyone in the final year of employment before retirement cannot be granted an option. On this basis, options were granted to three executive directors during the year, as shown in the table of share options.

The purpose of the scheme is to provide directors and employees with an incentive to deliver value to shareholders and, by exercising their option, to benefit directly from their contribution to furthering the interests of the Group. Since 1994, this has been achieved by making the exercise of options by all participants subject to stretching but realistic performance conditions relating to the delivery of value to shareholders, which must be met before the option can be exercised. Details of these for the Company's various executive share option schemes are as follows:

Options granted before 1994 – in common with virtually all plans in force at that time, and in full accord with best practice then in force, exercise was not subject to attainment of a performance condition.

Options granted in or after 1994 but before 1998 – exercise was subject to attainment of the performance condition that, over a consecutive three-year period, the total return to shareholders was greater than the total return on the FTSE Actuaries All-Share Index during the same period. That condition was attained during 2000 and the options granted during this period became exercisable.

Options granted in or after 1998 but before 2002 – exercise was subject to attainment of a similar performance condition. However, to relate the condition specifically to the industry in which we operate this required that the total return to shareholders over a consecutive three-year period must be greater than the total return on the Mining Sector of the FTSE Actuaries Share Indices. The conditions attaching to the options granted in 1998, 1999 and 2000 were attained in 2001, 2002 and October 2003 respectively and these options became exercisable.

Options granted in or after 2002 – whilst exercise remains subject to achievement of total shareholder return (TSR) greater than that on the Mining Sector of the FTSE Actuaries Share Indices, this must be achieved in one of the periods of three, four, five or six years following the date of grant, in each case relative to a fixed base year. Further information on the performance condition is given in note 22 to the Accounts.

The Company routinely assesses whether these performance conditions have been met by reference to both published data, and information supplied by its advisers.

Share plan

In addition, the Board is mindful of the limited availability of proven and experienced managers in South Africa and the consequent need to provide existing management with meaningful incentive packages, making them more likely to remain in our employment.

The Company therefore established an independent trust which has purchased shares of the Company in the market, funded by a loan from the Company of £3.8 million ($5.4 million). The trust currently holds 346,000 ordinary shares of US$1 each, which are held for issue to selected key managers of Lonplats (but not the Company) over a five-year period, under the rules of the Lonmin Plc Share Plan. This is designed as an employee retention scheme, although there is an inherent incentive element since participants will benefit from any increase in the Lonmin share price. For administrative and other reasons the trust has not allocated shares outright to participants, but has granted options over 339,240 shares at a price of £0.01 per share. Peter Ledger was granted and exercised options under the plan prior to his appointment as a director and the resulting shares are included in the table of shareholdings on page 7. No other directors participate in this arrangement.

Sharesave

The Company offers an Inland Revenue approved savings-related share option scheme to all UK-remunerated employees, including certain of the executive directors. Under this scheme, the participant enters into a savings contract and in return is granted an option over the Company's shares to be funded by the balance on their savings account at the end of the contractual savings period. The option price may, at the Board's discretion, be at a discount of up to 20% to the prevailing mid-market price at the time of granting. The Company has historically granted all such options with a 20% discount.

Share schemes generally

Except under the savings-related share option schemes and the Lonmin Plc Share Plan, no options have been granted that have an exercise price at a discount to the market price at the time the exercise price was set. No options have been granted to non-executive directors, although Dr Jonah retains the right to exercise the options granted to him during his period of executive service. Directors are strongly encouraged to hold the shares issued to them upon the exercise of options.

The options held by directors over ordinary shares of the company are set out in the table below:

		Shares under option					Options exercised				
1.10.02 or later date of appointment Shares of $1	30.9.03 and 25.11.03 Shares of $1	Exercise price Pence	Scheme[1] and performance condition[2]	Date of grant	Date from which normally first exercisable	Date on which option lapses	Date of exercise	Number of shares	Exercise price Pence	Market price[3] Pence	Notional pre-tax gain[4] £
Ian Farmer											
60,000	60,000	668.5	(c)(3)	8.6.00	8.6.03	8.6.10					
2,018	2,018	836	(d)(3)	15.6.01	1.8.06	31.1.07					
24,400	24,400	1,150	(c)(4)	1.7.02	1.7.05	1.7.12					
2,600	2,600	1,150	(b)(4)	1.7.02	1.7.05	1.7.12					
–	27,000	942	(c)(4)	30.9.03	30.9.06	30.9.13					
89,018	116,018										
Edward Haslam											
90,000	90,000	668.5	(c)(3)	8.6.00	8.6.03	8.6.10					
2,018	2,018	836	(d)(3)	15.6.01	1.8.06	31.1.07					
45,400	45,400	1,150	(c)(4)	1.7.02	1.7.05	1.7.12					
2,600	2,600	1,150	(b)(4)	1.7.02	1.7.05	1.7.12					
140,018	140,018										
Sam Jonah											
15,662	–	375.1070	(a)(1)	1.7.93	1.7.96	1.7.03	1.7.03	15,662	375.1070	802.5	66,938
31,324	31,324	434.1664	(c)(2)	4.8.94	4.8.97	4.8.04					
46,986	31,324										
Peter Ledger[5]											
60,000	60,000	668.5	(c)(3)	8.6.00	8.6.03	8.6.10					
22,170	22,170	1,150	(c)(4)	1.7.02	1.7.05	1.7.12					
–	23,000	942	(c)(4)	30.9.03	30.9.06	30.9.13					
82,170	105,170										
John Robinson											
7,986	7,986	216	(d)(3)	9.9.98	1.11.03	30.4.04					
60,000	60,000	668.5	(c)(3)	8.6.00	8.6.03	8.6.10					
24,400	24,400	1,150	(c)(4)	1.7.02	1.7.05	1.7.12					
2,600	2,600	1,150	(b)(4)	1.7.02	1.7.05	1.7.12					
–	27,000	942	(c)(4)	30.9.03	30.9.06	30.9.13					
94,986	121,986										

Notes

1 The share option schemes under which these options were granted are :
  a The Lonmin Overseas and Associate Share Option Scheme
  b The Lonmin Share Option Scheme 1994
  c The Lonmin Executive Share Option Scheme (formerly The Lonmin Overseas and Associate Share Option Scheme 1994)
  d The Lonmin Savings Related Share Option Scheme 1994.
2 The performance conditions are fully explained in the narrative, but are briefly:
  1 No performance condition attaches since these were not generally required at the time the option was granted
  2 TSR exceeds that achieved on the FTSE All-Share index over any 3 years
  3 TSR exceeds that achieved on the FTSE mining sector over any 3 years
  4 TSR exceeds that achieved on the FTSE mining sector over 3, 4, 5 or 6 years
3 The market price is the closing middle market price per share on the date of exercise.
4 The notional pre-tax gain is the difference between the market price and the exercise price. The total notional pre-tax gains made by directors exercising options during the year was £66,938 (2002 – 4 directors, £2,836,619).
5 The opening balance for Mr Ledger relates to 21 November 2002, the date on which he was appointed a director.
6 The data in this table has been audited by KPMG Audit Plc.

No cash consideration was required for the grant of options. Except as disclosed above, no options held by directors were exercised or lapsed during the year or to the date of this report. By way of comparison with the exercise prices, the closing middle market quotation for the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List, was 933p on 30 September 2003, and the price ranged between 661.5p and 999.5p during the financial year.

Future remuneration philosophy, policy and practice

During the year the remuneration committee has, with the assistance of Monks Partnership, undertaken a full review of the make-up of, and balance between elements within, the executive directors' remuneration. It has also assessed the likely needs of the Group in future years and identified a peer group against which it may be competing for the recruitment of executive directors and senior managers. The committee believes that a greater proportion of performance-related remuneration is required in future if its directors are to achieve the levels of medium and long term out-performance that the Board's strategic vision requires.

The review identified a number of areas where the Company would be unable to compete with its peers when developing remuneration packages for individual directors. In addition, it identified that the current packages fail adequately to align directors' interests with those of shareholders over the medium and longer term. The committee believes that by incentivising the directors more heavily than at present, it will help achieve the stretching goals that the Board has set and therefore deliver value to shareholders. It is the committee's intention that in future a significant proportion of total reward will be linked to the achievement of demanding performance targets directly relating to the delivery of value to shareholders.

The committee's policy is built on the following principles:

- that base pay should not be excessive, and should therefore be at around median market levels, but that upper quartile performance should lead to potential upper quartile total reward;
- that total reward should be capable of reaching top quartile levels, but such that a significant proportion of pay is "at risk";
- that incentive reward must only be earned through achievement of demanding performance conditions, set in a manner consistent with shareholders' interests over all time periods;
- that the incentive plans, performance conditions and levels at which payment is triggered should be designed with the objective that they can be operated throughout the economic cycle;
- that the design of the incentive plans must not engender management actions that could expose the shareholders to undue risk; and
- that accountability and transparency can be maintained and demonstrated at all times.

The committee has proposed, and the Board has endorsed, a future remuneration strategy based on a blend of some, or all, of:

- basic pay;
- benefits in kind;
- an opportunity to earn an annual cash bonus;
- the award of shares under the Company's executive share option schemes and/or the proposed long-term incentive plan;
- participation in a deferred annual bonus plan (comprising part of the proposed incentive plan); and
- membership of an occupational pension scheme.

The proposed Shareholder Value Incentive Plan comprises new arrangements for the Company. Full details of this, the adoption of which requires shareholder approval, are set out in the circular to shareholders containing the notice of annual general meeting enclosed with this Annual Report. The Company has discussed these proposals with its major shareholders, and appropriate institutional bodies such as the Association of British Insurers, and taken note of their comments and views wherever possible.

Ultimately, the committee believes that the interests of the directors and senior managers will best be aligned with those of shareholders by requiring that personally significant shareholdings are built up and retained. For this reason, the Board has introduced a shareholding policy, which is explained fully below.

Benchmarking methodology

The committee has analysed remuneration practices in companies of similar turnover and market capitalisation, and also in UK and overseas companies undertaking similar activities to the Group. From these analyses, it has identified a relevant peer group, with which we would be likely to be in direct competition in the recruitment of executive talent. The aim of the remuneration committee is to ensure that our remuneration framework is competitive with those of the peer group companies, without generating excessive reward for Lonmin's directors and senior executives.

Basic pay

Whilst the committee tends to have regard to overall remuneration, including performance-related elements, individuals inevitably focus on headline basic pay, especially at the point of recruitment. For this reason, the Company will need to offer salaries at around median market levels. This will enable us to attract and retain suitable directors and executives in future, without paying more than is necessary.

Annual cash bonus

As explained earlier in this report, the ability for directors to earn an annual cash bonus forms a powerful incentive to meet short-term targets. The committee proposes to continue to provide cash bonuses using the broad design of scheme introduced in 2002. For the financial year 2003–04 the scheme will again be operated on a blend of operational measures (80%) and strategic measures (20%). To ensure that individual performance is more precisely recognised, certain additional elements of bonus will be based on the achievement of personal objectives in support of the corporate goals, although operational targets will remain common to all individuals' bonus objectives.

Of necessity, the design of individual bonus plans will evolve from year to year, in line with the Company's strategic needs. The committee will continue to monitor the competitive environment and will devise amended or new plans in future years to ensure that the Company can continue to recruit, retain and motivate the most able senior executives, and that they are given the clearest possible incentive to deliver exceptional value to shareholders.

Proposed new Lonmin Plc Shareholder Value Incentive Plan

The committee proposes to implement a new long term incentive plan comprising three elements:

- a new deferred annual bonus plan;
- a new long-term incentive plan; and
- a revised executive share option plan.

Further details of the plan are set out in the circular containing the notice of annual general meeting which accompanies this Annual Report.

Directors' shareholding obligation

Ultimately, the committee believes that the most powerful way of ensuring that the actions of the directors are best aligned with shareholders' interests is for the directors to build up and retain personally significant holdings of the Company's shares. As a matter of policy, the Board expects all directors to acquire an interest in the Company's shares, over the five years to 30 September 2008, equal in value to 100% of their basic pay (or, in the case of non-executive directors, fees) and 150% in the case of the chief executive. In this way, shareholder value becomes a paramount principle underlying all Board decisions, since real personal wealth will be at stake. Failure to achieve these targets may result in exclusion from participation in some or all of the incentive schemes that the Company operates.

Pensions

The committee is monitoring the recent green paper on pensions and the Inland Revenue proposals on their tax treatment, and the gradually unfolding debate on these issues. Until such time as the likely nature of the regulatory framework is known with more clarity, the committee is unable to frame detailed proposals as to how the Company can treat pensions within its remuneration framework. For the time being, therefore, the current arrangements will remain in full force and effect.

This report was approved by the Board on 25 November 2003.

R. Phillimore

Roger Phillimore, Chairman, remuneration committee

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONMIN PLC

We have audited the financial statements on pages 26 to 63. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on pages 10 to 13, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the parts of the Directors' Remuneration Report to be audited are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 10 to 13 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in both the Annual Report and the Annual Review, including the Corporate Governance Statement and the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2003 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

25 November 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September

	Note	20 $
Turnover	1	7
EBITDA[2]	1	3.
Depreciation		(
Group operating profit	2	2
Share of associate's operating loss		
Total operating profit	1	2
Profit on sale of fixed assets	5	:
Loss on sale or termination of operations	5	(
Profit before net interest (payable)/receivable and similar items		3
Net interest (payable)/receivable and similar items	4	(2
Profit before taxation	1	2
Taxation	6	(1
Profit after taxation		1
Minority equity interest		(3
Profit for the year	23	7
Dividends	7	(10
Retained (loss)/profit for the year		(2
Earnings per share	8	52.5
Diluted earnings per share	8	52.3
Dividends per share	7	72.0
Financial ratios		
Tax rate[3]		35
Net debt to EBITDA		0.6 time

Notes

1 The results for both years relate to continuing operations.
2 EBITDA is Group operating profit before interest, tax, depreciation and amortisation.
3 The tax rate has been calculated excluding exceptional items and exchange as disclosed in note 6 to the Accounts.

CONSOLIDATED BALANCE SHEET

As at 30 September

	Note	2003 $ m	2002 $ m
Fixed assets			
Tangible assets	9	983	887
Investments:		292	294
Associate	10	4	4
Other investments	11	288	290
		1,275	1,181
Current assets			
Stocks	12	100	41
Debtors	13	159	105
Investments	14	3	2
Cash and short-term deposits		66	34
		328	182
Creditors: amounts falling due within one year	15	(249)	(188)
Net current assets/(liabilities)		79	(6)
Total assets less current liabilities		1,354	1,175
Creditors: amounts falling due after more than one year	16	(215)	(135)
Convertible debt		(211)	–
Other		(4)	(135)
Provisions for liabilities and charges	19	(277)	(160)
		862	880
Capital and reserves			
Called up share capital	21	141	141
Share premium account	21	1	1
Revaluation reserve	23	16	16
Capital redemption reserve	23	88	88
Profit and loss account	23	402	429
Equity interests		648	675
Minority equity interest	24	214	205
		862	880

The financial statements were approved
by the Board of Directors on 25 November 2003
and were signed on its behalf by:
Sir John Craven, Chairman
J N Robinson, Finance Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September

	Note	2003 $m	2002 $m
Net cash inflow from operating activities	29	296	359
Returns on investment and servicing of finance		(35)	(33)
Interest – received		2	7
– paid		(10)	(4)
Financing expenses		(4)	–
Dividends paid to minority		(23)	(36)
Taxation		(57)	(181)
Capital expenditure and financial investment	30	(136)	(230)
Acquisitions and disposals	31	10	–
Equity dividends paid		(101)	(109)
Net cash outflow before use of liquid resources and financing		(23)	(194)
Management of liquid resources		–	433
Financing		85	(356)
New long-term loans		–	130
Repayment of long-term loans		(130)	–
Repayment of short-term loans		(1)	(1)
Issue of convertible bonds		216	–
Issue of ordinary share capital		–	3
Share buybacks		–	(128)
Capital return		–	(360)
Increase/(decrease) in cash in the year		62	(117)

STATEMENT OF TOTAL CONSOLIDATED RECOGNISED GAINS AND LOSSES

For the year ended 30 September

		2003 $ m	2002 $ m
Profit/(loss) for the year	– Group	75	187
	– Associate	(1)	(2)
Total consolidated recognised gains and losses relating to the year		74	185

CONSOLIDATED HISTORICAL COST PROFITS AND LOSSES

For the year ended 30 September

	2003 $ m	2002 $ m
Reported profit before taxation	291	332
Disposal of fixed assets at valuation	1	–
Difference between an historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	2	2
Historical cost profit before taxation	294	334
Historical cost retained (loss)/profit for the year	(25)	86

RECONCILIATION OF MOVEMENT IN EQUITY INTERESTS

For the year ended 30 September

	2003 $ m	2002 $ m
Total consolidated recognised gains relating to the year	74	185
Dividends	(101)	(101)
Retained (loss)/profit for the year	(27)	84
Capital return	–	(361)
Share buybacks	–	(128)
Shares issued on exercise of share options	–	3
Net decrease in equity interests in the year	(27)	(402)
Equity interests at 1 October	675	1,077
Equity interests at 30 September	648	675

LONMIN PLC COMPANY BALANCE SHEET

As at 30 September

	2003 $m	2002 $m
Fixed assets		
Tangible assets	1	1
Investments:	1,252	2,034
Subsidiaries	980	1,761
Other investments	272	273
	1,253	2,035
Current assets		
Debtors	46	196
Cash and short-term deposits	44	4
	90	200
Creditors: amounts falling due within one year	(820)	(1,696)
Net current liabilities	(730)	(1,496)
Total assets less current liabilities	523	539
Creditors: amounts falling due after more than one year	(211)	(130)
Convertible debt	(211)	–
Other	–	(130)
	312	409
Capital and reserves		
Called up share capital	141	141
Share premium account	1	1
Capital redemption reserve	88	88
Profit and loss account	82	179
	312	409

The notes to the Lonmin Plc company balance sheet can be found in note 35 to the Accounts.
The financial statements were approved by the Board of Directors on 25 November 2003 and were signed on its behalf by:
Sir John Craven, Chairman
J N Robinson, Finance Director

STATEMENT ON ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified for the revaluation of certain assets, and in accordance with applicable United Kingdom accounting standards. The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

The Group's earnings stream is primarily US dollars and the functional currency is the US dollar. The reporting currency is also the US dollar.

The Company has taken advantage of the exemption contained in Section 230 of the Companies Act 1985 from presenting its own profit and loss account.

Turnover

Turnover represents sales of goods and services outside the Group net of discounts and allowances and value added tax and includes commissions earned. Turnover is recorded when the risks and rewards of ownership have passed to the purchaser.

Basis of consolidation

The Group financial statements consist of the results for the year ended 30 September 2003 and the assets and liabilities of the Company and its subsidiaries as at that date. The results of subsidiaries are included from the date of acquisition. The results of subsidiaries sold are included up to the date of sale.

Goodwill

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable assets and liabilities acquired. Where the fair value of the purchase consideration differs from the aggregate of these fair values, purchased goodwill arises. Goodwill arising on acquisitions after 1 October 1998 is capitalised and amortised over its useful life in accordance with FRS 10 – Goodwill and intangible assets. Prior to 1 October 1998, goodwill was charged to reserves in the year of acquisition as a matter of accounting policy and, in accordance with the transitional arrangements of FRS 10, goodwill has not been reinstated on implementation of FRS 10. No goodwill arose during 2003.

On the subsequent disposal or termination of a previously acquired company or business, the profit or loss on disposal or termination is calculated after charging or crediting the amount of any related goodwill previously charged to reserves or capitalised and not yet charged to the profit and loss account.

Goodwill is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable and also at the end of the first complete financial year following an acquisition in accordance with FRS 11 – Impairment of fixed assets and goodwill.

Associates

Investments in associates are accounted for under the equity accounting method. An associate is a company, other than a subsidiary, in which the Group's interest is considered to be long term and is substantial and over which the Group exercises a significant influence.

The consolidated profit and loss account includes the Group's share of the results of associates. The carrying value of associates in the Group's balance sheet comprises the Group's share of the net assets of associates. Goodwill arising on acquisition of associates is included within investments in associates and is written off over ten years.

Joint arrangements

The Group has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Group includes its share of the assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the Group's interest in the joint arrangement.

Other investments

Fixed asset investments are stated at cost less provisions for impairments or at Directors' valuations. The Group's investment in Ashanti is not accounted for as an associate because the Group considers that it is unable to, and does not, exercise significant influence over Ashanti's operating and financing policies and actions. Accordingly, the Ashanti investment is shown as a fixed asset investment. Only dividends received are treated as part of the continuing operations of the Group. The investment in Ashanti is stated at Directors' valuation.

Foreign currencies

Subsidiaries that keep their accounts in currencies other than their functional currency remeasure them into the functional currency by the temporal method prior to consolidation. This results in non-monetary assets and liabilities being recorded at their historical cost expressed in the functional currency whilst monetary assets and liabilities are stated at the closing exchange rate. Differences on translation are included in the profit and loss account.

The principal US dollar exchange rates used in the financial statements, expressed as the foreign currency value of one US dollar, are as follows:

	2003	2002
Average exchange rates:		
Sterling	**0.62**	0.68
South African rand	**7.88**	10.65
Zimbabwe dollar	**1,000.00**	415.97
Closing exchange rates:		
Sterling	**0.60**	0.64
South African rand	**6.97**	10.54
Zimbabwe dollar	**1,000.00**	640.00

Note
The Zimbabwe dollar exchange rate for 2003 is applicable for the month of October 2002 only up to the date of disposal of the gold mining interests.

Exploration costs

Exploration expenditure is analysed between its three constituent parts and accounted for as follows:

(a) Replacement exploration
This is defined as expenditure necessary to delineate and quantify the reserves and resources required to replace those extracted in any one accounting period, and as such is an operating cost which is expensed as incurred.

(b) Expansion and new opportunities exploration
Within or adjacent to a producing unit:
These costs are expensed until a probable reserve has been defined and confirmed by a Competent Person. At that point further costs are capitalised and the asset amortised over the estimated life of mine.

Greenfields or Brownfields:
These costs are expensed until an indicated resource has been defined and confirmed by a Competent Person. At that point further costs are capitalised. Amortisation commences in the first year of production after which amortisation is provided over the estimated life of the project.

Research and development

Research and development costs, separate to exploration expenditure, are accounted for in accordance with SSAP 13 – Accounting for research and development, and expenditure is written off in the period in which it arises.

Tangible fixed assets

Tangible fixed assets are recorded at cost or valuation, which are not updated under the transitional arrangements of FRS 15 – Tangible Fixed Assets, less depreciation. Depreciation on fixed assets is provided on a straight line or units of production basis, as appropriate. Assets are depreciated over their estimated useful economic lives, or over the remaining life of the mine, if shorter, to residual value. The life of a mine is based on proven and probable reserves. Depreciation rates for the principal assets of the Group are as follows:

Shafts and underground	2.6% – 20% per annum
Metallurgical	2.7% – 16.7% per annum
Infrastructure	2.7% – 20% per annum
Other mining assets and equipment, plant and motor vehicles	2.7% – 33.3% per annum

No depreciation is provided on surface mining land which has a continuing value and capital work in progress.

Tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher in accordance with FRS 11.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in borrowings. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Capitalised interest

Tangible fixed assets include directly attributable finance costs which are capitalised gross of tax during the period of construction.

Stocks

Stocks are stated at the lower of cost (which includes the applicable proportion of production overheads) and net realisable value. PGM's stock is valued by allocating costs to platinum, palladium and rhodium stock based on the annual cost of production, less revenue from by-products, apportioned according to the quantities of each of the three main metals produced.

Deferred tax

Deferred tax is provided for on timing differences that have originated but not reversed by the balance sheet date on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

Pension costs and other post-retirement benefits

The Group operates a number of defined benefit and defined contribution pension schemes in accordance with local regulations. The assets of the schemes are held separately from those of the Group and are administered by trustees. Independent actuaries prepare valuations of these schemes at least every three years and in accordance with their recommendations the Group makes contributions which are charged to profits on a systematic basis over the expected remaining working lives of the employees. Any differences between the actuarial valuation of the obligation and the value of assets in a scheme are similarly charged or credited to profit before taxation over the expected remaining working lives of employees in the scheme. The cost of defined contribution schemes is charged to the profit and loss account as incurred.

Certain Group companies provide post-retirement medical benefits to qualifying pensioners. The expected costs of these benefits are charged to the profit and loss account over the expected remaining service lives of the relevant employees and are assessed in accordance with the advice of qualified actuaries.

Under the transitional arrangements of FRS 17 – Retirement benefits, additional disclosures are included for pension and other retirement benefits.

Rehabilitation costs

Group companies are generally required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities. Such costs are provided for in accordance with FRS 12 – Provisions, contingent liabilities and contingent assets, so that rehabilitation costs are provided in full based on the best estimates of the future costs to be incurred calculated on a discounted basis. As the provision is recognised, it is either capitalised as part of the cost of the related mine or written off to the profit and loss account. Where costs are capitalised the impact of such costs on the profit and loss account is spread over the life of the mine through the accretion of the discount of the provision and the depreciation of the increased costs of the mining assets.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of where such estimates are made include the valuation of pension schemes assets and liabilities where discount, inflation and return rate assumptions are made and in the calculation of rehabilitation liabilities which involves projecting expected liabilities forward to the end lives of the mines using an assumed inflation rate and discounting these liabilities back to the present day using an assumed discount rate.

Dividend reinvestment programme

Under the Company's Dividend Reinvestment Plan, shareholders can elect for the whole of their cash dividends to be reinvested in Lonmin Plc shares which are purchased on their behalf in the market. All cash dividends are paid to the Registrars who use the dividends of participants in the plan to fund these purchases. Accordingly, no new shares are issued, dividends are paid and accounted for in the normal way, and there are no special accounting requirements for the programme.

NOTES TO THE ACCOUNTS

1 Segmental analysis

By business origin:

	2003					
	Turnover $m	EBITDA $m	Total operating profit $m	Profit before exceptionals $m	Profit before tax $m	Net operating assets $m
Platinum	775	367	321	296	320	827
Gold	4	1	1	1	(1)	277
Exploration	–	(10)	(11)	(11)	(11)	4
Other	–	(1)	(1)	(1)	(1)	–
Corporate	–	(13)	(13)	(16)	(16)	10
	779	344	297	269	291	1,118
South Africa	775	367	321	296	320	825
Zimbabwe	4	1	1	1	(1)	–
Ghana	–	–	–	–	–	277
Other	–	(11)	(12)	(12)	(12)	6
Corporate	–	(13)	(13)	(16)	(16)	10
	779	344	297	269	291	1,118

	2002					
	Turnover $m	EBITDA $m	Total operating profit $m	Profit before exceptionals $m	Profit before tax $m	Net operating assets $m
Platinum	638	387	348	346	346	795
Gold	59	6	6	6	6	292
Exploration	–	(10)	(12)	(12)	(12)	4
Other	–	(1)	(1)	(1)	(1)	–
Corporate	–	(10)	(10)	(7)	(7)	3
	697	372	331	332	332	1,094
South Africa	638	377	338	336	336	792
Zimbabwe	59	6	6	6	6	15
Ghana	–	–	–	–	–	277
Other	–	(1)	(3)	(3)	(3)	7
Corporate	–	(10)	(10)	(7)	(7)	3
	697	372	331	332	332	1,094

Net operating assets exclude net borrowings of $197 million at 30 September 2003 (2002 – $155 million) and the dividend proposed of $59 million at 30 September 2003 (2002 – $59 million).

1 Segmental analysis continued

Turnover by destination is analysed by geographical area below:

	2003 $ m	2002 $ m
The Americas	196	219
Asia	225	199
Europe	255	124
South Africa	94	93
Zimbabwe	9	62
	779	697

2 Group operating profit

Group operating profit is arrived at as follows:

	2003 $ m	2002 $ m
Turnover	779	697
Cost of sales	(460)	(336)
Gross profit	319	361
Administration expenses	(22)	(24)
Exploration	(10)	(10)
Other operating income	11	6
Group operating profit	298	333

Group operating profit is stated after charging/(crediting):

		2003 $ m	2002 $ m
Operating lease charges	– land and buildings	1	1
Depreciation charge	– owned tangible assets	45	38
	– finance leased tangible assets	1	1
Foreign exchange profits		(6)	-

2 Group operating profit continued

Fees payable to KPMG Audit Plc and its associates are analysed as follows:

		2003 $m	2002 $m
Audit remuneration	– UK – the Company	0.3	0.3
	– overseas	0.2	0.2
		0.5	0.5
Due diligence	– UK	–	0.1
	– overseas	–	0.5
		–	0.6
Capital return	– UK	–	0.3
	– overseas	–	–
		–	0.3
Accounting/tax advice	– UK	0.2	0.2
	– overseas	0.4	0.1
		0.6	0.3
Internal audit	– UK	–	–
	– overseas	0.2	0.2
		0.2	0.2
		1.3	1.9

3 Employees

The average number of employees and directors during the year was as follows:

	2003 No.	2002 No.
South Africa	20,296	19,565
Zimbabwe	343	4,479
Europe	29	27
	20,668	24,071

The aggregate payroll costs of employees and directors was as follows:

	2003 $m	2002 $m
Wages and salaries	175	106
Social security costs	16	9
Other pension costs	14	9
	205	124
Total Directors' emoluments	3.7	2.1
Emoluments of highest paid Director	1.1	0.7

Full details of Directors' remuneration, pensions and benefits in kind are given in the Directors' report on remuneration on pages 14 to 24.

4 Net interest (payable)/receivable and similar items

	2003 $m	2002 $m
Interest payable:		
On bank loans and overdrafts	(10)	(3)
Other loans	–	(1)
Finance leases	(1)	(1)
Discounting on provisions	(1)	–
	(12)	(5)
Capitalisation of interest	1	–
Interest receivable on cash and deposits	2	5
Exchange differences on net debt	(19)	1
Net interest (payable)/receivable and similar items	(28)	1

5 Exceptional items

	2003 $m	2002 $m
Profit on sale of fixed assets:		
– Sale of Brakspruit mineral rights	24	–
Sale or termination of operations:		
– Loss on sale of gold mining interests	(2)	–
Exceptional items before taxation and minority interest	22	–
Taxation	(3)	–
Minority interest	(6)	–
Net exceptional profit	13	–

6 Taxation

	2003 $m	2002 $m
United Kingdom:		
Corporation tax at 30% (2002 – 30%)	30	37
Double tax relief	(30)	(37)
	–	–
Overseas:		
Current taxation	69	63
Excluding tax on local currency exchange profits	49	71
Tax on local currency exchange profits	(1)	5
Tax on exceptional items	3	–
Tax on dividends remitted	14	16
Exchange on current taxation	4	(29)
Deferred taxation	114	12
Origination and reversal of timing differences	32	36
Exchange on deferred taxation	82	(24)
Total tax charge	183	75
Tax charge excluding exceptional items and exchange	95	123
Effective tax rate excluding exceptional items and exchange	35%	37%

A reconciliation of the standard tax charge to the current tax charge is as follows:

	2003 $m	2002 $m
Tax charge at standard tax rate	87	100
Overseas taxes on dividends remitted by subsidiary companies	14	16
Prior year losses utilised	–	(4)
Other timing differences	(35)	(25)
Effect of exchange adjustments	3	(24)
Current tax charge	69	63

The Group's primary operations are based in South Africa. Therefore, the relevant standard tax rate for the Group is the South African statutory tax rate of 30% (2002 – 30%). The secondary tax rate on dividends remitted by South African companies is 12.5% (2002 – 12.5%).

7 Dividends

	2003 $m	2002 $m
Interim 30.0¢ (2002 – 30.0¢) per share	42	42
Final 42.0¢ (2002 – 42.0¢) per share	59	59
Total dividends 72.0¢ (2002 – 72.0¢) per share	101	101

Until 31 March 1999, advanced corporation tax (ACT) was paid on dividends at the rate of 25% of the net dividend. Subject to certain restrictions, this was recoverable by offsetting it against corporation tax liabilities. When this offset was not available surplus ACT was generated.

At the year end, the Group had surplus ACT of $103 million (2002 – $105 million) carried forward and available, subject to certain restrictions, for set-off against future United Kingdom corporation tax liabilities. The notional "Shadow ACT", being the ACT which would have been payable if the system had not been abolished and which must be set-off prior to utilisation of surplus ACT, amounted to $132 million (2002 – $100 million).

8 Earnings per share

Earnings per share have been calculated on the profit attributable to shareholders amounting to $74 million (2002 – $185 million) using a weighted average number of 140,994,541 ordinary shares (2002 – 152,251,293 ordinary shares).

As the table below illustrates, diluted earnings per share are based on the weighted average number of ordinary shares in issue adjusted by dilutive outstanding share options and the issue of shares on conversion of the convertible bonds. The convertible bonds were issued on 30 September 2003 and the shares issuable on conversion have been pro-rated accordingly.

	2003			2002		
	Profit for the year $m	Number of shares	Per share amount cents	Profit for the year $m	Number of shares	Per share amount cents
Basic EPS	74	140,994,541	52.5	185	152,251,293	121.5
Share option schemes	–	336,586	(0.2)	–	650,512	(0.5)
Convertible bonds	–	28,978	–	–	–	–
Diluted EPS	74	141,360,105	52.3	185	152,901,805	121.0

8 Earnings per share continued

Underlying earnings per share are based on the profit for the year adjusted to exclude exceptional items and exchange on tax balances as follows:

	2003			2002		
	Profit for the year $ m	**Number of shares**	**Per share amount cents**	Profit for the year $ m	Number of shares	Per share amount cents
Basic EPS	**74**	**140,994,541**	**52.5**	185	152,251,293	121.5
Exceptional items before taxation and minority interest	**(22)**	**–**	**(15.6)**	–	–	–
Taxation on exceptional items	**3**	**–**	**2.1**	–	–	–
Exchange on tax balances	**85**	**–**	**60.3**	(48)	–	(31.5)
Minority interest	**(17)**	**–**	**(12.1)**	13	–	8.5
Underlying EPS	**123**	**140,994,541**	**87.2**	150	152,251,293	98.5

9 Tangible assets

Group	Shafts and underground $ m	Metallurgical $ m	Infrastructure $ m	Capital work in progress $ m	Other mining assets $ m	Other equipment, plant and motor vehicles $ m	Total $ m
Cost or valuation:							
At 30 September 2002	407	293	173	119	148	2	1,142
Additions	37	41	22	59	3	–	162
Disposals	–	–	–	–	(1)	–	(1)
Subsidiary sold	(26)	–	(20)	(3)	–	–	(49)
At 30 September 2003	**418**	**334**	**175**	**175**	**150**	**2**	**1,254**
Depreciation:							
At 30 September 2002	112	52	47	–	43	1	255
Charge for the year	20	11	11	–	4	–	46
Subsidiary sold	(16)	–	(14)	–	–	–	(30)
At 30 September 2003	**116**	**63**	**44**	**–**	**47**	**1**	**271**
Net book value:							
At 30 September 2003	**302**	**271**	**131**	**175**	**103**	**1**	**983**
At 30 September 2002	295	241	126	119	105	1	887

9 Tangible assets continued

Included in other mining assets are leased assets with a cost of $7 million (2002 – $7 million) and a net book value of $2 million (2002 – $3 million).

Cost or valuation of tangible assets includes $56 million (2002 – $55 million) in respect of capitalised interest. Interest capitalised during 2003 amounted to $1 million (2002 – not material).

In accordance with the Group accounting policies no depreciation has been provided on surface mining land having a book value of $9 million (2002 – $8 million).

Tangible fixed assets are stated at cost to the Group with the exception of certain other mining assets which are included at valuation as follows:

	2003 $m	2002 $m
Net book value:		
Professionally valued in 1986	78	81
At cost	25	24
	103	105
The historical cost of revalued assets was as follows:		
Cost	23	24
Depreciation	18	16
Historical cost net book value	5	8

10 Associate

Group	Associate at cost $m	Goodwill written off $m	Post-acquisition reserves $m	Total $m
At 30 September 2002	6	(1)	(1)	4
Additions	1	–	–	1
Loss for the year	–	–	(1)	(1)
At 30 September 2003	7	(1)	(2)	4

The net assets of associate comprised:

	2003 $m	2002 $m
Share of net assets	1	1
Goodwill	3	3
	4	4
Listed overseas – market value	4	4

The investment in associate of $4 million shown above (2002 – $4 million) represented an investment of 44% in the ordinary share capital of Platinum Australia Limited, a company incorporated in Australia (2002 – 39%). The principal activity of Platinum Australia is mining exploration and its financial year end is 30 June.

11 Fixed asset investments

Group	Own shares $ m	Investments $ m	Provisions $ m	Total $ m
At 30 September 2002	4	291	(5)	290
Disposals	–	(6)	5	(1)
Provided in the year	(1)	–	–	(1)
At 30 September 2003	**3**	**285**	**–**	**288**

	2003 $ m	2002 $ m
Net book value of investments shown above:		
Listed on the London and overseas stock exchanges	**203**	205
Unlisted	**85**	85
	288	290
Value at 30 September:		
Listed (market value) – Ashanti	**391**	205
Listed (market value) – Other investments	**5**	5
Unlisted (Directors' valuations)	**85**	85

The principal activity of Ashanti (incorporated in Ghana) is gold mining and the Group's direct interest in the ordinary share capital of Ashanti was 27% (2002 – 28%).

The aggregate amount of the capital and reserves of Ashanti as at 31 December 2002, being the date of the latest available Annual Report and Accounts, was $446 million and its profit for that year was $56 million.

Included in the cost of investments were $75 million of mandatorily exchangeable notes (MENs) which were subscribed for in 2002 and issue costs thereon of $2 million. A call option granted to the Government of Ghana (GOG) in 2002 was outstanding at 30 September 2003 in relation to $28 million of the MENs whereby GOG have a transferable option to purchase the exchange shares issuable upon exchange of the MENs into Ashanti shares for $28 million. Additionally, 0.1 million of put options granted in 2002 in relation to 12.4 million shares in Ashanti which were issued to Ashanti warrantholders as a result of the early exercise of their warrants in Ashanti were also outstanding at 30 September 2003. The put options are at a strike price of $3.00 per share and are exercisable in three tranches on 28 April 2004, 28 October 2004 and 28 April 2005. Further details of the put options and the contingent liability outstanding at 30 September 2003 can be found under notes 18 and 20 to the Accounts.

Own shares comprised ordinary $1 shares of Lonmin Plc held by the Lonmin Plc Employee Share Trust. At 30 September 2003, 346,000 shares (2002 – 336,000 shares) were held by the trust with a market value at that date of $5 million (2002 – $4 million). The purpose of the trust is to retain key management employees in the platinum operations of the Group in South Africa. Shares are purchased on the open market and funded by Lonmin Plc. The trust has granted options to employees over 339,240 shares (2002 – 324,240 shares) and the options are exercisable at any time but participants can only take possession of the shares in tranches on 1 January 2005 and 1 January 2007 and normally only if they remain within the employment of the Group. Cash held in the trust and dividend income received are allocated to employees with the shares. Interest and administration costs are charged to the profit and loss account and assets of the trust are amortised over the relevant vesting periods.

12 Stocks

Group	2003 $ m	2002 $ m
Raw materials and consumables	41	19
Work in progress	31	6
Finished goods	28	16
	100	41

13 Debtors

Group	2003 $ m	2002 $ m
Amounts falling due within one year:		
Trade debtors	124	84
Other debtors	25	13
Prepayments and accrued income	10	8
	159	105

14 Current asset investments

Group	2003 $ m	2002 $ m
Unlisted	3	2

Unlisted investments represented amounts held in trust to fund future rehabilitation obligations.

15 Short-term creditors

Group		2003 $ m	2002 $ m
Amounts falling due within one year:			
Bank loans and overdrafts	– unsecured	44	56
Finance lease	– secured (note 17)	2	1
Trade creditors		34	17
Corporate taxation		20	8
Indirect taxation and social security		1	1
Other creditors		7	6
Accruals		82	40
Dividend		59	59
		249	188

16 Long-term creditors

Group	2003 $m	2002 $m
Amounts falling due after more than one year:		
Loans – convertible bonds	211	–
– other unsecured	–	130
Finance lease – secured (note 17)	1	2
Corporate taxation	3	3
	215	135

17 Loans

Group	2003 $m	2002 $m
Long-term loans:		
Unsecured US dollar 3.75% convertible bonds due 2008	211	–
Short-term loans:		
Bank loan – unsecured	–	130
Finance lease – secured	3	3
	214	133
Deduct instalments repayable within one year (note 15)	(2)	(1)
	212	132

The unsecured convertible bonds are shown after deducting issue expenses in accordance with FRS 4 – Capital Instruments. The amount to be repaid on the bonds is $215.8 million. Details of the conversion rate is set out in note 21 to the Accounts.

The unsecured bank loan bears interest at commercial rates. The secured loan of $1 million (2002 – $2 million) represents a finance lease obligation on security surveillance equipment in South Africa bearing interest at an effective rate of between 12 – 13%. The lease term is 2 years (2002 – 3 years).

The loans are repayable over the following periods:

	2003 $m	2002 $m
Between one and two years:		
Secured	1	1
Between two and five years:		
Secured	–	1
Unsecured	211	130
	212	132

18 Financial Risk Management

The Group's functional currency is the US dollar. The Group does not undertake any trading activity in financial instruments. Details of the Group's financial risk management are described in the Financial Review on page 4.

18a Interest rate risk

	At fixed interest rates		At floating interest rates	
	2003 $ m	2002 $ m	**2003 $ m**	2002 $ m
Financial liabilities				
US dollar	**211**	–	**40**	130
SA rand	**–**	–	**7**	59
	211	–	**47**	189

	2003 $ m	2002 $ m
The financial liabilities of the Group comprised:		
Total borrowings	**258**	189

Floating rate financial liabilities comprised bank borrowings and overdrafts bearing interest at the applicable inter-bank offer rates or prime lending rates and a finance lease obligation outstanding in South Africa. Fixed rate financial liabilities comprised $215.8 million 3.75% convertible bonds due 30 September 2008. During October 2003, a two-year floating rate interest swap was entered into in respect of the convertible bonds with interest calculated on a six-month LIBOR in arrears basis. The unsecured convertible bonds are shown after deducting issue expenses in accordance with FRS 4 – Capital Instruments.

	At floating interest rates	
	2003 $ m	2002 $ m
Financial assets		
US dollar	**63**	28
SA rand	**4**	4
Sterling	**2**	3
Zimbabwe dollar	**–**	1
	69	36

	2003 $ m	2002 $ m
The financial assets of the Group comprised:		
Cash and short-term deposits	**66**	34
Current asset investments	**3**	2
	69	36

Floating rate financial assets comprised mainly bank deposits bearing interest at commercial rates fixed by reference to LIBOR for sterling and US dollar assets, or the applicable inter-bank interest rates for all other financial assets.

18 Financial Risk Management continued

18b Currency exposures

Lonmin's operations are based predominantly in South Africa with the entire income stream arising in US dollars. Cash held in South Africa is mostly in US dollars and is normally remitted on a quarterly basis to the UK. When short-term working capital facilities are required in South Africa these are in US dollars or South African rand as appropriate.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than the functional currency. Foreign exchange differences on retranslation of such assets and liabilities are taken to the profit and loss account:

Net foreign currency monetary assets/(liabilities)

	2003				2002			
	SA rand $ m	**Sterling $ m**	**Zimbabwe $ $ m**	**Total $ m**	SA rand $ m	Sterling $ m	Zimbabwe $ $ m	Total $ m
Functional currency of Group operation:								
US dollar	**(3)**	**2**	**–**	**(1)**	(55)	3	1	(51)

The South African rand net monetary liabilities included bank overdrafts and an outstanding finance lease obligation. The sterling net monetary assets comprised bank deposits held in Head Office companies.

18c Maturity of financial liabilities

	2003 $ m	2002 $ m
In one year or less, or on demand	**46**	57
In more than one year but not more than two years	**1**	1
In more than two years but not more than five years	**211**	131
	258	189

18d Undrawn committed borrowing facilities

The Group's policy on overall liquidity is to ensure that there are sufficient committed facilities in place which, when combined with the cash resources available, are sufficient to meet the funding requirements in the foreseeable future.

	2003 $ m	2002 $ m
Expiring in one year or less	**178**	178
Expiring in more than one year but not more than two years	**182**	–
Expiring in more than two years	**177**	87
	537	265

In addition, in relation to the Memorandum of Understanding signed with Impala on 18 September 2003, the Company has entered into a facility letter with Lloyds TSB Bank Plc to provide funds of up to $750 million. This would replace the existing Lloyds $355 million bank facility in London. Subsequent to the year end, $205 million of the Lloyds facility was cancelled leaving a facility of $150 million in London.

18 Financial Risk Management continued

18e Fair value of financial instruments

	2003		2002	
	Book value $ m	Fair value $ m	Book value $ m	Fair value $ m
Cash and short-term deposits	66	66	34	34
Current asset investments	3	3	2	2
Borrowings falling due within one year	(46)	(46)	(57)	(57)
US dollar convertible bonds	(211)	(216)	–	–
Other borrowings falling due after more than one year	(1)	(1)	(132)	(132)
Ashanti put options	–	–	–	(3)
	(189)	(194)	(153)	(156)

The fair value of the US dollar convertible bonds is approximately equal to their book value excluding issue expenses as the bonds were issued on the 30 September 2003. The fair values of all other financial instruments are approximately equal to their book values due to their size, short-term nature or the fact that they bear interest at floating rates.

18f Hedging

Forward sales were undertaken for small proportions of the annual output of platinum and palladium where the Board determined that it was in the Group's interest to secure a proportion of the future cash flows. During the year this amounted to 38,755 ounces of platinum sold forward at prices ranging from $583 to $697 per ounce and 20,140 ounces of palladium sold forward at prices ranging from $148 to $234 per ounce. There were no outstanding positions at 30 September 2003.

19 Provisions for liabilities and charges

Group	Deferred tax $ m	Site rehabilitation $ m	Post-retirement medical benefits $ m	Total $ m
At 30 September 2002	149	10	1	160
Charge for the year	32	–	2	34
Utilisation	–	–	(1)	(1)
Discounting	–	1	–	1
Subsidiaries sold	–	(3)	–	(3)
Exchange differences	82	4	–	86
At 30 September 2003	263	12	2	277

	2003 $ m	2002 $ m
Deferred tax comprised:		
Accelerated capital allowances	288	155
Other timing differences	(25)	(6)
	263	149

At 30 September 2003, the Group had $54 million (2002 – $31 million) of operating loss carry forwards with no expiration date and $685 million of capital losses as at 30 September 2003 (2002 – $167 million) with no expiration date. An amount of $103 million (2002 – $105 million) of surplus Advanced Corporation Tax (ACT) was also available, subject to certain restrictions, for set-off against future United Kingdom corporation tax liabilities. 'Shadow ACT' amounted to $132 million (2002 – $100 million) and must be set-off prior to the utilisation of surplus ACT. No net deferred tax assets have been recognised in respect of the operating losses, the capital losses or the surplus ACT as it is not considered more likely than not that there will be suitable taxable profits from which the future reversal of any of the underlying differences can be deducted.

20 Contingent liabilities

Group	2003 $ m	2002 $ m
Third party guarantees	9	11
Ashanti put options	–	3
	9	14

Third party guarantees mainly included tax warranties and other guarantees provided by the Company in connection with the sale of certain subsidiaries during 1997 to date for which amounts have been reasonably estimated but the liabilities are not probable and therefore the Group has not provided for such amounts in the Accounts.

The Ashanti put options are described in the Financial Review on page 4. At 30 September 2003 there were 0.1 million put options outstanding at a strike price of $3.00 per share and their value was immaterial.

There were no contingent liabilities in respect of litigation.

21 Called up share capital and share premium account

		2003 $ m	2002 $ m
Authorised			
252,735,000	Ordinary shares of $1 each (2002 – 252,735,000 Ordinary shares of $1 each)	253	253
50,000	Deferred shares of £1 each (2002 – 50,000 Deferred shares of £1 each)	–	–
Issued			
141,026,980	Ordinary shares of $1 each (2002 – 140,967,755 Ordinary shares of $1 each, fully paid)	141	141
50,000	Deferred shares of £1 each (2002 – 50,000 Deferred shares of £1 each)	–	–

		Paid up amount $ m	Share premium $ m
Issued	At 30 September 2002:		
140,967,755	Ordinary shares of $1 each	141	1
50,000	Deferred shares of £1 each	–	–
	The exercise of options under:		
15,662	(i) The Lonmin Overseas and Associate Share Option Scheme 1984	–	–
43,563	(ii) The Lonmin Executive Share Option Scheme	–	–
	At 30 September 2003:		
141,026,980	**Ordinary shares of $1 each**	**141**	**1**
50,000	**Deferred shares of £1 each**	**–**	**–**

There were 50,000 sterling deferred shares of £1 each outstanding at 30 September 2003 (2002 – 50,000). These were created in 2002 and issued to a nominee Company by the capitalisation of reserves in order to comply with the requirement that a Public Limited Company must have a minimum share capital of £50,000 in sterling. The deferred shares do not rank pari passu with the ordinary shares.

At 30 September 2003 there were outstanding $215.8 million 3.75% convertible bonds due 30 September 2008. The bonds are convertible at the option of the holders into 10,576,993 ordinary shares of $1 each of the Company at a conversion price of £12.3277 ($20.4023) per ordinary share.

22 Share options

The grant of all options is made by the Remuneration Committee.

Exercises of options granted under The Lonmin Share Option Scheme 1994 and The Lonmin Executive Share Option Scheme are normally subject to the attainment of the performance condition that, over any consecutive three year period (starting not earlier than the first day of the month in which the option is granted), the total return to shareholders is greater than the total return during the same period on, (i) the FTSE Actuaries All-Share Index, for options granted prior to 1998, and (ii) the Mining (formerly Extractive Industries) Sector of the FTSE Actuaries Share Indices, for options granted from 1998. The method of calculation of the total return to shareholders is the same method as used to calculate the total return figures published in the Financial Times for the FTSE Actuaries All-Share Index and Mining Sector Indices. This method assumes that the dividends which the Company pays during the period are reinvested in its shares and takes account of the increase in the Company's share price.

During the year options were granted over 1,497,783 shares of the Company at a subscription price of 942 pence (1,565 cents) under The Lonmin Executive Share Option Scheme and The Lonmin Share Option Scheme 1994.

At 30 September 2003, the following options were outstanding:

	Options outstanding (No. of shares and subscription price range)	Aggregate of subscription prices £ m/$ m	Normal exercise period
Executive Schemes			7 year periods expiring on or dates between:
The Lonmin Share Option Scheme 1994	63,842 (942p – 1,150p) (1,565¢ – 1,911¢)	0.7/1.2	1.7.2012 – 30.9.2013
The Lonmin Executive Share Option Scheme	4,342,515 (250p – 1,150p) (415¢ – 1,911¢)	40.7/67.6	20.7.2004 – 30.9.2013
Savings Related Scheme			6 month periods expiring on or dates between:
The Lonmin Savings Related Share Option Scheme 1994	79,047 (216p – 1,007p) (359¢ – 1,673¢)	0.3/0.5	30.4.2004 – 31.1.2009
	4,485,404	41.7/69.3	

Note
340 individuals held options under the share option schemes. 22 held options under the Savings Related Scheme and 340 held options under the Executive Schemes. The US dollar equivalents have been calculated by translating the sterling amounts at the exchange rate ruling at 30 September 2003.

23 Reserves

Group	Revaluation reserve $ m	Capital redemption reserve $ m	Profit and loss account $ m
At 30 September 2002	16	88	429
Profit for the financial year	–	–	74
Dividends	–	–	(101)
At 30 September 2003	**16**	**88**	**402**

The cumulative total of goodwill written off against Group reserves in respect of acquisitions prior to 1 October 1998 when FRS 10 – Goodwill and intangible assets was adopted amounted to $7 million (2002 – $7 million).

24 Minority equity interest

Minority equity interest included proposed dividends amounting to $19 million at 30 September 2003 (2002 – $10 million).

25 Pension costs

The Group operates a variety of funded pension schemes in the United Kingdom and overseas. The total pension cost for the Group was $14 million (2002 – $9 million), of which $13 million (2002 – $9 million) related to overseas schemes, which were defined contribution plans and $1 million (2002 – $nil) related to the UK defined benefit schemes. There were no accrued obligations under defined contribution plans.

The Group has continued to account for pensions in accordance with SSAP 24 and the disclosures given in (a) are those required by the standard. FRS 17 – Retirement Benefits was issued in November 2000 but is not required to be fully adopted by the Group until the year ended 30 September 2006. Transitional disclosures do, however, apply and have been detailed in (b).

(a) SSAP 24 Disclosures

In the United Kingdom, there are two defined benefit schemes, the Lonmin Superannuation Scheme (the LSS scheme) and the Scottish and Universal Investments Scheme (the SUITS scheme). The LSS scheme applies to the current employees of the Group whereas the SUITS scheme has no active members as it relates to pensioners and deferred pensioners of former subsidiaries of the Group.

The LSS Scheme

The pension costs relating to the LSS scheme have been assessed in accordance with the advice of qualified actuaries based on a valuation conducted on 1 October 2002. At this date, the market value of the United Kingdom scheme assets, in aggregate, was $112 million. Assets of the pension schemes were sufficient to cover 108 per cent of the benefits accruing to the members.

The United Kingdom pension charge has been assessed using the attained age method as approved under SSAP 24 with the following principal growth rate assumptions:-

Investment return	5 – 6% per annum
Rate of increase in salaries	3.5% per annum
Rate of increase in pensions in payment	2.5% per annum

The SUITS Scheme

The pension costs relating to the SUITS scheme have been assessed in accordance with the advice of qualified actuaries based on a valuation conducted on 1 April 2002. At this date, the market value of the United Kingdom scheme assets, in aggregate, was $166 million. Assets of the pension schemes were sufficient to cover 100 per cent of the benefits accruing to the members.

The United Kingdom pension charge has been assessed using the current unit method as approved under SSAP 24 with the following principal growth rate assumptions:-

Investment return	8 – 9% per annum
Rate of increase in pensions in payment	5% per annum

The Overseas Schemes

In respect of overseas schemes, pension costs have been determined in accordance with the latest actuarial advice where practicable and otherwise in accordance with local regulations.

The Group provides healthcare benefits for qualifying pensioners in South Africa. The costs of these benefits have been assessed in accordance with the advice of qualified actuaries and are detailed in note 19 to the Accounts.

(b) FRS 17 Disclosures

The LSS Scheme

For the LSS scheme the actuarial valuation was conducted on 30 September 2003 using the following major assumptions:

Discount rate	5.5% per annum (2002 – 5.5% per annum)
Inflation assumptions	2.75% per annum (2002 – 2.5% per annum)
Rate of increase in salaries	3.25% per annum (2002 – 4% per annum)
Rate of increase in pensions in payment	2.75% per annum (2002 – 2.5% per annum)
Contribution rate in the year	23.3% per annum (2002 – 0% per annum)
Expected future contribution rate	23.3% per annum (2002 – 0% per annum)

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

25 Pension costs continued

(b) FRS 17 Disclosures

The LSS Scheme

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, are detailed in the table below:

	2003 Expected return %	2003 $ m	2002 Expected return %	2002 $ m
Insurance policies	5.0	54	5.0	61
Equities	8.0	33	8.0	33
Bonds	5.0	23	5.0	15
Total market value of assets		110		109
Limitation on the use of surplus		(2)		(1)
		108		108
Present value of scheme liabilities		(103)		(103)
Surplus before related deferred tax liability		5		5
Related deferred tax liability		(2)		(2)
Net pension asset		3		3

The net pension asset shown above has not been included in the primary statements.

An analysis of the amounts that would have been charged to operating profit was:

	2003 $ m	2002 $ m
Current service cost	–	–
Past service cost	–	–
Total operating charge	–	–

An analysis of the amounts that would have been charged to interest was:

	2003 $ m	2002 $ m
Expected return on pension scheme assets	3	(2)
Interest on pension scheme liabilities	(2)	2
Net return	1	–

An analysis of the amounts that would have been recognised in the statement of total recognised gains and losses (STRGL) was:

	2003 $ m	2002 $ m
Actual return less expected return on pension scheme assets	–	(10)
Experience gains arising on scheme liabilities	1	1
Changes in assumptions underlying the present value of the scheme liabilities	(1)	(6)
Actuarial loss recognised in the STRGL	–	(15)

25 Pension costs continued

(b) FRS 17 Disclosures

The LSS Scheme

The movement in the scheme surplus during the year was:

	2003 $ m
Surplus in scheme at beginning of year	6
Movement in year:	
Current service cost	–
Contributions	–
Past service cost	–
Interest	1
Actuarial loss	–
Translation exchange	–
Surplus in scheme at end of year	7

An analysis of the history of experience gains and losses was:

	2003	2002
Difference between expected and actual return on scheme assets:		
– amount ($ m)	–	(10)
– percentage of scheme assets	–	(9.9)
Experience gains on scheme liabilities:		
– amount ($ m)	1	1
– percentage of present value of scheme liabilities	1.0	1.3
Total amount recognised in STRGL:		
– amount ($ m)	–	(15)
– percentage of present value of scheme liabilities	–	(19.0)

The SUITS Scheme

For the SUITS scheme the actuarial valuation was conducted on 30 September 2003 using the following major assumptions:

Discount rate	5.5% per annum (2002 – 5.5% per annum)
Inflation assumptions	2.75% per annum (2002 – 2.5% per annum)
Rate of increase in pensions in payment	5.0% per annum (2002 – 5.0% per annum)
Contribution rate in the year	See note below (2002 – 0% per annum)
Expected future contribution rate	See note below (2002 – 0% per annum)

For the year to 30 September 2003, a Company funding requirement of $0.2 million was made. As at 30 September 2003, a future Company funding requirement is anticipated and will be determined based on the results of an actuarial valuation being undertaken as at 1 October 2003.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

25 Pension costs continued

(b) FRS 17 Disclosures

The SUITS Scheme

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, are detailed in the table below:

	2003		2002	
	Expected return %	$ m	Expected return %	$ m
Insurance policies	5.0	146	5.0	132
Equities	8.0	9	8.0	13
Bonds	5.0	13	5.0	7
Total market value of assets		168		152
Present value of scheme liabilities		(184)		(166)
Net pension liability		(16)		(14)

The net pension liability shown above has not been included in the primary statements.

An analysis of the amounts that would have been charged to operating profit was:

	2003 $ m	2002 $ m
Current service cost	–	–
Past service cost	–	–
Total operating charge	–	–

An analysis of the amounts that would have been charged to interest was:

	2003 $ m	2002 $ m
Expected return on pension scheme assets	2	(1)
Interest on pension scheme liabilities	(2)	1
Net return	–	–

An analysis of the amounts that would have been recognised in the statement of total recognised gains and losses (STRGL) was:

	2003 $ m	2002 $ m
Actual return less expected return on pension scheme assets	–	(5)
Experience losses arising on scheme liabilities	–	(3)
Changes in assumptions underlying the present value of the scheme liabilities	(1)	(5)
Actuarial loss recognised in STRGL	(1)	(13)

25 **Pension costs** continued

(b) FRS 17 Disclosures

The SUITS Scheme

The movement in the scheme deficit during the year was :

	2003 $ m
Deficit in scheme at beginning of year	(14)
Movement in year:	
Current service cost	–
Contributions	–
Past service cost	–
Interest	–
Actuarial loss	(1)
Translation exchange	(1)
Deficit in scheme at end of year	(16)

An analysis of the history of experience gains and losses was :

	2003	2002
Difference between expected and actual return on scheme assets:		
– amount ($ m)	–	(5)
– percentage of scheme assets	–	(3.2)
Experience losses on scheme liabilities:		
– amount ($ m)	–	(3)
– percentage of present value of scheme liabilities	–	(1.9)
Total amount recognised in STRGL:		
– amount ($ m)	(1)	(13)
– percentage of present value of scheme liabilities	(0.6)	(8.4)

26 Related party transactions

The Group's related party transactions are summarised below:

	2003 $ m	2002 $ m
Sale of goods to minority shareholder	66.2	8.9
Amounts due to minority shareholder	6.4	0.7
Amounts due from minority shareholder	22.9	2.5
Toll smelting and refining charges paid to minority shareholder	25.6	0.5
Commissions paid to minority shareholder	3.5	2.6
Services provided to associate	0.4	–
Amounts due from associate	0.3	–
Management contracts – costs incurred	0.4	0.8
Management contracts – fees reimbursed	0.4	0.8

The minority shareholder is Impala which holds a 27% stake in the platinum operations.

The Group has taken advantage of the exemption under FRS 8 – Related party disclosures not to disclose related party transactions between subsidiary companies.

27 Capital commitments

Group	2003 $ m	2002 $ m
Contracted for but not yet provided	79	70

28 Operating and finance leases

The annual commitments of the Group under non-cancellable operating leases analysed according to the period in which each lease expires were as set out below:

	Land and buildings	
Group	2003 $ m	2002 $ m
Operating leases which expire:		
Between one and five years	1	–
Over five years	1	1
	2	1

28 Operating and finance leases continued

Obligations under leases comprise:

	Operating leases		Finance leases	
	2003 $m	2002 $m	2003 $m	2002 $m
Rentals due within 1 year	2	1	3	2
Rentals due after more than 1 year:				
From 1 to 2 years	2	1	1	2
From 2 to 3 years	1	1	–	–
From 3 to 4 years	1	1	–	–
From 4 to 5 years	1	1	–	–
After 5 years	2	2	–	–
	7	6	1	2
Total	9	7	4	4
less amounts representing interest			(1)	(1)
Present value of net minimum lease payments			3	3
Less current lease obligations			(2)	(1)
Non-current lease obligations			1	2

Obligations under finance leases are included under notes 15 and 16 to the Accounts.

29 Net cash inflow from operating activities

	2003 $m	2002 $m
Group operating profit	298	333
Depreciation charge	46	39
Increase in stock	(59)	(11)
Increase in debtors	(42)	(6)
Increase in creditors	47	4
Increase/(decrease) in provisions	5	(2)
Other	1	2
Net cash inflow from operating activities	296	359

30 Capital expenditure and financial investment

	2003 $ m	2002 $ m
Purchase of tangible fixed assets	161	152
Sale of tangible fixed assets	(25)	–
Purchase of fixed asset investments	-	77
Sale of fixed asset investments	(1)	–
Purchase of current asset investments	1	1
Net cash outflow from capital expenditure and financial investment	136	230

31 Acquisitions and disposals

	2003 $ m	2002 $ m
Investment in associate	1	–
Cash received on sale of subsidiaries (note 34)	(14)	–
Prepaid expenses	3	–
Net cash inflow from acquisitions and disposals	(10)	–

32 Reconciliation of net cash flow to movement in net (borrowings)/cash and deposits

	2003 $ m	2002 $ m
Balance at 1 October	(155)	523
Increase/(decrease) in cash in the year	62	(117)
Cash inflow from management of liquid resources	–	(433)
Cash inflow from issue of convertible bonds	(216)	–
Cash outflow/(inflow) from loans	131	(129)
Effect of exchange rate movements	(19)	1
Balance at 30 September	**(197)**	(155)

33 Analysis of net borrowings

	At 1 October 2002 $ m	Cash flow $ m	Transfers $ m	Exchange movements $ m	At 30 September 2003 $ m
Cash	34	31	–	1	66
Overdrafts	(56)	31	–	(19)	(44)
	(22)	62	–	(18)	22
Convertible bonds	–	(216)	–	–	(216)
Loans due after one year	(132)	130	1	–	(1)
Loans due within one year	(1)	1	(1)	(1)	(2)
Net borrowings	(155)	(23)	–	(19)	**(197)**

34 Sale of subsidiaries

	Independence Gold Mining $m
Net assets sold:	
Tangible fixed assets	19
Debtors	1
Cash	1
Creditors	(1)
Provisions	(3)
	17
The net inflow of cash in respect of the sale of subsidiaries was as follows:	
Net cash consideration	15
Cash at bank	(1)
	14

The cash flows relating to the subsidiary sold during the year were not material.

35 Parent company disclosures

Tangible assets	Plant, machinery, fixtures and equipment $m
Cost:	
At 30 September 2002 and 2003	**2**
Depreciation:	
At 30 September 2002 and 2003	**1**
Net book value:	
At 30 September 2002 and 2003	**1**

35 **Parent company disclosures** continued

Subsidiaries	$ m
Cost:	
At 30 September 2002	1,821
Additions	4
Intergroup transfers	187
Disposals	(970)
At 30 September 2003	**1,042**
Provisions:	
At 30 September 2002	60
Provided in the year	4
Disposals	(2)
At 30 September 2003	**62**
Net book value:	
At 30 September 2003	**980**
At 30 September 2002	1,761

Fixed asset investments	Own shares $ m	Investments $ m	Total $ m
At 30 September 2002	4	269	273
Provided in the year	(1)	–	(1)
At 30 September 2003	**3**	**269**	**272**

Details of investments in own shares can be found in note 11 to the Accounts.

	2003 $ m	2002 $ m
Net book value of fixed asset investments:		
Listed	**190**	191
Unlisted	**82**	82
Value at 30 September:		
Listed (market value)	**396**	209
Unlisted (Directors' valuation)	**82**	82

35 Parent company disclosures continued

Debtors	2003 $ m	2002 $ m
Amounts falling due within one year:		
Amounts owed by subsidiary companies	28	192
Other debtors	3	2
Prepayments and accrued income	15	2
	46	196

Creditors	2003 $ m	2002 $ m
Amounts falling due within one year:		
Amounts due to subsidiary companies	743	1,629
Bank loans and overdrafts – unsecured	1	–
Other creditors	5	5
Accruals	12	3
Dividend	59	59
	820	1,696

Creditors	2003 $ m	2002 $ m
Amounts falling due after more than one year:		
Loans – convertible debt	211	–
– other unsecured	–	130
	211	130

Details of the convertible debt are shown under notes 17 and 21 to the Accounts.

Contingent liabilities	2003 $ m	2002 $ m
Third party guarantees	3	5
Ashanti put options	–	3
	3	8

There are no contingent liabilities in respect of litigation. The Ashanti put options are described under notes 11 and 20 to the Accounts.

Reserves	Capital redemption reserve $ m	Profit and loss account $ m
At 30 September 2002	88	179
Profit for the financial year	–	4
Dividends	–	(101)
At 30 September 2003	88	82

The profit of the Company for the 2003 financial year amounted to $4 million (2002 – $12 million).

PRINCIPAL GROUP COMPANIES

The following companies have been consolidated in the Group accounts and materially contributed to the assets and/or results of the Group and are classified according to their main activity.

Mining and refining	Country of incorporation	Direct interest in ordinary share capital %	Beneficial interest %	Principal activities
Eastern Platinum Ltd.	South Africa	73	73	Platinum mining
Western Platinum Ltd.	South Africa	73	73	Platinum mining and refining

A full list of Group companies will be included in the annual return registered with Companies House.

FIVE YEAR FINANCIAL RECORD

Year ended 30 September

	2003 $ m	2002 $ m	2001 $ m	2000 $ m	1999 $ m
Turnover	**779**	697	866	951	896
Total operating profit	**297**	331	490	384	218
Profit before exceptional items	**269**	332	523	395	190
Profit before taxation	**291**	332	523	414	188
Profit for the year before exceptional items	**61**	185	274	220	130
Profit for the year	**74**	185	274	238	130
Cost of dividend (net)	**101**	101	110	90	46
Fixed assets	**1,275**	1,181	997	916	1,300
Net current assets/(liabilities)	**79**	(6)	404	333	44
Total assets less current liabilities	**1,354**	1,175	1,401	1,249	1,344
Equity interests	**648**	675	1,077	926	733
Net (borrowings)/cash and deposits	**(197)**	(155)	523	422	(197)
Earnings per share (cents)	**52.5**	121.5	153.7	144.7	81.5
Dividends per share (cents)	**72.0**	72.0	64.0	50.0	29.1
Trading cash flow per share (cents)	**161.0**	118.9	242.9	200.0	118.0
Free cash flow per share (cents)	**48.2**	(4.6)	129.0	105.2	30.8
Equity interests per share (cents)	**459**	479	607	521	459

Notes

1 The 2000 figures have been restated for deferred tax.

2 Ashanti is consolidated as a fixed asset investment from 2000 onwards and as an associate in previous years.

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Important Note This document contains detailed financial and statutory information for the Lonmin Group for the year ended 30 September 2003. It should, however, be read in conjunction with a separate document entitled Lonmin Plc Annual Review 2003.

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