

Lonmin Plc



A rock solid foundation...

...allows you to build a strong company

Lonmin is the third largest primary producer of Platinum in the world, producing over 900,000 ounces of Platinum and roughly a similar number of ounces of the Platinum group metals such as Palladium and Rhodium.

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to learn more about Lonmin

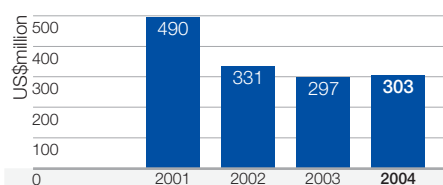
Financial Highlights

Continuing operations

EBIT

\$303m

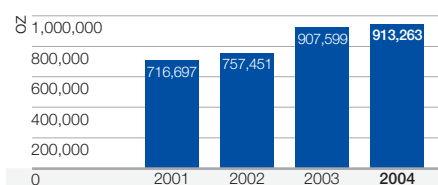
EBIT



Primary mine production platinum

913,263oz

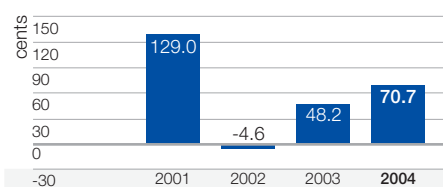
Primary mine production platinum



Free cash flow per share

70.7c

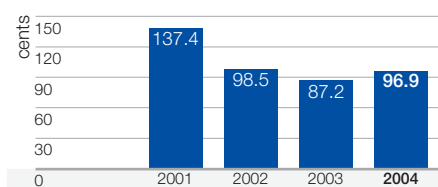
Free cash flow per share



Underlying EPS

96.9c

Underlying EPS



2004

2003

Profits

Turnover	\$1,030m	\$779m
EBITDA ¹	\$357m	\$344m
EBIT ²	\$303m	\$297m
Profit before taxation	\$290m	\$291m
Earnings per share	88.4c	52.5c
Underlying earnings per share ³	96.9c	87.2c
Dividends per share ⁴	72.0c	72.0c

Cash flow

Trading cash flow per share	229.2c	161.0c
Free cash flow per share	70.7c	48.2c

Balance sheet

Equity shareholders' funds – restated ⁵	\$744m	\$645m
Net borrowings	\$275m	\$197m
Gearing ⁶	27%	23%

¹ EBITDA is Group operating profit before interest, tax, depreciation and amortisation.

² EBIT is total operating profit.

³ Underlying earnings per share are calculated on profit for the year excluding exceptional items and exchange adjustments on tax as disclosed in note 9 to the accounts.

⁴ The Board recommends a final dividend of 42 US cents payable on 14 February 2005 to shareholders on the registers on 21 January 2005.

⁵ Equity shareholders' funds have been restated to show the investment in the Employee Share Ownership Plan as a deduction from equity shareholders' funds.

⁶ Gearing is calculated on the net borrowings attributable to the Group divided by the net borrowings attributable to the Group plus equity shareholders' funds.

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 financial statements for the year ended 30 September 2003 with the exception of accounting for employee share ownership plans (ESOPs) which has required a presentational restatement in accordance with UITF Abstract 38 – Accounting for ESOP Trusts as disclosed in note 24 to the accounts.

Analysis of results

Profit and loss account

A comparison of the 2004 total operating profit from continuing operations with the prior year is set out below:

	\$m
Total operating profit for the year ended 30 September 2003*	297
Increase in sales prices	221
Increase in sales volumes	12
Exchange	(113)
Smelting and refining costs	(9)
Stock adjustment	(23)
Depreciation	(7)
Operational costs plus inflation	(75)
Total operating profit for the year ended 30 September 2004*	303

* from continuing operations and before any exceptional items.

The average price realised for the basket of metals sold at \$17,072/kg was 17% higher than the prior year and turnover increased by \$251 million to \$1,030 million. Unit costs in rand were 22% higher mainly due to benefits in the prior year not repeated in the current year and wage increases and other inflationary increases, particularly in steel, water and power. The strength of the South African rand against the US dollar has continued to impact on costs in dollar terms with the average exchange rate appreciating some 16% on the prior year. The resulting total operating profit from continuing operations and before any exceptional charges amounted to \$303 million.

Net interest payable and similar items was \$13 million compared with \$28 million last year. Exchange losses were \$16 million lower this year due to most borrowings being held in US dollars for the 2004 financial year but interest and finance costs were higher, primarily due to the amortisation of expenses on bank facilities arising from the Incwala transactions.

Profit before tax from continuing operations amounted to \$290 million in 2004 compared with \$291 million in 2003.

The 2004 tax charge was \$113 million compared with \$183 million in 2003 and included \$20 million of exchange losses (2003 – \$85 million). An exceptional tax credit has been included in the tax

charge in respect of South African tax overprovided in 2003 on the disposal of the Brakspruit mineral rights. The effective tax rate, excluding the effects of exchange and exceptional items was 33% compared with 35% last year.

Profit for the year from continuing operations rose to \$125 million from \$74 million in 2003 and earnings per share were 88.4 cents compared with 52.5 cents in 2003. Underlying earnings per share from continuing operations, being earnings excluding exchange on tax balances and exceptional items amounted to 96.9 cents (2003 – 87.2 cents).

The profit for the year arising from discontinued operations amounted to \$70 million representing a profit of \$112 million on the sale of the investment in AngloGold Ashanti during June 2004 offset by a funding requirement on the buy-out of the SUITS pension scheme during September 2004 of \$42 million.

Balance sheet

Equity interests were \$744 million at 30 September 2004 compared with \$645 million (restated for ESOP accounting) at 30 September 2003 mainly reflecting the profit for the year of \$195 million offset by dividends declared of \$42 million and \$60 million for the interim and final dividends respectively.

The Incwala transactions were completed on 30 September 2004 resulting in an increase of 9.11% in the Group shareholding in Eastern Platinum Limited (EPL) and Western Platinum Limited (WPL) to 82%. In addition, an investment was made in Incwala Resources (Pty) Limited (Incwala) resulting in a 23.56% ownership. Funding was also provided to HDSAs (Historically Disadvantaged South Africans) to assist with their purchase of 9.0% of EPL and WPL from Gazelle Platinum Limited and to Seed Capital investors investing in Incwala. These transactions have been shown in the balance sheet on 30 September 2004 as follows:

- the investment in Incwala amounting to \$90 million has been shown as an associate
- the loans provided to HDSAs and Seed Capital investors amounting to \$34 million have been shown as loans receivable
- the excess of the purchase price of \$311 million, including expenses of \$28 million, over the book value of the 9.11% acquisition of EPL and WPL has been shown within fixed assets as additional mineral rights
- the minority interest in EPL and WPL has been reduced from 27.11% to 18.0%.

Net borrowings amounted to \$275 million at 30 September 2004 with the main component being the convertible bonds of \$216 million. Gearing was 27% compared with 23% at 30 September 2003, calculated on net borrowings attributable to the Group divided by these attributable net borrowings and the equity interests outstanding at the balance sheet date.

Cash flow

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

	2004 \$m	2003 \$m
Net cash inflow from operating activities from continuing operations	400	296
Interest and finance costs	(9)	(12)
Tax	(67)	(57)
Trading cash flow	324	227
Capital expenditure – purchases	(187)	(161)
– sales	–	25
Minority dividends	(37)	(23)
Free cash flow	100	68
Acquisitions	(390)	(4)
Disposals (including discontinued operations)	(41)	14
Financial investment (including discontinued operations)	352	–
Shares issued	6	–
Equity dividends paid	(102)	(101)
Cash outflow	(75)	(23)
Opening net borrowings	(197)	(155)
Exchange	(3)	(19)
Closing net borrowings	(275)	(197)
Trading cash flow per share	229.2c	161.0c
Free cash flow per share	70.7c	48.2c

Net cash inflow from operating activities was \$400 million during 2004, a 35% increase on last year's figure of \$296 million. The increase included an inflow of working capital of \$39 million compared with an outflow of \$54 million last year. After interest and finance costs of \$9 million and tax payments of \$67 million, trading cash flow amounted to \$324 million in 2004 against \$227 million in 2003, with trading cash flow per share of 229.2 cents in 2004 against 161.0 cents in 2003.

Capital expenditure of \$187 million was incurred during the year, an increase of \$26 million on the prior year. This increase included the effect of the marked appreciation in the South African rand during the year; actual rand expenditure decreased by 5%. After minority dividends paid of \$37 million, free cash flow was \$100 million and free cash flow per share was 70.7 cents (2003 – 48.2 cents). Financial investment, acquisitions and disposals primarily represented the net cash outflow on the Incwala and EPL/WPL transactions of \$424 million (including expenses of \$17 million), the receipt from the sale of the investment in and repayment of loans from AngloGold Ashanti of \$390 million and a \$41 million funding requirement on the buy-out of the SUITS pension scheme. After accounting for shares issued on the exercise of share options of \$6 million and equity dividends paid of \$102 million, the cash outflow was \$75 million during 2004 and net borrowings amounted to \$275 million at 30 September 2004.

Dividends

The Board recommends a final dividend of 42.0 cents (2003 – 42.0 cents) making total dividends for the year of 72.0 cents (2003 – 72.0 cents). This represents a cover of 1.2 times on earnings from continuing operations (2003 – 0.7 times). On an underlying earnings from continuing operations basis, this represents a cover of 1.3 times compared with 1.2 times in 2003.

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.

Interest rate risk

Monetary assets and liabilities are subject to the risk of movements in interest rates. The borrowings at 30 September 2004 represented \$215.8 million of long-term borrowings in the form of US dollar 3.75% convertible bonds due 2008, drawings under a long-term bank loan of \$56 million and \$4 million of overdrafts in the UK, and a short-term bank loan of \$18 million and an outstanding finance lease obligation of \$1 million in South Africa. Cash deposits represented balances of \$12 million in the UK and \$8 million in South Africa.

Financial Review

A two-year floating rate interest swap was entered into during October 2003 in respect of the convertible bonds with interest calculated on a six-month LIBOR in arrears basis. The resulting interest charged on the bonds was \$6 million, equivalent to an interest rate of 2.5%. This compared to interest of \$8 million which would have been charged on the bonds at the fixed rate of 3.75% had the swap not been entered into.

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 \$451 million of committed facilities in place, of which \$74 million were drawn down.

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 regular basis. Short-term working capital facilities required in South Africa are drawn primarily in US dollars.

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 rhodium and ruthenium 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 4,012 ounces of rhodium sold forward at prices ranging from \$475 to \$1,000 per ounce and 6,415 ounces of ruthenium sold forward at a price of \$32 per ounce. There were no outstanding positions at 30 September 2004.

International financial reporting standards (IFRS)

All European Union listed companies are required to prepare their consolidated financial statements in accordance with IFRS for accounting periods beginning on or after 1 January 2005. Lonmin will therefore adopt IFRS for the financial year ended 30 September 2006. Based on work carried out to date, the main differences between UK GAAP and IFRS are expected to be due to differences in accounting for share-based payments, pensions, deferred tax and financial instruments. The financial effects of IFRS are in the process of being evaluated. The presentation of the financial statements, along with the disclosures will also be affected.

John Robinson

Chief Financial Officer
24 November 2004

Directors' Report

for the year ended 30 September 2004

Principal activities of the Group

The sole activity of the Group during the year continued to be mining, refining and marketing of platinum group metals.

Analyses of Group turnover, EBITDA (Group operating profit before interest, tax, depreciation and amortisation), operating profit, profit before exceptional items and profit before taxation, analysing between principal activities and geographical origins, appears in note 2 to the accounts and a list of the principal subsidiary undertakings, indicating their main activities, appear on page 66.

This directors' report should be read in conjunction with the chairman's statement, the chief executive's statement and the business review, each contained within the separately published annual review, which together give a fair review of historic and likely future developments in the business of the Company and the principal trading operations of the Group. There were no material changes from 30 September 2004 to the date of this report.

Lonmin Plc operates in South Africa as a branch, which is registered in that country as an overseas company, in addition to the business conducted by its subsidiary undertakings.

Material developments in the affairs of the Group

Ashanti Goldfields Company Limited ("Ashanti")

On 4 August 2003 the Company announced that it had agreed to support the recommended merger of AngloGold and Ashanti (the "Merger") by signing an undertaking to AngloGold pursuant to which Lonmin agreed to vote in favour of and support the Merger in respect of its 27.6% investment in Ashanti. Lonmin also agreed, *inter alia*, not to solicit alternative offers and not to withdraw its support for the Merger unless the Ashanti board publicly announced the withdrawal of its recommendation or if the agreement between AngloGold and Ashanti setting out the terms of the recommended merger was terminated.

The Merger completed on 26 April 2004, as a result of which:

- Lonmin received repayment of the Mandatorily Exchangeable Notes and accrued interest, amounting to approximately US\$79.0m in total; and
- Lonmin was allotted 10.44 million ordinary shares in the capital of the new entity resulting from the Merger, AngloGold Ashanti.

Lonmin sold, in aggregate, 3.5 million ordinary shares in AngloGold Ashanti on 4 June 2004 and received gross proceeds of approximately US\$113.8m. On 17 June 2004 Lonmin announced an accelerated book-built offering in relation to a further 6.94 million of its ordinary shares in AngloGold Ashanti which were duly sold under the book-building process and Lonmin received gross proceeds of approximately US\$204.7m on 25 June 2004.

The Scottish and Universal Investments Limited Group Pension and Life Assurance Scheme ("SUITS Scheme")

On 3 September 2004 the Company announced that the board had decided to make a charge of \$42.0m in the accounts for the year ended 30 September 2004 in respect of the wind up of the SUITS Scheme, a legacy pension arrangement. SUITS was the holding company of the former UK activities of the old Lonrho Group and thus the liability related to the discontinued activities of the UK Group, the last of which was sold in 1997. Members' benefits have been secured in full by the purchase of annuities, and the funding of the purchase of these and associated administrative costs by the Company increased the Group's borrowings by \$42.0m. As seen from the accounts for the year, this charge has been treated as an exceptional item.

Incwala Resources (Pty) Limited ("Incwala")

On 13 September 2004 the Company issued a circular to shareholders concerning the proposed acquisition of a further 9.1% of each of its South African operating subsidiaries from a company within the Impala Platinum Holdings Limited Group, and the proposed financing of equity participation in Incwala by Historically Disadvantaged South Africans (commonly referred to as HDSAs). Incwala is a South African company specifically incorporated to enable broad-based equity participation by HDSAs in Lonmin's South African operating companies. The rationale underlying this transaction is fully explained in the annual review. A copy of the circular is available on the Company's website (www.lonmin.com) or can be obtained from the company secretary.

In brief, the Company proposed to facilitate (*inter alia* by making loans amounting to \$33.8m in total and giving guarantees) the purchase by HDSA-owned investing consortia of 52.88% of Incwala's share capital. Lonmin proposed to take a direct stake of 23.56% in Incwala (at a cost of \$90.3m), with the Industrial Development Corporation of South Africa Limited, a public company controlled by the South African state, holding the remaining 23.56% of Incwala's share capital. Incwala would then use these funds to purchase 18.0% of the share capitals of each of Eastern Platinum Limited and Western Platinum Limited. At the same time, Lonmin would also purchase an additional net 9.1% of the share capitals of these two companies from Impala for \$282.6m (excluding costs).

The Company's proposal, which was approved at an Extraordinary General Meeting on 29 September 2004, subsequently achieved legal completion on 30 September 2004.

Directors' Report

for the year ended 30 September 2004

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 US cents per share to be paid, subject to approval by shareholders at the annual general meeting, on Monday 14 February 2005, to shareholders on the registers at the close of business on Friday 21 January 2005. With the net interim dividend of 30 US cents paid on 13 August 2004, this would make a total dividend for the year of 72 US cents per share (2003 – 72 US cents).

Directors' responsibilities

A statement of the directors' responsibilities in respect of the preparation of financial statements is given in the Corporate Governance section within this annual report.

Accounting policies

The Lonmin Group financial statements are presented in accordance with UK generally accepted accounting principles. As the Group's functional currency is the US dollar, this was also adopted as the Group's reporting currency in 1998.

Share capital and reserves

The authorised and issued share capital of the Company at 30 September 2004 and matters relating thereto are set out in notes 22 and 23 to the accounts. The total share capital and reserves of the Group amounted to \$744 million at 30 September 2004. This compares with \$645 million (as restated) at 30 September 2003.

At the AGM held on 5 February 2004, shareholders approved an authority for the Company to make market purchases of its own shares, up to a maximum of 14,100,000 shares (being approximately 10% of the issued share capital), at prices not less than the nominal value of each share (being \$1) and not exceeding 105% of the average mid-market price for the preceding five business days.

The Company made no purchases of its own shares during the year, and no shares were acquired by forfeiture or surrender or made subject to a lien or charge. During the year, the Company allotted 589,798 ordinary shares of \$1 each, for cash, following the exercise of options granted under the Company's savings-related and executive share option schemes.

Resolutions will be proposed at the forthcoming annual general meeting seeking shareholders' consent to adopt new articles of

association and renew the authority for the Company to make market purchases of its own shares. Further details of all these items of business are set out in the circular accompanying this document.

Directorate

The present board of the Company and biographical details are set out on page 18 of the annual review. All those named held office throughout the year, with the exceptions of:

- Brad Mills, who was appointed as an executive director and chief executive of the Company on 26 March 2004;
- Edward Haslam, who retired as an executive director and chief executive on 26 March 2004;
- Dr Sam Jonah, KBE, who resigned as a non-executive director on 26 April 2004; and
- Sir Alastair Morton, who served as an independent non-executive director until his death on 1 September 2004.

At the forthcoming annual general meeting John Robinson retires by rotation and Brad Mills retires having been appointed since the last annual general meeting. Being eligible, each offers himself for re-election. Peter Ledger also retires by rotation but is not seeking re-election since he intends to commence a sabbatical from 31 March 2005. Each of the retirees is an executive director, and full details of their service contracts with the Company, including notice terms are contained in the remuneration report on page 14 of this document.

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.

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 schemes are shown in the directors' remuneration report on page 14. All interests in the table are beneficial. No director held any interests in the convertible bonds issued by the Company, or any beneficial interests in the share capital of any other Group Company.

Director	Shares		Rights to subscribe for shares ⁽¹⁾				Share awards ⁽¹⁾	
	Share options							
	30.09.04	01.10.03 (or later date of appointment)	30.09.04	30.09.04	01.10.03 (or later date of appointment)	01.10.03 (or later date of appointment)	30.09.04	01.10.03 (or later date of appointment)
	Shares of \$1 each	Shares of \$1 each	Shares of \$1 each	Weighted average price (pence per share)	Shares of \$1 each	Weighted average price (pence per share)	Shares of \$1 each	Shares of \$1 each
Sir John Craven	93,808	44,070	—	—	—	—	—	—
Ian Farmer	2,680	2,680	116,018	847.1190	116,018	847.1190	26,773	—
Peter Godsoe	3,360	3,360	—	—	—	—	—	—
Michael Hartnall	4,000	—	—	—	—	—	—	—
Peter Ledger ⁽²⁾	39,640	39,640	105,170	829.8136	105,170	829.8136	27,831	—
Brad Mills ⁽³⁾	124,362	—	—	—	—	—	183,320	—
Roger Phillimore	17,956	2,636	—	—	—	—	—	—
John Robinson	15,763	7,722	115,886	847.1967	121,986	805.9857	30,266	—

Notes:

- (1) Rights to subscribe for shares comprise options issued under the Company's executive and savings-related share option schemes, and awards to acquire shares at nil cost made under the Company's long term incentive plan and, in the case of Mr Mills, the 'matched award' made under the co-investment plan. These are more fully described in the directors' remuneration report on page 14.
- (2) The share interests of Peter Ledger comprise 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 a total of 470,362 shares, and Mr Ledger is deemed to hold a non-beneficial interest in the balance of those shares.
- (3) The opening balance for Brad Mills is as at 26 March 2004, the date on which he was appointed a director. His closing share interest comprises 124,362 shares purchased through Lonmin's employee benefit trust as part of the operation of his co-investment plan. The trust holds a total of 470,362 shares, and Mr Mills is deemed to hold a non-beneficial interest in the balance of those shares.
- (4) Save as noted above, there were no changes from 30 September 2004 to the date of this report.

The closing middle market quotation for the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List, was 1095p on 30 September 2004, and the price ranged between 910p and 1245p during the financial year.

Substantial shareholdings

As at 24 November 2004 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 shares	Percentage of the Company's issued share capital
Prudential plc Group of companies	17,177,999	12.13
American Express Company Group of companies	16,854,516	11.90
Zurich Financial Services Group of companies	7,405,658	5.23
AEGON UK plc Group of companies	5,594,615	3.95
Legal & General Group plc Group of companies	4,337,127	3.06
Lansdowne Partners Limited partnership	4,322,298	3.05
Aviva plc Group of companies	4,249,535	3.00

Directors' Report

for the year ended 30 September 2004

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 £32,275 (\$58,590) (2003 – £3,112 (\$4,943)). In addition the Company granted, for a nominal service charge, a licence to the African Medical and Research Foundation United Kingdom (AMREF UK) to occupy temporarily spare offices at the Company's premises in London until September 2004. 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 was until December 2003 a member of the Council of Management of AMREF UK.

The Group also made contributions to social welfare causes in South Africa during the year amounting to R42.6 million (\$6.5 million) (2003: R44.0 million (\$5.6 million)). A fuller explanation of this expenditure is contained in Lonmin's corporate sustainability report for the year ended 30 September 2004 available from the company secretary, or which can be downloaded from the Company's website.

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 contained in the annual review.

Policy on the payment of creditors

The Company complies with, and has registered its support of, the Better Payment Practice Code, available from the Better Payment Practice Group website, www.payontime.co.uk. 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' standard terms of payment or by proposing alternative terms, but in either case then abiding by the agreed payment terms. Trade creditors of the Company at 30 September 2004 represented 2 days (2003: 12 days) of annual purchases.

Annual General Meeting

The 2005 Annual General Meeting will be held at 11.00 am on Thursday 27 January 2005 at the QEII Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE. A separate circular containing the Notice of Meeting, together with an explanation of the items of special business, is enclosed with this annual report.

Auditors

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

By order of the Board

Rob Bellhouse

Company Secretary
24 November 2004

Lonmin Plc
4 Grosvenor Place
London SW1X 7YL
Registered in England
Number 103002

Corporate Governance

The Combined Code

This report has been prepared by reference to The Combined Code on Corporate Governance published in June 1998 (the "Old Code"). However, additional disclosures are made in compliance with the new version of the Combined Code issued by the Financial Reporting Council in July 2003 (the "New Code"). The review of these corporate governance disclosures required to be made by the auditors solely relates to those matters required to be disclosed and audited under the Old Code.

The Company has during the year to 30 September 2004 and to the date of this report complied with all the provisions affecting companies (known as section 1) of the Old Code. The Company has also complied with the equivalent provisions of the New Code, save that following the death of Sir Alastair Morton on 1 September 2004, the board comprised an independent non-executive chairman, three independent non-executive directors and four executive directors. The New Code suggests that at least half the board, excluding the chairman, should be non-executive. The Company is currently recruiting two additional independent directors.

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
- accountability and audit, and
- relations with shareholders.

Directors

The Board

The Company is led and controlled by the board of directors which currently has eight members, comprising an independent non-executive chairman, three non-executive directors, all of whom the board judges to be independent, and four executive directors. Details of the individuals' skills and experience are contained in the directors' biographies on page 18 of the annual review. As noted above, the Company is currently seeking two additional independent directors.

The board comprised ten directors until 26 April 2004, five of whom (excluding the chairman) were non-executive, and nine directors until 1 September 2004, four of whom (excluding the chairman) were non-executive.

The board meets regularly, normally on six occasions during the year and more frequently if necessary, including two meetings in South Africa. The board provides the entrepreneurial leadership, direction and control of the Company; is the custodian of the Company's strategic aims, vision and values; and ensures that the necessary

financial and human resources are, and will continue to be, in place to enable the Company to meet its objectives. It has a formal schedule of matters reserved for its decision, the most material of which are:

- appointments to (and removals from) the board and executive office
- approval of budgets, raising of finance through issues of shares or entry into borrowings or other obligations, declarations of dividends
- reviewing the operating and financial position of the Company
- the approval of accounts and reports comprising the financial results of the Group, and other documents for external publication
- approval of the treasury and other risk management policies of the Group
- approval of significant contracts and commitments, including acquisitions or realisations of assets
- responsibility for social, environmental and ethical matters.

Whilst all directors have equal responsibility for managing the Company's affairs, it is the role of executive management to run the business within the parameters laid down by the board and to produce clear and accurate reports to enable the board to assess their performance. The executives make full use of the expertise and experience that the non-executive directors bring from their business careers.

The chairman routinely holds discussions with non-executive directors without the executive directors being present.

All directors are free to express their views, and to ask that these be recorded in the minutes where appropriate.

The Company maintains, at its expense, a directors' and officers' liability insurance policy to afford an indemnity in certain circumstances for the benefit of directors and other Group personnel.

Chairman and chief executive

The roles of chairman and chief executive are clearly separated and set out in writing. The chairman, who is an independent director, is responsible for leadership of the board, ensuring its effectiveness and setting its agenda, and for ensuring that there is effective communication with all shareholders. The chairman also facilitates the effective contribution of all directors, and ensures that there is a constructive relationship between the executive and non-executive directors.

The role of the chief executive is to provide leadership to the executive team in running the business and to develop proposals for the board to consider in all areas reserved for its judgment.

Corporate Governance

Board balance and independence

The board believes that it has sufficient members to contain an appropriate balance of skills and experience, but is not so large as to be unwieldy. Upon the recruitment of the additional independent directors referred to above, the board believes it will be able to manage succession issues without undue disruption. The structure and composition was designed to provide a balanced board, with no one individual or group of individuals being able to dominate the decision taking.

The board keeps the membership of its committees under review, to ensure gradual refreshing of skills and experience. It is satisfied that all directors have sufficient time to devote to their roles and that it is not placing undue reliance on key individuals.

Using the definition of independence contained in the Combined Code, the board judges all of the non-executive directors, including the chairman, to be independent. In addition to those serving at the date of this report, Edward Haslam served as an executive director until 26 March 2004, Dr Sam Jonah, KBE served as a non-executive director until 26 April 2004 and Sir Alastair Morton served as a non-executive director until his death on 1 September 2004. The board judged Sir Alastair Morton to be independent but felt that under the terms of the definition Dr Jonah could not be viewed as independent, in view of his previous executive career with the Group. However, the board believes that independence is a state of mind and believed that during his tenure Dr Jonah demonstrated independence of judgement.

Following the death of Sir Alastair Morton, Roger Phillimore has been designated as the Senior Independent Director. He is available to shareholders if they have concerns which contact through the normal channels has failed to resolve, or for which such contact would be inappropriate.

Appointments to the Board

To ensure a formal, rigorous and transparent procedure for the appointment of new directors to the board, a *Nomination Committee* has been empowered. Its work is more fully described in its report on page 27.

Appointments are made on merit and against objective criteria. In the case of candidates for non-executive directorships, care is taken to ascertain that they have sufficient time available to meet their board and, where relevant, committee responsibilities. As part of this process, candidates disclose all other time commitments and, on appointment, undertake to update the board of any changes.

The terms and conditions of appointment of non-executive directors are available for public inspection, and a sample letter of appointment is provided on the Company's website, www.lonmin.com.

As policy, the board would not normally agree to an executive director taking on more than one non-executive directorship of a FTSE100 Company, or the chairmanship of such a Company.

Information and professional development

The board is supplied with regular and timely information in a form and of a quality that enables it to discharge its duties. All directors are encouraged to make further enquiries as they feel appropriate of the executive directors or management. Certain of the executive directors are also directors of the principal operating subsidiaries, which provides them with further insight into the affairs of the Group.

The chairman ensures that all directors continually update their skills and knowledge, and develop the familiarity with the Company's operations needed to fulfil their role. The Company provides the necessary resources for developing and updating all directors' knowledge and capabilities, both on first appointment and subsequently as necessary. This includes a full, formal and tailored induction programme, including when appropriate the opportunity of meeting a range of major shareholders and external advisors.

There is a procedure in place for directors to take independent professional advice, if they judge this to be necessary, at the Company's expense. In addition, board committees are provided with sufficient resources, plus the power to co-opt such additional support as they may require from time to time, to undertake their duties.

All directors have access to the services of the company secretary, who is responsible for information flows to the board, facilitating induction and assisting with professional development as required, ensuring compliance with board procedure and applicable laws and regulation and advising the board on corporate governance matters. The appointment or removal of the company secretary is a board decision.

Performance evaluation

The board has evaluated its own performance, that of the board committees and of the individual directors. To do so the chairman sought views from board members in order to identify the consensus of opinions, which were then summarised to and approved by the board. The purpose of the evaluation was to assess the effectiveness of the board process, and whether each director continued to contribute effectively and demonstrate commitment to their role. There were no items arising from the review on which the board felt the chairman should act.

The board met during the year under the chairmanship of the senior independent director, without the chairman being present, to assess the effectiveness of the chairman. The unanimous conclusion was that the chairman was fully committed to Lonmin and was particularly effective in the role.

Attendance at board meetings

The board met formally on seven occasions during the year. Attendance at these meetings was as follows:

Director	Number of meetings held during time in office	Number of meetings attended
Sir John Craven	7	7
Ian Farmer	7	7
Peter Godsoe	7	5
Michael Hartnall	7	7
Edward Haslam	3	3
Sam Jonah	3	–
Peter Ledger	7	7
Brad Mills	4	4
Sir Alastair Morton	5	3
Roger Phillimore	7	7
John Robinson	7	7

In addition, a further seven ad hoc meetings were held to issue formal approvals, or deal with other matters of a routine or administrative nature, which did not require attendance of the full board.

Re-election of directors

All directors submit themselves to shareholders for re-election after first appointment and then at least every three years. Sufficient biographical and other information (including, in the case of a non-executive director seeking re-election, a statement as to their continued effectiveness and commitment) is provided to enable shareholders to make an informed decision. Whilst sympathetic to the principle of 'progressive refreshing', the board is aware that a deep understanding of a Company's business cannot arise instantly on appointment.

In September 2003, Roger Phillimore completed his second three-year term as a non-executive director. After a detailed review involving all board members, it was unanimously decided that Mr Phillimore is independent. Accordingly, a third term of office was offered to, and accepted by, Mr Phillimore.

Directors' remuneration

To provide assurance to the board on the remuneration of directors and senior executives, a *Remuneration Committee* was constituted in November 1993. A report on directors' remuneration (which includes a description of the role and activities of the remuneration committee) is set out on pages 14 to 23.

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.

The board has established an *audit committee* to assist with this obligation. A report from the audit committee describing its work fully is set out on pages 24 to 26.

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 it has access to sufficient borrowing facilities to meet the Group's foreseeable cash requirements.

Corporate Governance

Internal control

The Company has complied and continues to comply with the Combined Code provisions on internal control in that an ongoing process for identifying, evaluating and managing the significant risks faced by the Company was in place during the year under review and to the date of the approval of the accounts, which was regularly reviewed by the board and accords with the Turnbull guidance on internal controls.

For the avoidance of doubt, while the board has overall responsibility for the Company's system of internal control, management is responsible for implementing agreed board policies. Systems 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. The Company has an internal audit function which, to maintain independence and objectivity, is outsourced to an external provider.

The board is responsible for reviewing the effectiveness of the system of internal control, including financial, operational and compliance controls and systems for the identification and management of risk, and has (with the assistance of the audit committee) undertaken such a review as part of the process of compiling this report. Whilst the audit committee routinely meets with both the internal and external auditors and discusses matters of internal control, it also performed (on behalf of the board) a specific review following the year-end. This included reviewing a detailed summary of all internal audit findings and assessing a report summarising key performance indicator data relating to the material risks facing the Company. Further information on the process for the identification of these key risks is set out below.

Risk management

During the year, management created a *risk and SHEC committee*, whose terms of reference were endorsed by the audit committee and the board. SHEC risks comprise safety, health, environmental and community matters. This committee is chaired by the chief executive and comprises senior executives from within the Group who have the knowledge to review, but generally not line management responsibility for, their focus areas. It reports to the audit committee, whose chairman attends its meetings as of right.

For many years, a continuous process has been in place for identifying, evaluating and managing the significant risks faced by the Company. In August 2004 this was reviewed and significantly enhanced. The principal components of the Company's approach to the identification and management of risk now comprise the following:

- the identification and evaluation of the raw risk exposure
- an assessment of the probability of the risk occurring, enabling the unmitigated risk exposure to be calculated
- the assignment of a 'champion', who is best placed to take responsibility for the management of the given risk, and who is charged with developing and implementing detailed risk mitigation plans
- an assessment of any residual exposures which remain, assuming all elements of the risk mitigation plan function as intended. This remaining risk is termed the mitigated risk exposure or risk control gap.

The board has agreed a tolerance level for mitigated risk exposures, and it is the job of operational management to ensure that it plans and acts to identify all new sources of risk, ensure that its mitigation steps function effectively and that no one single risk exposes the Company to a probability-weighted amount in excess of the stated board tolerance.

Corporate social responsibility

The Company faces very significant social, environmental and ethical risks. Whilst these are identified and assessed in the same way as all other risks facing the Group, particular attention is paid to the management of these matters. Safe production is of paramount importance to the Company, and safety is always the first agenda item at management meetings. Lonmin plays a full part in helping South Africa to address the HIV/AIDS pandemic, including the provision of condoms and anti-retroviral drugs to our employees. Lonmin must maintain sufficiently good relations with the communities who host our operations to earn its moral licence to operate. In particular, this requires that we take particular care of the natural environment, and also invest in the communities who live on or alongside our property.

In recognition of the importance of these areas, the Company's short term incentive schemes for senior management contain material elements relating to safety, environment and community measurements, while key individuals have these items and health matters as personal objectives forming part of their incentive plans. Further explanation is contained in the remuneration report on pages 14 to 23.

A full explanation of Lonmin's approach and actions in these areas is contained in the 2004 Corporate Sustainability Report available from the company secretary, or which can be downloaded from the Company website, www.lonmin.com. The website contains significant amounts of additional information on our corporate social responsibility programme in support of the formal report.

Relations with shareholders

The Combined Code encourages 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. Detailed written feedback from these visits is shared with the board, and a summary of the views expressed is presented to the next board meeting. In addition, the chairman wrote to the Company's top twenty shareholders during the year to offer meetings with either himself or the senior independent director, if required, to discuss governance, strategy or any other matters shareholders wished to raise. Copies of analysts' notes on the Company are circulated to all directors, as are summaries of analysts' opinions collected anonymously by the Company's financial PR advisors.

The Combined Code urges 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, but adopted electronic poll voting on all resolutions at its 2004 AGM. This enables the votes of all shareholders to be taken into account, whether they are able to attend the meeting or not, as well as providing a more discreet and democratic method of voting at the meeting. In recognition of the needs of private shareholders, the Company website (www.lonmin.com) contains a range of investor relations materials, including up-to-date information on the Group's activities and further explanation of the matters contained in the annual reporting documents.

This report was approved by the board on 24 November 2004.

Directors' Remuneration Report

for the year ended 30 September 2004

The report below has been prepared by the remuneration committee and approved by the Board. KPMG Audit Plc have audited the following items stipulated in law for their review:

- the table of directors' remuneration and associated footnotes on page 17, and the disclosure of the items comprising the directors' benefits in kind
- the table of directors' defined benefit pension benefits and associated footnotes on page 18
- the disclosure of directors' defined contribution pension arrangements on page 19
- the data on LTIP awards on page 20
- the table of directors' share option information and associated footnotes on page 22

Role of the remuneration committee

The remuneration committee is a formal committee of the board, and has powers delegated to it under the articles of association. Its remit is set out in terms of reference formally adopted by the board, which were last reviewed in November 2002. A copy of the terms of reference is available on the Company's website, www.lonmin.com.

The primary purposes of the remuneration committee are set out in its terms of reference and 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 certain senior employees
- to oversee the administration of the Company's incentive schemes; and
- to review directors' expenses

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

The committee is authorised to seek information from any director or employee of the Group and co-opt any resources (including external professional assistance) it sees fit in order to fulfil its duties.

Minutes of all meetings of the committee are circulated to all directors, and supplemented by a verbal update from the committee chairman at the next board meeting, identifying any material matters which arose from the committee's work. The committee presents a summary of its activities to shareholders and other interested parties by means of this report, and the committee chairman attends the annual general meeting to answer any questions on the committee's activities.

Composition of the remuneration committee

All independent directors, with the exception of the chairman of the board, are eligible to become members of the committee. The board is empowered to appoint or remove members. Any two members of the committee form a quorum.

The committee comprised the following members during the year and to the date of this report, except where stated otherwise:

- Roger Phillimore – an independent director, who has been a member of the remuneration committee and its chairman since September 2002
- Peter Godsoe – an independent director who has been a member of the committee since September 2002.
- Michael Hartnall – an independent director, who has been a member of the committee since May 2003.
- Sir Alastair Morton (until his death on 1 September 2004) – an independent director who had been a member of the remuneration committee since May 1998.

Given their diverse backgrounds and experience, the board believes that the committee members are able to offer a balanced view on executive remuneration issues.

Each member receives an annual fee of £5,000 for serving as a member of the committee or, in the case of the chairman, £10,000. These fees are included in the table of directors' remuneration on page 17.

All members of the committee are provided with full induction into the role of the committee and the operation of its terms of reference on first appointment. Access to training is provided on an ongoing basis to ensure that members are able to discharge their duties.

Throughout the year, the committee was assisted in its work by PricewaterhouseCoopers, an independent firm of remuneration consultants who were appointed by, and report exclusively to, the committee. PricewaterhouseCoopers had no other material involvement with the Company or Group during the year. The company secretary acts as secretary to the committee. In addition, the committee received recommendations from the chief executive in relation to remuneration of executive directors and senior managers. Meetings of the committee are attended by the chief executive and the company secretary, neither of whom do so as of right and who do not attend when their own remuneration is being discussed.

Activities of the remuneration committee

The committee normally meets four times annually, and reports its material findings to the next board meeting. The principal business of these meetings is:

March consideration of option grants or LTIP awards to be made, review of projected short-term incentives for the current year, review of directors' expenses for the quarter to end December.

May: consideration of option grants or LTIP awards to be made after announcement of the interim results, including agreement of the attaching performance condition, review of current policies and practices with advisors, agreement with management of remuneration policy for the financial year in prospect, review of directors' expenses for the quarter to end March.

September: consideration of option grants or LTIP awards to be made, review of projected short-term incentives for the current year and outline scheme design for the new financial year, review of directors' expenses for the quarter to end June.

November: consideration of option grants or LTIP awards to be made, salary review for executive directors and senior executives, approval of detailed short-term incentive scheme design for the financial year, approval for payment of short-term incentives for the prior year, approval of offer of deferred annual bonus plan awards including settling the performance condition, approval of the remuneration report and any relevant AGM business, consideration of offer of savings-related share options, review of directors' expenses for the quarter to end September.

In addition to the routine business described above, the committee also undertook the following activities during the year and in the period to the date of this report in discharging its responsibilities:

- Approval of the terms and conditions of Brad Mills' contract of employment
- Review of a report on pay benchmarking for the senior management team in South Africa
- Review of executive directors' pension provision
- Detailed consideration of the design of the new long term incentive arrangements, and assessment of the feedback received from institutional investors and their representative groups during a consultation exercise.

Due to additional workload detailed above, the committee met six times during the year. Attendance at these meetings was as follows:

Committee member	Number of meetings held during time in office	Number of meetings attended
Roger Phillimore	6	6
Peter Godsoe	6	4
Michael Hartnall	6	5
Sir Alastair Morton (to 1 September 2004)	5	2

The Combined Code

The applicability of the Combined Code is explained on page 9. This report, although prepared under the Old Code, also addresses the various requirements and recommendations relating to directors'

remuneration of the New Code, which have been applied as noted in this report. The Company complies and has throughout the year complied with all of the principles and provisions of both the Old Code and New Code. Importantly, no director plays any part in setting his own remuneration.

Remuneration policy and practice

Non-executive directors

The board, with the benefit of independent professional advice, determines the fees of the non-executive directors. 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.

Executive directors

The remuneration committee's objective is to provide the Group with a remuneration policy and 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. It also takes into account levels of pay and rates of annual increase elsewhere in the Group. 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. The committee is sensitive to the broader needs of the business and offers short-term incentives on a 'balanced scorecard' approach to ensure that performance across a range of business-critical areas is measured
- 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
- that accountability and transparency can be maintained and demonstrated at all times.

Directors' Remuneration Report

for the year ended 30 September 2004

The committee is alert to the danger of paying more than is necessary, and monitors closely 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 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.

The committee has proposed, and the board has endorsed, a remuneration strategy based on a carefully balanced blend of fixed pay (comprising basic pay, benefits in kind and membership of an occupational pension scheme) and performance-related pay (comprising participation in the short term incentive arrangements, a deferred annual bonus plan and either the award of shares under the Company's long-term incentive plan or the grant of executive share options). Full details of each element of the proposed remuneration package are set out below. For the year ended 30 September 2004, short-term incentives amounted to 58% of guaranteed pay (being salary plus benefits in kind).

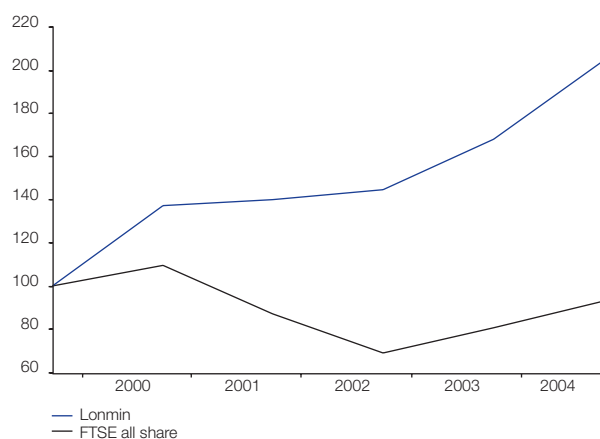
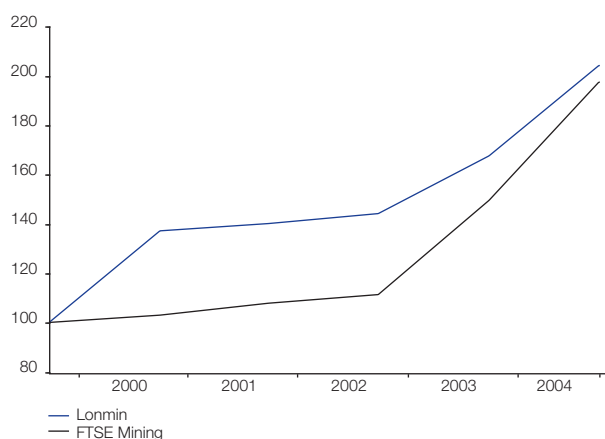
Ultimately, the committee believes that the interests of the directors and senior managers will best be aligned with those of shareholders by requiring that personally significant shareholdings are built up and retained. For this reason, the board has introduced a shareholding policy, which is explained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

Benchmarking methodology

The committee routinely analyses remuneration practices in two groups of comparable companies, the first being UK listed businesses of comparable size and scope to Lonmin, the second being direct international peers in the mining sector with whom we are 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 the latter without being out of step with the former. In this way, the committee aims to avoid generating excessive reward for Lonmin's directors and senior executives.

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 graphs below show the value, at 30 September 2004, 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, assuming dividends are reinvested in each case. 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 UK listed peers.



Directors' remuneration

For the year ended 30 September 2004 the cash costs of the directors' remuneration was as follows:

Director	Salary or fees £	Benefits in kind £	Short-term incentives £	Other (see notes to table) £	Total for year to 30.9.04 £	Total for year to 30.9.03 £
Executive directors						
Brad Mills ⁽¹⁾	285,769	189,000	250,000	200,000	924,769	–
Ian Farmer	255,959	44,233	224,181	–	524,373	371,098
Edward Haslam ⁽²⁾	237,560	20,478	90,000	–	348,038	689,066
Peter Ledger ⁽³⁾	249,437	33,005	173,619	–	456,061	298,197
John Robinson	289,345	25,179	210,769	–	525,293	400,976
Non-executive directors						
Sir John Craven	200,000	–	–	–	200,000	204,529
Peter Godsoe	60,000	–	–	–	60,000	60,000
Michael Hartnall ⁽⁴⁾	80,000	–	–	–	80,000	24,760
Sam Jonah ⁽⁵⁾	28,462	–	–	500,000	528,462	50,000
Sir Alastair Morton ⁽⁶⁾	57,532	–	–	–	57,532	80,000
Roger Phillimore	110,000	–	–	–	110,000	107,442

Notes

- (1) Brad Mills was appointed to the board on 26 March 2004 and the data above therefore relates to a period of approximately six months. The amount listed under "other" in the table is a cash payment to Mr Mills in partial compensation for the loss of long-term share incentives consequent upon his resignation from the employment of BHP Billiton. The Company also entered into a co-investment plan with him as part of this settlement, further details of which are set out on page 20.
- (2) Edward Haslam retired from the board on 26 March 2004 and the data above therefore relates to a period of approximately six months.
- (3) Peter Ledger was appointed to the board on 21 November 2002, and the comparative data therefore relates to a period of approximately ten months. In addition to the amounts shown above, in September 2004 the Company 'bought out' the rights of 266 employees in South Africa to receive continuing medical aid payments beyond their normal retirement date, on a basis devised by independent consulting actuaries. Mr Ledger was one of those who surrendered this benefit and received the sum of £36,608.
- (4) Michael Hartnall was appointed to the board on 8 May 2003, and the comparative data therefore relates to a period of approximately five months.
- (5) Sam Jonah retired from the board on 26 April 2004 and the data above therefore relates to a period of approximately seven months. The amount listed under "other" in the table is an ex gratia payment of £500,000 made to Dr Jonah upon his resignation from the board, consequent upon the sale of the Company's interest in Ashanti to AngloGold, in recognition of his contribution to Lonmin over the twelve years that he served on the board, most of which were in an executive capacity.
- (6) Sir Alastair Morton died on 1 September 2004 and the data above therefore relates to a period of approximately eleven months.
- (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.

Fixed pay for executive directors and senior executives

Basic pay

Whilst the remuneration 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 needs to offer salaries at around median market levels so that it is able to attract and retain suitable directors and executives, but without paying more than is necessary.

Benefits in kind

Benefits in kind for the executive directors comprise the provision of a fully-expensed car (or, in South Africa, a car allowance), 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 Mills and, to the date of his retirement Mr Haslam, also benefited from life assurance in excess of the Inland Revenue earnings cap. Mr Mills was also provided with a limited amount of

independent financial planning and tax advice, accommodation in London and with a number of flights in view of the fact that his family currently reside in the USA. The Company also provides compensation in lieu of pension benefits for Mr Mills, which is included under benefits in kind in the table. Finally, the Company purchases permanent health insurance in respect of all senior employees in the London office, including the UK-based executive directors.

Pensions

Defined benefit arrangements – Ian Farmer, John Robinson and, to the date of his retirement, Edward Haslam are members of the Lonmin Superannuation Scheme, an Inland Revenue approved final salary scheme which provides benefits for all UK employees of Lonmin Plc. The aim of the scheme is to accrue a pension of 2/3 of final pensionable salary over the individual's career, subject to a minimum of 20 years' service being possible. 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.

Directors' Remuneration Report

for the year ended 30 September 2004

The scheme is fully funded, when assessed on a conservative ongoing funding basis. Active members contribute 5% of pensionable pay (being basic salary less an amount equal to the basic state pension) to the scheme and the Company has contributed in line with the recommendations of the scheme actuary during the year, as agreed with the trustees.

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. Pensions accrued since 6 April 1997 are (once in payment) increased each year by the lower of 5% 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.

In the event of death:

- whilst in service, a lump sum equal to four times salary is payable together with a pension to a qualifying spouse or dependant of two-thirds of the pension that would have 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 may also become payable to them
- after leaving service but prior to retirement, a pension would be payable to a qualifying spouse or dependant

- after retirement, a spouse's pension of two-thirds of the member's pre-commutation pension would be payable, revalued 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.

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 does not apply to Ian Farmer and John Robinson, each being members before that date. The cap applied to Edward Haslam and as a consequence he benefited from an unfunded retirement benefit scheme operating on a defined benefits basis, which is included in the data disclosed below. As noted above, the cap applies to Brad Mills as regards life assurance and the premium paid is included within benefits in kind in the remuneration table.

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 had accrued benefits in this scheme as a deferred member, which are included in the numerical disclosures.

Further details of the executive directors' defined benefit pension entitlements are:

Director	Additional pension earned in the year net of inflation ⁽¹⁾ £	Accrued pension at 30.9.04 (or earlier date of retirement) ⁽²⁾ £	Transfer value of accrued pension at 30.9.03 £	Transfer value of accrued pension at 30.9.04 (or earlier date of retirement) £	Increase in transfer value ⁽³⁾ £	Employee contribution paid in the year £	Increase in transfer value net of inflation and employee's contributions ⁽⁴⁾ £
Ian Farmer	4,590	85,747	644,050	828,890	184,840	12,597	172,243
Edward Haslam ⁽⁵⁾	2,571	92,384	2,446,970	2,734,260	287,290	2,475	284,815
John Robinson	5,133	137,647	1,529,450	1,839,140	309,690	14,266	295,424

Notes:

- (1) This additional pension earned in the year is stated after making allowance for UK retail price inflation of 3.1% 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 2004. The normal retirement date for Ian Farmer is 25 March 2022 and for John Robinson is 4 August 2014.
- (3) 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.
- (4) This adjusts the increase in transfer value to reflect both inflation of 3.1% and the fact that the director has shared in the funding of the increased pension provision by contributing 5% of his pensionable pay to the scheme.
- (5) Edward Haslam retired on his normal retirement date of 17 April 2004 and the closing figures quoted in the table refer to that date. As at 30 September 2003, Mr Haslam had accrued pension benefits of £87,138 pa and a cash lump sum of £725,575. The pension put into payment on 17 April 2004 was £92,384 pa as shown in the table, and a cash lump sum of £769,105 was payable in addition, of which £508,961 was paid by the Group in discharge of an Unfunded Unapproved Retirement Benefits promise, which had accrued during Mr Haslam's long service with the Group. Due to the complex nature of his pension promise, the figures as at 30 September 2003 have been restated to reflect the proportion of pension he sacrificed to provide a cash lump sum on retirement, in order to enable a meaningful comparison to be drawn.

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

Defined contribution arrangements – 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% of their salaries and their employer contributes a total of 20.52%, which the fund uses to provide retirement, disability and death benefits. For the year ended 30 September 2004, these employer contributions amounted to £31,722 (R376,473).

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.

The committee is monitoring the Pensions Bill and the Inland Revenue proposals on their tax treatment, and the gradually unfolding debate on these issues. At this time, no detailed proposals have been considered by the committee as to how best the Company can treat pensions within its remuneration framework. For the time being, therefore, the current arrangements will remain in full force and effect.

Performance-related pay for executive directors and senior executives

Short-term incentive arrangements

The committee believes that participation in a short-term incentive scheme enhances the focus of the executive directors and key senior executives by providing a meaningful incentive to out-perform. During the year, and as signalled in last year's remuneration report, the cash bonus scheme first introduced for all directors in 2002 was further developed into a balanced scorecard system.

The scorecard for the year measured performance under four broad headings, each comprising at least three measures, being as follows (the weighting generally attaching to each component is quoted as a percentage of overall bonus opportunity):

- **SHEC matters** (15%) – relating to number of fatalities, community satisfaction with Lonmin as a neighbour, and the Company's management of environmental risks.
- **Shareholder alignment** (45%) – comprising earnings before interest and taxation, economic value added and free cash flow.
- **Production and growth** (20%) – based on primary production of platinum, unit cost control in local currency terms and the efficiency of the capital expenditure programme.

- **Personal objectives** (20%) – four or more projects which are judged to be of material importance to securing the Company's future and which could be objectively assessed.

For each element, three levels of attainment were set – threshold (being the minimum level of attainment for which the committee felt a payment could be warranted), target (being based on the Company's budget) and stretch (representing a significant level of outperformance and also acting as a cap on the bonus due for that element). The scheme design provided for payment of 75% of base salary to executive directors (100% in the case of the chief executive) for overall performance at the target level, with threshold and stretch for each element being 75% and 150% of the target level respectively.

All results have been independently reviewed (including where appropriate scrutiny by the external auditors) and the committee has subjected the scorecard to a detailed assessment before authorising payment. For the year under review, individual bonuses due were largely at or around the target level. Of the bonus resulting, 2/3 is settled in cash and a minimum of 1/3 (on an after tax basis) is invested in the Company's deferred annual bonus plan on behalf of the executive concerned.

Of necessity, the design of bonus plans will evolve from year to year, in line with the Company's strategic needs. The committee monitors 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. However, the plan for the year to 30 September 2005 is almost identical in design to that of the prior year, save that the component weightings have been varied on an individual basis.

Deferred annual bonus plan

As noted above, a minimum of one third of the net cash bonus due to each executive is invested in this plan, with executives able to elect to invest any amount up to the whole of their net bonus.

The funds invested are used to buy Lonmin shares in the open market via a trust, administered independently of the Group. At the date the shares are purchased, the trustees make a 'matched award' to the executive which, subject to the attainment of performance conditions, could enable matching of the number of shares bought by the executive of up to one for one, on an after tax basis.

The purpose of the plan is therefore to provide directors and executives with a direct personal stake in the delivery of value to shareholders, and to ensure that the interests of management and shareholders are demonstrably and fully aligned.

Directors' Remuneration Report

for the year ended 30 September 2004

The performance criterion attaching to any awards under this plan is identical to that applied under the long-term incentive plan, save that there is a different vesting schedule, being:

Level	Relative TSR	Percentage of reward released
Threshold	50th percentile (median)	50%
Target	60th percentile	75%
Stretch	75th percentile (upper quartile)	100%

No awards were made during the year or to the date of this report, as the first cycle of the short-term incentive arrangements has only now ended, and the offer of participation in this plan can only follow completion of the year-end audit and confirmation of the bonus to be paid.

Co-investment plan

The deferred annual bonus plan forms the basis of a co-investment plan entered into with Brad Mills in partial compensation for the loss of his long-term share incentives upon leaving the employment of BHP Billiton to join the Company. Mr Mills is the sole participant in this arrangement which applied from his date of appointment, and under which the Company paid £1,205,994 into its employee benefit trust on 19 May 2004. The trustees applied this money to the purchase of 124,362 Lonmin shares in the open market on the same date, which will be held in trust for three years and are at risk of forfeiture if his employment is terminated by the Company with cause during that period. The trustees made a 'matching award' of up to a maximum of 104,869 Lonmin shares to Mr Mills (having a matching value at the time the plan was first agreed), which may be transferred to him at the end of the three-year period, if stretching performance conditions are met. Half of the award is linked to the TSR growth target used in the Company's Deferred Annual Bonus Plan (and must at least equal the median of the comparator group) with the vesting of the other half linked to absolute growth in the Company's share price over the period (which must be at least 20%). A vesting schedule attaches to each part of the performance condition, and the maximum award can only vest for performance at the most stretching levels on both tests, being total shareholder return in the first quartile and share price growth of 50% over the performance period. Participation in this plan is not pensionable.

Long-term incentive plan

This plan is designed to ensure that the Company can offer long-term incentives to executive directors and senior managers that do not rely on share price appreciation to deliver the desired benefit, as is the case with traditional share option schemes. The committee believes that it is vital to be able to offer such incentives to ensure that those best placed to deliver value for shareholders have a direct personal interest in so doing.

An 'award' under this plan entitles the recipient to receive shares at no cost, subject to attainment of a stretching performance condition. This compares the total return accruing to Lonmin shareholders over three years assuming dividend re-investment ("TSR") with that of thirteen mining or mining-related companies, being:

- Anglo American plc
- Anglo American Platinum Corporation Limited
- AngloGold Ashanti Limited
- Aquarius Platinum Limited
- BHP Billiton plc
- Engelhard Corporation
- Gold Fields Limited
- Impala Platinum Holdings Limited
- Inco Limited
- Johnson Matthey plc
- Rio Tinto plc
- WMC Resources Limited
- Xstrata plc.

There is a single test only, three years after the date of award, with three levels of attainment; threshold, target and stretch, and straight-line interpolation between these points. The potential reward profile is as follows:

Level	Relative TSR	Percentage of reward released
Threshold	50th percentile (median)	35%
Target	70th percentile	50%
Stretch	92nd percentile	100%

This condition was chosen as it most closely aligns the individual participants' interests with those of shareholders.

On 20 July 2004 the first awards were made under this plan to all four executive directors, and a number of senior executives. The share price on that date was 949p. None of the awards have vested and the performance conditions will be assessed on 20 July 2007. Details are as follows:

Director	Maximum number of shares contained in the award
Ian Farmer	26,773
Peter Ledger	27,831
Brad Mills	78,451
John Robinson	30,266

Executive share option schemes

Eligibility to participate in these schemes is not subject to a performance criterion, and executive directors are therefore eligible to receive a grant of options, subject to two caveats:

- the rules of the scheme preclude the grant of an option to anyone in the final year of employment before retirement

- the Company has previously indicated that it would not normally make an award under the LTIP and grant an option to anyone in the same year.

No options were granted to the executive directors during the year.

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 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 2003 respectively and these options became exercisable. The condition attaching to options granted in 2001 has not yet been satisfied and these options have not become capable of exercise.

Options granted in or after 2002 – whilst exercise remains subject to achievement of total shareholder return 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. These options were granted, in the main, to our management team in South Africa where there is severe competition for talent at all levels of the business. The options play a pivotal role in retention and our primary concern is how attainable the incentive reward will prove to be in practice. The remuneration committee is satisfied that the offer of a limited amount of re-testing is a prudent step to ensure

that Lonmin can continue to retain and motivate the best people in the South African PGM industry. Further information on the performance condition is given in note 23 to the accounts.

The Company routinely monitors whether these performance conditions have been met by reference to data supplied by independent external advisers.

Lonmin Plc Share Plan

There is a limited availability of proven and experienced managers in South Africa, which generates a need for specific retention arrangements. To this end, in September 2001 the Company introduced the Lonmin Plc Share Plan, under which shares are conferred on selected key managers of Lonmin Platinum (but not the Company) over a five-year period. For administrative and other reasons the trust has not allocated shares outright to participants but instead granted options, of which those over 323,280 shares are outstanding, at a price of £0.01 per share. 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. Following the introduction of the deferred annual bonus plan and long-term incentive plan, no further awards are intended to be made under this scheme.

Peter Ledger was granted and exercised options under this 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 date of invitation. The Company has historically granted all such options with a 20% discount, including that granted to John Robinson during the year and reflected in the table overleaf.

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. Directors are strongly encouraged to hold the shares issued to them upon the exercise of options.

Directors' Remuneration Report

for the year ended 30 September 2004

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

Number of shares under option							Options exercised					
01.10.03 Shares of US\$1	30.09.04 (or earlier date of resignation) Shares of US\$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	(b)(2)	8.6.00	8.6.03	8.6.10						
2,018	2,018	836	(c)(4)	15.6.01	1.8.06	31.1.07						
24,400	24,400	1150	(b)(3)	1.7.02	1.7.05	1.7.12						
2,600	2,600	1150	(a)(3)	1.7.02	1.7.05	1.7.12						
27,000	27,000	942	(b)(3)	30.9.03	30.9.06	30.9.13						
116,018	116,018											
Edward Haslam ⁽⁵⁾												
90,000	90,000	668.5	(b)(2)	8.6.00	8.6.03	8.6.10						
2,018	2,018	836	(c)(4)	15.6.01	1.8.06	31.1.07						
45,400	45,400	1150	(b)(3)	1.7.02	1.7.05	1.7.12						
2,600	2,600	1150	(a)(3)	1.7.02	1.7.05	1.7.12						
140,018	140,018											
Sam Jonah ⁽⁶⁾												
31,324	–	434.1664	(b)(1)	4.8.94	4.8.97	4.8.04	05.02.04	31,324	434.1664	1072	199,795	
31,324	–											
Peter Ledger												
60,000	60,000	668.5	(b)(2)	8.6.00	8.6.03	8.6.10						
22,170	22,170	1150	(b)(3)	1.7.02	1.7.05	1.7.12						
23,000	23,000	942	(b)(3)	30.9.03	30.9.06	30.9.13						
105,170	105,170											
John Robinson												
7,986	–	216	(c)(4)	9.9.98	1.11.03	30.4.04	27.11.03	7,986	216	1045.5	66,244	
60,000	60,000	668.5	(b)(2)	8.6.00	8.6.03	8.6.10						
24,400	24,400	1150	(b)(3)	1.7.02	1.7.05	1.7.12						
2,600	2,600	1150	(a)(3)	1.7.02	1.7.05	1.7.12						
27,000	27,000	942	(b)(3)	30.9.03	30.9.06	30.9.13						
–	1,886	840	(c)(4)	15.12.03	1.2.09	31.7.09						
121,986	115,886											

Notes:

(1) The share option schemes under which these options were granted are:

- (a) The Lonmin Share Option Scheme 1994
- (b) The Lonmin Executive Share Option Scheme (formerly The Lonmin Overseas and Associate Share Option Scheme 1994)
- (c) The Lonmin Savings Related Share Option Scheme 1994.

(2) The performance conditions are fully explained in the narrative above, but are briefly:

- (1) TSR exceeds that achieved on the FTSE All-Share index over any 3 years
- (2) TSR exceeds that achieved on the FTSE mining sector over any 3 years
- (3) TSR exceeds that achieved on the FTSE mining sector over 3, 4, 5 or 6 years
- (4) No performance condition is attached to sharesave options

(3) The market price is the closing middle market quotation for Lonmin shares 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 £266,039 (2003 – £66,938). This figure is notional only as Mr Robinson retained the shares issued to him upon exercise of his option and may be subject to capital gains tax on any sale.

(5) Subsequent to his resignation as a director, Edward Haslam exercised the options granted to him in 2000 and 2001. The remuneration committee has exercised its discretion to allow him a period of twelve months from his date of leaving employment in which to exercise his remaining options, as reflected in the table above.

(6) Although he was latterly a non-executive director, Dr Jonah was permitted to retain options granted to him during the term of his executive directorship. No options were granted to him whilst he was a non-executive director.

(7) Save as disclosed above, no options were held by directors, or were exercised or lapsed during the year. There were no changes from 30 September 2004 to the date of this report.

(8) The closing middle market quotation for the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List, was 1095p on 30 September 2004, and the price ranged between 910p and 1245p during the financial year.

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 a shareholding (including vested but unexercised share incentives), 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. Details of the directors' shareholdings are set out in the directors' report on page 7.

Service contracts

The Company complies fully with the provisions of the new Combined Code relating to service contracts.

Ian Farmer is employed under 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). These are identical rolling contracts terminable on 364 days' prior written notice given by either the Company or the individual, save for gross misconduct and certain other circumstances which may result in summary dismissal. 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.

Edward Haslam was employed until his normal retirement date, 17 April 2004, under a service contract with the Company dated 18 October 2002, which is in identical terms to those of Messrs Farmer and Robinson.

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.

Brad Mills is employed under a service agreement dated 4 February 2004. In order to secure his services, it was agreed that during the first year of his appointment, the notice period would be 24 months (from the Company) and 18 months (from Mr Mills), each reducing by one month for every complete month of employment, and that after the first anniversary of his appointment (being 26 March 2005) the notice period would therefore be 12 months (from the Company) and 6 months (from Mr Mills). The contract also contains provisions for gardening leave and payment in lieu of notice, at the Company's discretion.

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. The committee would have regard to the individual's legal duty to mitigate their loss when settling any compensation due following termination of employment.

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

Save as noted below, 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, and do not necessitate an excessive time commitment. 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.

Ian Farmer is a non-executive director of the International Platinum Association and Furuya Metals Co. Ltd, a Japanese company undertaking significant research and development into uses for PGMs in which Lonmin has an equity investment. He currently acts as the interim chief executive of Incwala Resources (Pty) Limited, although the search for a permanent successor is currently well advanced. Mr Farmer does not receive any remuneration in respect of his services to any of these organisations.

This report was approved by the board on 24 November 2004.

Roger Phillimore

Chairman, remuneration committee

Audit Committee Report

for the year ended 30 September 2004

Role of the audit committee

The audit committee is a formal committee of the board, and has powers delegated to it under the articles of association. Its remit is set out in terms of reference formally adopted by the board. These were reviewed during the year to incorporate the provisions of the new Combined Code on Corporate Governance, including the recommendations originally contained in the Smith Report. A copy of the terms of reference is available on the Company's website, www.lonmin.com.

The primary purposes of the audit committee are set out in its terms of reference and are:

- to monitor the integrity of the Company's financial statements and announcements relating to its financial performance, reviewing significant financial reporting judgements
- to keep under review the effectiveness of the Company's internal controls and risk management systems
- to monitor the effectiveness of the internal audit function and review its material findings
- to oversee the relationship with the external auditors, including reviewing their remuneration and terms of engagement, monitoring their independence, objectivity and effectiveness and ensuring that policy surrounding their engagement to provide non-audit services is appropriately applied.

The committee is authorised to investigate any matters within its terms of reference, access all Group documents and information, seek information from any director or employee of the Group and co-opt any resources (including external professional assistance) it sees fit in order to fulfil its duties. However, the committee has no executive function and its primary objective is to review and challenge, rather than assume responsibility for any matters within its remit.

Minutes of all meetings of the committee (save those recording private discussions with either the internal or external auditors) are circulated to all directors, and supplemented by a verbal update from the committee chairman at the next board meeting, identifying any matters in respect of which action or improvement is required, and making recommendations where appropriate. The committee presents a summary of its activities to shareholders and other interested parties by means of this report, and the committee chairman attends all general meetings of the Company's shareholders to answer any questions on the committee's activities.

The committee assessed its effectiveness at a meeting in November 2004. To do so, members of the committee, the external auditors and members of the management team who assist the audit committee in their work all provided their opinions on the effectiveness of the committee, the flow of information, relationships with management and advisors and the appropriateness of the

terms of reference. All of these views were summarised into a formal report to the board by the chairman. The committee separately discussed the effectiveness of the chairman of the committee (in his absence), which also formed part of the report to the board. There were no matters arising which the committee or board felt necessitated change.

Composition of the audit committee

All independent directors, with the exception of the chairman of the board, are eligible to become members of the committee. The nomination committee will recommend any appointments or removals to the board, which is responsible for the composition of the committee. The committee has at least three members, all of whom must be financially literate, and any two members form a quorum.

The committee was comprised of the following members during the year and to the date of this report, except where stated otherwise:

- Michael Hartnall – an independent director, who has been a member of the committee since 8 May 2003 and its chairman from 1 October 2003. A chartered accountant, Mr Hartnall was for 16 years until 2003 the finance director of Rexam plc, a multinational manufacturer of consumer packaging where his responsibilities included finance, internal control, risk management and corporate governance. He was also a member of the Hampel Committee which produced the first version of the Combined Code in 1998. The board has judged that he has the significant, recent and relevant financial experience necessary to chair the committee
- Roger Phillimore – an independent director and a member of the audit committee since May 1998
- Sir Alastair Morton (until his death on 1 September 2004) – an independent director who had been a member of the audit committee since May 1998.
- Peter Godsoe – an independent director and chartered accountant who was appointed to the audit committee on 23 September 2004.

Biographical details of each director are set out on page 18 of the annual review which accompanies this document.

Each member receives an annual fee of £7,500 for serving as a member of the committee or, in the case of the chairman, £17,500. In addition, Mr Hartnall receives a fee of £7,500 for attending meetings of the Company's Risk and SHEC committee. These fees are included in the table of directors' remuneration on page 17 of this document.

All members of the committee are provided with appropriate induction into the role of the committee and the operation of its terms of reference on first appointment. Access to training is provided on an ongoing basis to ensure that members are able to discharge their duties.

Meetings of the committee are attended by the chief executive, the chief financial officer, the group financial controller and the company secretary (who acts as secretary to the committee), none of whom do so as of right. The external auditors attend all committee meetings and a private meeting is routinely held with them to afford the opportunity of discussions without the presence of management. The internal auditors attend all committee meetings held in South Africa and are similarly afforded private meetings with the committee.

Internal audit

Throughout the year, Ernst & Young acted as internal auditors to Lonmin. They provided no other material services to the Group. A total of eighteen assignments were undertaken during the year across a broad cross-section of activities identified by both management and the audit committee. Internal audit reports are agreed with operational management and then delivered to the managing director of Lonmin Platinum and to the chief financial officer, with material findings and recommendations then summarised to the audit committee, who receive regular presentations from the internal auditors. The audit committee reviews the effectiveness of the internal auditors annually.

External audit

KPMG Audit plc acted as the external auditors to the Lonmin Group throughout the year. The lead audit partner is based in London and supported by a second audit partner based in Johannesburg. Non-audit fees incurred during the year amounted to \$0.5 million, equating to approximately 70% of the total Group audit fee, and relate solely to the provision of taxation advisory services and advice on accounting practice, including the transition to international financial reporting standards. The committee, whose prior approval of non-audit services is generally required, is satisfied that the level of these fees are not material relative to the income of the audit offices and firm as a whole, and that the nature of the services provided is appropriate and in line with the Company's policies in this area. The audit committee appraised the qualifications, expertise and resources, independence and objectivity of KPMG and also reviewed their effectiveness as external auditors before reaching the recommendation to the board that their re-election should be proposed to shareholders.

Activities of the audit committee

The committee normally meets four times annually, and reports its material findings to the next board meeting. The principal business of these meetings is:

March (in South Africa): review of matters arising from the prior year audit; approval of scope of the external auditors' proposed review of the interim accounts and the fees to be charged; approval of the scope and fees for the external audit of the full year accounts; review

of non-audit services to be provided by the external auditors; approval of the terms of the external auditors' engagement letter; review of the work of the internal auditors in the year to date and their principal findings; receive an update on the work of the Risk and SHEC committee and any material matters arising; review of capital expenditure in the year to date; private meeting with the internal auditors.

May: approval of the letter of representation from management to the external auditors relating to the interim accounts; receive a report from the external auditors following their review of the interim accounts; assessment of any material exercises of judgement by management; review of the interim report (including the accounts) and consider whether to recommend the same to the board; receive an update on the work of the Risk and SHEC committee and any material matters arising; review of the Company's proposed ethical framework including the whistle-blowing arrangements in force; private meeting with the external auditors.

September (in South Africa): review of the effectiveness of the internal auditors; review of the work of the internal auditors and their principal findings; approval of the scope and focus of the internal audit programme and internal audit fees for the forthcoming financial year; further review and final confirmation of the external auditors' plan for the year end audit; receive an update on the work of the Risk and SHEC committee and any material matters arising; review of the effectiveness of the audit committee, assessment of the relevance of its terms of reference and agreement of any recommendations for change to the board; private meeting with the internal auditors.

November: approval of the letter of representation from management to the external auditors relating to the accounts; receive a report from the external auditors following their review of the full year accounts; assessment of any material exercises of judgement by management; consideration of the 'going concern' statement; review of the annual reporting documents (including the accounts) and consider whether to recommend the same to the board; review of the independence, objectivity and effectiveness of the external auditors and formulation of a recommendation to the board as to whether or not their re-appointment should be proposed to shareholders; review of the effectiveness of internal controls and risk management systems during the year prepared by management; private meeting with the external auditors.

In addition to the routine business described above, the committee also undertook the following activities during the year and in the period to the date of this report in discharging its responsibilities:

- Receiving a presentation from independent consultants on the principles underlying the estimation and calculation of ore

Audit Committee Report

for the year ended 30 September 2004

resources and reserves, including an outline of applicable international standards; assessing the practices and procedures of Lonmin Platinum in this regard, including a review of how direct peers approach this subject.

- A detailed review of the capital expenditure control environment, including an analysis of the basis of calculation of the hurdle rate applied in appraising projects.
- A review of the Group's principal treasury policies, including the basis on which the currency of borrowings is determined.
- Reviews of the principal risks facing the Group, including detailed consideration of the Company's policies and practice on HIV/AIDS and the provision of anti-retroviral therapy, environmental risks, compliance with applicable law and the Company's tax compliance position.
- Review of the financing of defined benefit pension schemes, including the provision to be made in connection with the closure of the SUITS pension scheme and the appropriate accounting treatment.
- Receiving an update on relevant new accounting standards and the accounting treatment required for treasury shares; receiving a detailed update on the Company's planning for the move to International Accounting Standards.
- Review of the strategy underlying the Company's risk financing and insurance arrangements.
- Reviewing the circular to shareholders issued in connection with the investment in Incwala Resources and purchase of shares in our operating subsidiaries from the Impala Group.

Due to additional workload detailed above, the committee met five times during the year. Attendance at these meetings was as follows:

Committee member	Number of meetings held during time in office	Number of meetings attended
Michael Hartnall	5	5
Roger Phillimore	5	5
Sir Alastair Morton (to 1 September 2004)	3	2
Peter Godsoe (from 23 September 2004)	–	–

This report was approved by the board on 24 November 2004

Michael Hartnall

Committee Chairman

Nomination Committee Report

for the year ended 30 September 2004

Role of the nomination committee

The nomination committee is a formal committee of the board, and has powers delegated to it under the articles of association. Its remit is set out in terms of reference that were formally adopted by the board in July 2002. These are available from the Company, and displayed on its website, www.lonmin.com.

The primary purpose of the committee is, in consultation with the chairman, to recommend any proposed changes to the composition of the board, and to instigate and manage the recruitment process.

Composition of the nomination committee

Throughout the year and to the date of this report the committee comprised Roger Phillimore (chairman) and Peter Godsoe, both of whom are independent non-executive directors. A quorum for a meeting of the committee is two members. In the event that one of the members of the committee has a conflict of interests, the chairman will act as an alternate member.

Each member receives an annual fee of £5,000 for serving as a member of the committee or, in the case of the chairman, £7,500. These fees are included in the table of directors' remuneration on page 17.

The committee is supported by the services of the company secretary, who acts as secretary to the committee, and it has full access to the chief executive and chairman of the board. It is also empowered to appoint search consultants, legal, tax and other professional advisors as it sees fit to assist with its work, and to co-opt such resources as it requires to fulfil its duties.

Activities of the nomination committee

All recommendations for board appointments are made on merit and against objective criteria. A job specification is drawn up which includes, in the case of non-executive appointments, an estimate of the time commitment required. Generally, the committee will engage executive search consultants to ensure objectivity.

During the year, in addition to other matters the committee considered the recruitment of a chief executive, required upon the retirement of Edward Haslam. An external executive search firm was employed and a global search undertaken, which resulted in a recommendation to the board of the appointment of Brad Mills.

To deal with these matters, the committee met five times during the year, although a number of informal contacts also took place. Four of these meetings were attended by both members, the fifth meeting was attended by Roger Phillimore and, at the request of the committee due to Mr Godsoe's absence, Sir John Craven.

This report was approved by the Board on 24 November 2004

Roger Phillimore
Committee Chairman

Independent Auditors' Report to the Members of Lonmin Plc

We have audited the financial statements on pages 29 to 66. 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 5 to 8, 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 9 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 2004 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

Chartered Accountants
Registered Auditor
London
24 November 2004

Consolidated Profit and Loss Account

For the year ended 30 September

	Note	2004 Continuing operations \$m	2003 Continuing operations \$m	2004 Discontinued ⁽⁴⁾ operations – exceptional items \$m	2004 Total \$m	2003 Total \$m
Turnover	2	1,030	779	–	1,030	779
EBITDA⁽¹⁾	2	357	344	(42)	315	344
Depreciation		(53)	(46)	–	(53)	(46)
Group operating profit	3	304	298	(42)	262	298
Share of associate's operating loss		(1)	(1)	–	(1)	(1)
Total operating profit	2	303	297	(42)	261	297
Profit on sale of fixed assets	6	–	24	112	112	24
Loss on sale or termination of operations	6	–	(2)	–	–	(2)
Profit before net interest payable and similar items		303	319	70	373	319
Net interest payable and similar items	5	(13)	(28)	–	(13)	(28)
Profit before taxation	2	290	291	70	360	291
Taxation ⁽²⁾	7	(113)	(183)	–	(113)	(183)
Profit after taxation		177	108	70	247	108
Equity minority interest		(52)	(34)	–	(52)	(34)
Profit for the year	24	125	74	70	195	74
Dividends	8	(102)	(101)	–	(102)	(101)
Retained profit/(loss) for the year		23	(27)	70	93	(27)
Earnings per share	9	88.4c	52.5c	49.5c	137.9c	52.5c
Underlying earnings per share ⁽⁵⁾	9	96.9c	87.2c	–	96.9c	87.2c
Diluted earnings per share	9	85.9c	52.3c	45.9c	131.8c	52.3c
Dividends per share	8	72.0c	72.0c	–	72.0c	72.0c
Financial ratios						
Tax rate ⁽³⁾		33%	35%	–	33%	35%
Net debt to EBITDA		0.8 times	0.6 times	–	0.9 times	0.6 times

Notes:

(1) EBITDA is Group operating profit before interest, tax, depreciation and amortisation.

(2) The taxation charge includes exchange losses of \$20 million (September 2003 – \$85 million) as disclosed in note 7 to the accounts.

(3) The tax rate has been calculated excluding exceptional items and exchange as disclosed in note 7 to the accounts.

(4) Discontinued operations comprised a funding requirement on the buy-out of the SUITS pension scheme and a profit on the disposal of AngloGold Ashanti as disclosed in note 6 to the accounts.

(5) Underlying earnings per share are calculated on profit for the year excluding exceptional items and exchange adjustments on tax as disclosed in note 9 to the accounts.

Consolidated Balance Sheet

As at 30 September

	Note	2004 \$m	2003 Restated \$m
Fixed assets			
Tangible assets	10	1,370	983
Investments:		133	289
Associate	11	90	4
Other investments	12	43	285
Total fixed assets		1,503	1,272
Current assets			
Stocks	13	81	100
Debtors	14	124	159
Investments	15	5	3
Cash and short-term deposits		20	66
Total current assets		230	328
Creditors: amounts falling due within one year	16	(217)	(249)
Current loans and overdrafts		(23)	(46)
Other		(194)	(203)
Net current assets		13	79
Total assets less current liabilities		1,516	1,351
Creditors: amounts falling due after more than one year	17	(268)	(215)
Convertible debt		(212)	(211)
Other loans		(56)	–
Other		–	(4)
Provisions for liabilities and charges	20	(353)	(277)
		895	859
Capital and reserves			
Called up share capital	22	142	141
Share premium account	22	6	1
Revaluation reserve	24	16	16
Capital redemption reserve	24	88	88
Profit and loss account	24	492	399
Equity shareholders' funds		744	645
Equity minority interest	25	151	214
		895	859

The financial statements were approved by the Board of Directors on 24 November 2004 and were signed on its behalf by:

Sir John Craven, Chairman
J N Robinson, Chief Financial Officer

Consolidated Cash Flow Statement

For the year ended 30 September

	Note	2004 \$m	2003 \$m
Net cash inflow from operating activities	30	359	296
Returns on investment and servicing of finance		(46)	(35)
Interest – received		8	2
– paid		(13)	(10)
Financing expenses		(4)	(4)
Dividends paid to minority		(37)	(23)
Taxation		(67)	(57)
Capital expenditure and financial investment	31	165	(136)
Acquisitions and disposals	32	(390)	10
Equity dividends paid		(102)	(101)
Net cash outflow before financing		(81)	(23)
Financing		60	85
New long-term loans		56	–
Repayment of short-term loans		(2)	(1)
Repayment of long-term loans		–	(130)
Issue of convertible bonds		–	216
Issue of ordinary share capital		6	–
(Decrease)/increase in cash in the year	34	(21)	62

Statement of Total Consolidated Recognised Gains and Losses

For the year ended 30 September

	2004 \$m	2003 \$m
Profit/(loss) for the year	196	75
– Group		
– Associate	(1)	(1)
Total consolidated recognised gains relating to the year	195	74

The cumulative effect on the statement of total recognised gains and losses of UITF Abstract 17 (revised 2003) – Employee Share Schemes is \$nil as a result of writing back previously charged amortisation of \$2 million and charging \$2 million of amortisation under UITF 17 based on the intrinsic value of the shares. Further information can be found in note 24 to the accounts.

Consolidated Historical Cost Profits and Losses

For the year ended 30 September

	2004 \$m	2003 \$m
Reported profit before taxation	360	291
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	362	294
Historical cost retained profit/(loss) for the year	95	(25)

Reconciliation of Movement in Equity Shareholders' Funds

For the year ended 30 September

	2004 \$m	2003 Restated \$m
Total consolidated recognised gains relating to the year	195	74
Dividends	(102)	(101)
Retained profit/(loss) for the year	93	(27)
Shares purchased by ESOP	(2)	–
Amortisation of share-based payments	2	1
Shares issued on the exercise of share options	6	–
Net increase/(decrease) in equity shareholders' funds in the year	99	(26)
Equity shareholders' funds at 1 October – restated for ESOP accounting (note 1)	645	671
Equity shareholders' funds at 30 September	744	645

Lonmin Plc Company Balance Sheet

As at 30 September

	2004 \$m	2003 Restated \$m
Fixed assets		
Tangible assets	–	1
Investments:	1,017	1,249
Subsidiaries	980	980
Other investments	37	269
Total fixed assets	1,017	1,250
Current assets		
Debtors	279	46
Cash and short-term deposits	12	44
Total current assets	291	90
Creditors: amounts falling due within one year	(751)	(820)
Net current liabilities	(460)	(730)
Total assets less current liabilities	557	520
Creditors: amounts falling due after more than one year	(268)	(211)
Convertible debt	(212)	(211)
Other loans	(56)	–
	289	309
Capital and reserves		
Called up share capital	142	141
Share premium account	6	1
Capital redemption reserve	88	88
Profit and loss account	53	79
	289	309

The notes to the Lonmin Plc Company balance sheet can be found in note 36 to the accounts.

The financial statements were approved by the Board of Directors on 24 November 2004 and were signed on its behalf by:

Sir John Craven, Chairman
J N Robinson, Chief Financial Officer

Notes to the Accounts

1 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.

The accounts have been prepared on the same basis and using the same accounting policies as those used to prepare the financial statements of the Lonmin Group for the year ended 30 September 2003 with the exception of the implementation of the provisions of Urgent Issues Task Force (UITF) Abstract 38 – Accounting for Employee Share Ownership Plan (ESOP) Trusts, and related amendments to UITF Abstract 17 (revised 2003) – Employee Share Schemes as detailed in note 24 to the accounts.

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 2004 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 the year.

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.

1 Statement on accounting policies continued

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. Any goodwill arising on acquisition of associates is included within investments in associates and is written off over its useful economic life.

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. During the year the Group sold its investment in AngloGold Ashanti.

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:

	2004	2003
Average exchange rates:		
Sterling	0.56	0.62
South African rand	6.60	7.90
Zimbabwe dollar	–	1,000.00
Closing exchange rates:		
Sterling	0.55	0.60
South African rand	6.48	6.97
Zimbabwe dollar	–	1,000.00

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.

Notes to the Accounts

1 Statement on accounting policies continued

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.

1 Statement on accounting policies continued

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 provided post-retirement medical benefits to qualifying pensioners. The expected costs of these benefits were charged to the profit and loss account over the expected remaining service lives of the relevant employees and were 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 as disclosed in note 26 to the accounts.

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 over a units of production basis 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 program

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

2 Segmental analysis

By business origin:

	2004					
	Turnover \$m	EBITDA \$m	Total operating profit \$m	Profit before exceptionals \$m	Profit before tax \$m	Net operating assets \$m
Platinum	1,030	384	332	324	324	1,197
Exploration	–	(7)	(8)	(8)	(8)	3
Other	–	(2)	(2)	(2)	(2)	–
Corporate	–	(18)	(19)	(24)	(24)	(4)
Continuing operations	1,030	357	303	290	290	1,196
Discontinued operations	–	(42)	(42)	(42)	70	–
Total	1,030	315	261	248	360	1,196
South Africa	1,030	387	335	327	327	1,195
Other	–	(12)	(13)	(13)	(13)	5
Corporate	–	(18)	(19)	(24)	(24)	(4)
Continuing operations	1,030	357	303	290	290	1,196
Discontinued operations	–	(42)	(42)	(42)	70	–
Total	1,030	315	261	248	360	1,196
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
Continuing operations	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
Continuing operations	779	344	297	269	291	1,118

Net operating assets exclude loans receivable of \$34 million at 30 September 2004 (2003 – \$nil), net borrowings of \$275 million at 30 September 2004 (2003 – \$197 million) and the dividend proposed of \$60 million at 30 September 2004 (2003 – \$59 million).

Turnover by destination is analysed by geographical area below:

	2004 \$m	2003 \$m
The Americas	269	196
Asia	300	225
Europe	312	255
South Africa	140	94
Zimbabwe	9	9
Continuing operations	1,030	779

3 Group operating profit

Group operating profit is arrived at as follows:

	2004 \$m	2003 \$m
Turnover	1,030	779
Cost of sales	(680)	(460)
Gross profit	350	319
Administration expenses	(35)	(22)
Exploration	(7)	(10)
Other operating income	(4)	11
Continuing operations	304	298
Discontinued operations	(42)	–
Group operating profit	262	298

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

	2004 \$m	2003 \$m
Operating lease charges – land and buildings	2	1
Depreciation charge – owned tangible assets	52	45
– finance leased tangible assets	1	1
Foreign exchange losses/(profits)	9	(6)

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

	2004 \$m	2003 \$m
Audit remuneration	0.7	0.5
– UK – the Company	0.4	0.3
– overseas	0.3	0.2
Accounting/tax advice	0.5	0.6
– UK	0.2	0.2
– overseas	0.3	0.4
Internal audit	–	0.2
– UK	–	–
– overseas	–	0.2
	1.2	1.3

Notes to the Accounts

4 Employees

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

	2004 No.	2003 No.
South Africa	20,902	20,296
Zimbabwe	–	343
Europe	29	29
	20,931	20,668

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

	2004 \$m	2003 \$m
Wages and salaries	237	175
Social security costs	27	16
Other pension costs	20	14
	284	205
Total Directors' emoluments	8.2	3.7
Emoluments of highest paid Director	2.1	1.1

The sterling equivalents of total Directors' emoluments and emoluments of the highest paid Director together with full details of Directors' remuneration, pensions and benefits in kind are given in the Directors' Remuneration Report on pages 14 to 23.

5 Net interest payable and similar items

	2004 \$m	2003 \$m
Interest payable:		
On bank loans and overdrafts	(18)	(10)
Finance leases	–	(1)
Discounting on provisions	–	(1)
	(18)	(12)
Capitalisation of interest	–	1
Interest receivable on cash and deposits	4	2
Interest receivable on loans to Ashanti	4	–
Exchange differences on net borrowings	(3)	(19)
Net interest payable and similar items	(13)	(28)

6 Exceptional items

	2004 \$m	2003 \$m
Operating items:		
– Funding requirement on the buy-out of the SUITS pension fund (note 26)	(42)	–
Profit on sale of fixed assets:		
– Sale of Brakspuit minerals rights	–	24
– Sale of investment in AngloGold Ashanti	112	–
Sale or termination of operations:		
– Loss on sale of gold mining interests	–	(2)
Exceptional items before taxation and minority interest	70	22
Taxation	3	(3)
Minority interest	(1)	(6)
Net exceptional profit	72	13
Continuing operations	2	13
Discontinued operations	70	–

The exceptional tax credit in 2004 represents the closing US dollar value of South African tax over-provided in 2003 on the disposal of the Brakspuit mineral rights.

7 Taxation

	2004 \$m	2003 \$m
United Kingdom:		
Corporation tax at 30% (2003 – 30%)	17	30
Double tax relief	(17)	(30)
	–	–
Overseas:		
Current taxation	60	69
Excluding tax on local currency exchange profits	54	49
Tax on local currency exchange profits	(2)	(1)
Tax on exceptional items	–	3
Tax on dividends remitted	7	14
Exchange on current taxation	1	4
Deferred taxation	59	114
Origination and reversal of timing differences	39	32
Exchange on deferred taxation	20	82
Prior year items	(6)	–
Exceptional	(4)	–
Other	(3)	–
Exchange on prior year items	1	–
Tax charge	113	183
Tax charge excluding exceptional items and exchange (continuing operations)	97	95
Effective tax rate excluding exceptional items and exchange (continuing operations)	33%	35%

Notes to the Accounts

7 Taxation continued

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

	2004 \$m	2003 \$m
Tax charge at standard tax rate	108	87
Overseas taxes on dividends remitted by subsidiary companies	7	14
Non-taxable chargeable gains	(34)	–
Other timing differences	(20)	(35)
Effect of exchange adjustments	(1)	3
Current tax charge	60	69

The Group's primary operations are based in South Africa. Therefore, the relevant standard tax rate for the Group was the South African statutory tax rate of 30% (2003 – 30%). The secondary tax rate on dividends remitted by South African companies was 12.5% (2003 – 12.5%).

8 Dividends

	2004 \$m	2003 \$m
Interim 30.0c (2003 – 30.0c) per share	42	42
Final 42.0c (2003 – 42.0c) per share	60	59
Total dividends 72.0c (2003 – 72.0c) per share	102	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 (2003 – \$103 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 \$167 million (2003 – \$132 million).

9 Earnings per share

Earnings per share have been calculated on the profit for the year amounting to \$195 million (2003 – \$74 million) using a weighted average number of 141,384,398 ordinary shares (2003 – 140,994,541 ordinary shares).

Diluted earnings per share are based on the weighted average number of ordinary shares in issue adjusted by dilutive outstanding share options and shares issuable on conversion of the convertible bonds during the year as follows:

	2004			2003		
	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	195	141,384,398	137.9	74	140,994,541	52.5
Share option schemes	–	468,002	(0.4)	–	336,586	(0.2)
Convertible bonds	6	10,576,993	(5.7)	–	28,978	–
Diluted EPS	201	152,429,393	131.8	74	141,360,105	52.3

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

	2004			2003		
	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	195	141,384,398	137.9	74	140,994,541	52.5
Exceptional items before taxation and minority interest	(70)	–	(49.5)	(22)	–	(15.6)
Taxation on exceptional items	(4)	–	(2.8)	3	–	2.1
Exchange on tax balances	20	–	14.1	85	–	60.3
Minority interest	(4)	–	(2.8)	(17)	–	(12.1)
Underlying EPS	137	141,384,398	96.9	123	140,994,541	87.2

Notes to the Accounts

10 Tangible fixed 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 2003	418	334	175	175	150	2	1,254
Additions	39	49	21	75	21	–	205
Fair value adjustment (see note 35)	–	–	–	–	235	–	235
Transfers	–	45	(7)	(47)	9	–	–
At 30 September 2004	457	428	189	203	415	2	1,694
Depreciation:							
At 30 September 2003	116	63	44	–	47	1	271
Charge for the year	26	13	8	–	5	1	53
At 30 September 2004	142	76	52	–	52	2	324
Net book value:							
At 30 September 2004	315	352	137	203	363	–	1,370
At 30 September 2003	302	271	131	175	103	1	983

Included in other mining assets are leased assets with a cost of \$7 million (2003 – \$7 million) and a net book value of \$1 million (2003 – \$2 million).

Cost or valuation of tangible fixed assets included \$56 million (2003 – \$56 million) in respect of capitalised interest. Interest capitalised during 2004 amounted to \$nil (2003 – \$1 million). In accordance with the Group accounting policies no depreciation has been provided on surface mining land having a book value of \$9 million (2003 – \$9 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:

	2004 \$m	2003 \$m
Net book value:		
Professionally valued in 1986	76	78
At cost	287	25
	363	103

The historical cost of revalued assets was as follows:

Cost	23	23
Depreciation	20	18
Historical cost net book value	3	5

11 Associate

Group	Associate at cost \$m	Goodwill written off \$m	Post- acquisition reserves \$m	Total \$m
At 30 September 2003	7	(1)	(2)	4
Additions	90	–	–	90
Loss for the year	–	–	(1)	(1)
Transferred to fixed asset investments	(7)	1	3	(3)
At 30 September 2004	90	–	–	90

The net assets of associate comprises:

	2004 \$m	2003 \$m
Share of net assets	90	1
Goodwill	–	3
	90	4
Listed overseas – market value	–	4
Unlisted – directors valuation	90	–

The investment in associate of \$90 million shown above represented an investment of 24% made on the 30 September 2004 in the ordinary share capital of Incwala Resources (Pty) Limited, a company incorporated in South Africa. The principal activity of Incwala Resources is the ownership of platinum mining assets in South Africa and its financial year end is 30 September.

The investment in associate of \$4 million shown above in 2003 represented an investment of 44% in the ordinary share capital of Platinum Australia Limited, a company incorporated in Australia. This investment was reduced to 38% during the year and on 30 September 2004 it was transferred to fixed asset investments following the resignation of Lonmin representatives from the board of Platinum Australia. The Group no longer exercises significant influence over the operating and financial policies of Platinum Australia and it is the Group's intention to realise this investment. These factors rebut the presumption that a holding of 20% or more should be presumed to exercise a significant influence and consequently this holding is now included as a fixed asset investment.

Notes to the Accounts

12 Fixed asset investments

Group	Investments \$m	Loans receivable \$m	Total \$m
At 30 September 2003 – restated for ESOP accounting (note 24)	285	–	285
Additions	–	32	32
Disposals	(277)	–	(277)
Transferred from associate	3	–	3
At 30 September 2004	11	32	43
		2004	2003
		\$m	Restated \$m
Net book value of investments shown above:			
Listed on the London and overseas stock exchanges		3	200
Unlisted		8	85
		11	285
Value at 30 September:			
Listed (market value) – Ashanti		–	391
Listed (market value) – Other investments		4	–
Unlisted (Directors' valuations)		8	85

The investment in 38% in the ordinary share capital of Platinum Australia Limited, a company incorporated in Australia, was transferred from investment in associates to fixed asset investments on 30 September 2004 following the resignation of Lonmin representatives from the Board of Platinum Australia. The principal activity of Platinum Australia is mining exploration and its financial year end is June. The investment in Platinum Australia is stated at Directors' valuation.

Loans receivable at 30 September 2004 represented loans advanced to fellow investors in Incwala Resources (Pty) Limited in which the Group holds a 24% interest. These loans expire between 5 and 7 years.

13 Stocks

Group	2004 \$m	2003 \$m
Raw materials and consumables	35	41
Work in progress	33	31
Finished goods	13	28
	81	100

14 Debtors

Group	2004 \$m	2003 \$m
Amounts falling due within one year:		
Trade debtors	97	124
Loans receivable	2	–
Other debtors	20	25
Prepayments and accrued income	5	10
	124	159

15 Current asset investments

Group	2004 \$m	2003 \$m
Unlisted	5	3

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

16 Short-term creditors

Group	2004 \$m	2003 \$m
Amounts falling due within one year:		
Bank loans and overdrafts – unsecured	22	44
Finance lease – secured (note 18)	1	2
Trade creditors	25	34
Corporate taxation	13	20
Indirect taxation and social security	1	1
Other creditors	11	7
Accruals	84	82
Dividend	60	59
	217	249

17 Long-term creditors

Group	2004 \$m	2003 \$m
Amounts falling due after more than one year:		
Loans – convertible bonds	212	211
– other unsecured	56	–
Finance lease – secured (note 18)	–	1
Corporate taxation	–	3
	268	215

Notes to the Accounts

18 Loans

Group	2004 \$m	2003 \$m
Long-term loans:		
Unsecured US dollar 3.75% convertible bonds due 2008	212	211
Short-term loans:		
Bank loan – unsecured	56	–
Finance lease – secured	1	3
	269	214
Deduct instalments repayable within one year (note 16)	(1)	(2)
	268	212

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 are set out in note 22 to the accounts. The unsecured bank loan bears interest at commercial rates.

The loans are repayable over the following periods:

	2004 \$m	2003 \$m
Between one and two years:		
Secured	–	1
Between two and five years:		
Secured	56	–
Unsecured	212	211
	268	212

19 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 pages 3 and 4.

19a Interest rate risk

	At fixed interest rates		At floating interest rates	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Financial liabilities				
US dollar	–	211	290	40
SA rand	–	–	1	7
	–	211	291	47
			2004 \$m	2003 \$m
The financial liabilities of the Group comprised:				
Total borrowings			291	258

19 Financial Risk Management continued

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. They also included \$215.8 million 3.75% convertible bonds due 30 September 2008, due to the fact that during October 2003, a two-year floating rate interest swap was entered into in respect of them with interest calculated on a six-month LIBOR in arrears basis. The interest charged on the bonds amounted to \$6 million representing a saving of \$2 million as a result of the swap arrangement. The unsecured convertible bonds are shown after deducting issue expenses of \$4 million in accordance with FRS 4 – Capital instruments.

	Non-interest bearing 2004 \$m	At floating interest rates 2004 \$m	2003 \$m
Financial assets			
US dollar	–	3	63
SA rand	32	15	4
Sterling	–	9	2
	32	27	69
		2004 \$m	2003 \$m
The financial assets of the Group comprised:			
Cash and short-term deposits		20	66
Loans receivable		34	–
Current asset investments		5	3
		59	69

Non-interest bearing financial assets represented loans advanced to HDSA consortia and Seed Capital investors following the completion of the Incwala and Eastern Platinum Limited (EPL) and Western Platinum Limited (WPL) transactions on 30 September 2004. These loans expire between 5 and 7 years and some will become interest bearing after 5 years if they are not repaid. 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. They also included a short-term loan advanced following the completion of the Incwala and EPL and WPL transactions.

19b 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 Africa 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)					
	SA rand \$m	2004 Sterling \$m	Total \$m	SA rand \$m	2003 Sterling \$m	Total \$m
Functional currency of Group operation:						
US dollar	46	9	55	(3)	2	(1)

The South Africa rand net monetary assets included loans receivable, a trust fund to finance rehabilitation liabilities and an outstanding finance lease obligation. The sterling net monetary assets comprised bank deposits held in Head Office companies.

Notes to the Accounts

19 Financial Risk Management continued

19c Maturity of financial liabilities

	2004 \$m	2003 \$m
In one year or less, or on demand	23	46
In more than one year but not more than two years	–	1
In more than two years but not more than five years	268	211
	291	258

19d 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.

	2004 \$m	2003 \$m
Expiring in one year or less	75	178
Expiring in more than one year but not more than two years	283	182
Expiring in more than two years	19	177
	377	537

19e Fair value of financial instruments

	2004		2003	
	Book value \$m	Fair value \$m	Book value \$m	Fair value \$m
Cash and short-term deposits	20	20	66	66
Loans receivable	34	21	–	–
Current asset investments	5	5	3	3
Borrowings falling due within one year	(23)	(23)	(46)	(46)
US dollar convertible bonds	(212)	(256)	(211)	(216)
Other borrowings falling due after more than one year	(56)	(56)	(1)	(1)
	(232)	(289)	(189)	(194)

The fair values of the loans receivable are calculated by discounting future cash flows to net present values using appropriate market interest rates prevailing at the year end. The fair value of the US dollar convertible bonds is calculated by reference to their mid-market trading price. 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.

19f Hedging

Forward sales were undertaken for small proportions of the annual output of rhodium and ruthenium 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 4,012 ounces of rhodium sold forward at prices ranging from \$458 to \$1,000 per ounce and 6,415 ounces of ruthenium sold forward at a price of \$32 per ounce. There were no outstanding positions at 30 September 2004.

20 Provisions for liabilities and charges

Group	Deferred tax \$m	Site rehabilitation \$m	Post- retirement medical benefits \$m	Total \$m
At 30 September 2003	263	12	2	277
Charge for the year	39	–	4	43
Additions	–	17	–	17
Utilisation	–	–	(6)	(6)
Exchange differences	20	2	–	22
At 30 September 2004	322	31	–	353

	2004 \$m	2003 \$m
Deferred tax comprised:		
Accelerated capital allowances	354	288
Other timing differences	(32)	(25)
	322	263

During the year, annuities were purchased to fulfil the outstanding obligations for post-retirement medical benefits and the resulting liabilities were discharged.

At 30 September 2004, the Group had \$65 million (2003 – \$54 million) of operating losses carried forward with no expiry date and \$788 million of capital losses as at 30 September 2004 (2003 – \$685 million) with no expiry date. An amount of \$103 million (2003 – \$103 million) of surplus Advanced Corporation Tax (ACT) is also available, subject to certain restrictions, for set-off against future United Kingdom corporation tax liabilities. 'Shadow ACT' amounted to \$167 million (2003 – \$132 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.

21 Contingent assets and liabilities

Group	2004 \$m	2003 \$m
Third party guarantees	10	9
Indemnities	177	–
Preference share capital put options	15	–
Contingent liabilities	202	9

Third party guarantees mainly included guarantees provided by the Group in connection with the sale of certain subsidiaries during 1998 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.

Notes to the Accounts

21 Contingent assets and liabilities continued

Indemnities included various indemnities given by Lonmin following the purchase of the additional 9.11% in Eastern Platinum Limited (EPL) and Western Platinum Limited (WPL) and the investment in Incwala Resources (Pty) Limited. These indemnities fall into two categories as follows:

- 1) Vendor financing indemnity – Lonmin has agreed to indemnify Impala against any non-payment on the relevant due date of any principal amount owing to Impala by any HDSA (historically disadvantaged South African) investor in relation to loans made by Impala to HDSA investors for their purchase of shares in EPL and WPL. The value of this indemnity is the rand equivalent of \$95 million of which \$68 million expires on 30 September 2009 and \$27 million expires on 30 September 2011. A counter-indemnity given by each HDSA investor exists against this contingent liability.
- 2) IDC investment in Incwala – Lonmin has agreed to indemnify the IDC up to the value of its investment in Incwala (the rand equivalent of \$82 million) in relation to warranties provided by each of EPL and WPL. This contingent liability falls away on 30 September 2007.

Additionally, various preference share capital put option agreements were entered into by Lonmin with a number of banks who subscribed for preference shares in HDSAs investing in Incwala. These options, which amount to \$15 million, can be put upon Lonmin by the banks in the event that the HDSAs default on payment.

There were no contingent liabilities outstanding in respect of litigation.

A contingent asset exists regarding a claim lodged in respect of the smelter explosion which occurred during 2002. It is estimated that some refund will be received but the quantity and timing are uncertain. No credit has been recognised in the accounts for this.

22 Called up share capital and share premium account

		2004 \$m	2003 \$m
Authorised			
252,735,000	Ordinary shares of \$1 each (2003 – 252,735,000 Ordinary shares of \$1 each)	253	253
50,000	Deferred shares of £1 each (2003 – 50,000 deferred shares of £1 each)	–	–
Issued			
141,616,778	Ordinary shares of \$1 each (2003 – 141,026,980 Ordinary shares of \$1 each, fully paid)	142	141
50,000	Deferred shares of £1 each (2003 – 50,000 deferred shares of £1 each)	–	–
Issued			
	At 30 September 2003:		
141,026,980	Ordinary shares of \$1 each	141	1
50,000	Deferred shares of £1 each	–	–
	The exercise of options under:		
535,231	(i) The Lonmin Executive Share Option Scheme	1	5
54,567	(ii) The Lonmin Savings Related Share Option Scheme 1994	–	–
	At 30 September 2004:		
141,616,778	Ordinary shares of \$1 each	142	6
50,000	Deferred shares of £1 each	–	–

22 Called up share capital and share premium account continued

There were 50,000 sterling deferred shares of £1 each outstanding at 30 September 2004 (2003 – 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 2004 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.

23 Share Incentive Schemes

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 22,787 shares of the Company at a subscription price of 840 pence (1,520 cents) under The Lonmin Savings Related Share Option Scheme 1994. No options were granted under The Lonmin Executive Share Option Scheme and The Lonmin Share Option Scheme 1994.

At 30 September 2004, 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) (1,705c – 2,081c)	0.7/1.3	1.7.2012 – 30.9.2013
The Lonmin Executive Share Option Scheme	3,735,081 (250p – 1,150p) (452c – 2,081c)	37.0/67.0	20.7.2004 – 30.9.2013
Savings Related Scheme			6 month periods expiring on dates between:
The Lonmin Savings Related Share Option Scheme 1994	38,219 (535p – 1,007p) (968c – 1,822c)	0.3/0.5	1.8.2005 – 31.8.2011
	3,837,142	38.0/68.8	

Note

There were 329 individuals who held options under the share option schemes. There were 22 individuals who held options under the Savings Related Scheme and 329 individuals who 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 2004.

Notes to the Accounts

23 Share incentive schemes continued

Long-term Incentive Plan

On 20 July 2004 an allocation of 278,870 shares was made under the Company's Long-term Incentive Plan. This allocation will mature at the end of a three year performance period on 19 July 2007. Should this performance condition be satisfied, the number of shares allocated, or a proportion thereof, will be released to the participants.

Other Incentive Plans

Further details of share awards made during the year can be found in the Directors' Remuneration Report on pages 14 to 23.

24 Reserves

Group	Revaluation reserve \$m	Capital redemption reserve \$m	Profit and loss account \$m
At 30 September 2003	16	88	402
Restated for ESOP accounting	–	–	(3)
At 30 September 2003 – restated	16	88	399
Shares purchased by ESOP	–	–	(2)
Amortisation of share-based payments	–	–	2
Profit for the financial year	–	–	195
Dividends	–	–	(102)
At 30 September 2004	16	88	492

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 (2003 – \$7 million).

UITF Abstract 38 changes the presentation of an entity's own shares held in an employee share ownership plan (ESOP) by requiring them to be deducted in arriving at shareholders' funds instead of showing them as an asset. Accordingly, the prior year's balance sheet has been restated to show the net book value of the shares held in the Lonmin ESOP of \$3 million as at 30 September 2003 as a deduction from shareholders' funds instead of as a fixed asset investment. UITF Abstract 17 (revised 2003) requires the expenses of shares held in an ESOP to be based on the intrinsic value of the shares (being the difference between the fair value at the date the shares are awarded and the amount an employee is required to pay for the shares). The effect of this change of accounting policy on the profit and loss account is \$nil and the cumulative amortisation at 30 September 2003 of \$2 million has not been affected.

At 30 September 2004 the Group's ESOP held 470,362 shares (2003 – 346,000 shares) with a market value at that date of \$9 million (2003 – \$5 million). The book value of the ESOP, which continues to be shown as a deduction to the profit and loss account, amounted to \$7 million at 30 September 2004. The purpose of the trust is to retain key employees within the Group. The shares were purchased in the open market and funded by Lonmin Plc. At 30 September 2004, 831,481 shares (September 2003 – 339,240 shares) were under option or had been conditionally gifted to employees.

25 Minority equity interest

Minority equity interest included proposed dividends amounting to \$nil million at 30 September 2004 (2003 – \$19 million).

26 Pension cost

The Group operates a variety of funded pension schemes in the United Kingdom and overseas. The total pension cost for the Group from continuing operations was \$20 million (2003 – \$14 million), \$18 million of which related to overseas schemes (2003 – \$13 million). The overseas schemes were all defined contribution plans and the active UK scheme was a defined benefit scheme. There were no accrued obligations under defined contribution plans.

26 Pension costs continued

The Group has continued to account for pensions in accordance with SSAP 24 – Pension costs 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 the equivalent of \$122 million translated at the appropriate year end exchange rate. 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
Rates of increases in pensions in payment	2.5% per annum

The SUITS Scheme

During September 2004, it was agreed to secure members' benefits in the SUITS pension scheme by purchasing annuities for all the remaining members. A contribution of \$42 million was made (of which \$41 million had been settled by 30 September 2004) as settlement of all outstanding obligations. This has been shown within discontinued operations.

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 provided healthcare benefits for qualifying pensioners in South Africa during the year. These liabilities were settled during September 2004 as disclosed in note 20 to the accounts.

(b) FRS 17 Disclosures

The LSS Scheme

For the LSS scheme the actuarial valuation was conducted on 30 September 2004 using the following major assumptions:

Discount rate	5.5% per annum (2003 – 5.5% per annum)
Inflation assumptions	3.0% per annum (2003 – 2.75% per annum)
Rate of increase in salaries	3.5% per annum (2003 – 3.25% per annum)
Rate of increase in pensions in payment	3.0% per annum (2003 – 2.75% per annum)
Contribution rate in the year	25.0% per annum (2003 – 23.3% per annum)
Expected future contribution rate	25.0% per annum (2003 – 23.3% 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.

Notes to the Accounts

26 Pension costs continued

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:

	2004		2003		2002	
	Expected return %	\$m	Expected return %	\$m	Expected return %	\$m
Insurance policies	5.5	61	5.0	54	5.0	61
Equities	8.0	29	8.0	33	8.0	33
Bonds	5.0	37	5.0	23	5.0	15
Total market value of assets		127		110		109
Limitation on the use of surplus		–		(2)		(1)
		127		108		108
Present value of scheme liabilities		(122)		(103)		(103)
Surplus before related deferred tax liability		5		5		5
Related deferred tax liability		(2)		(2)		(2)
Net pension asset		3		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 as follows:

	2004 \$m	2003 \$m
Current service cost	(1)	–
Past service cost	–	–
Total operating charge	(1)	–

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

	2004 \$m	2003 \$m
Expected return on pension scheme assets	7	3
Interest on pension scheme liabilities	(6)	(2)
Net return	1	1

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

	2004 \$m	2003 \$m
Actual return less expected return on pension scheme assets	1	–
Experience gains arising on scheme liabilities	2	1
Changes in assumptions underlying the present value of the scheme liabilities (increase to mortality assumption)	(6)	(1)
Actuarial loss recognised in the STRGL	(3)	–

26 Pension costs continued

The movement in the scheme surplus during the year was as follows:

	2004 \$m	2003 \$m
Surplus in scheme at beginning of year	7	6
Movement in year:		
Current service cost	(1)	–
Contributions	1	–
Past service cost	–	–
Interest	1	1
Actuarial loss	(3)	–
Translation exchange	–	–
Surplus in scheme at end of year	5	7

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

	2004	2003	2002
Difference between expected and actual return on scheme assets:			
– amount (\$m)	1	–	(10)
– percentage of scheme assets	0.9	–	(9.9)
Experience gains on scheme liabilities:			
– amount (\$m)	2	1	1
– percentage of present value of scheme liabilities	1.9	1.0	1.3
Total amount recognised in STRGL			
– amount (\$m)	(3)	–	(15)
– percentage of present value of scheme liabilities	2.9	–	(19.0)

The SUITS Scheme

For the SUITS scheme the actuarial valuation was conducted on 13 September 2004, the date of the settlement of the scheme, using the following major assumptions:

Discount rate	5.5% per annum (2003 – 5.5% per annum)
Inflation assumptions	3.0% per annum (2003 – 2.75% per annum)
Rate of increase in pensions in payment	5.0% per annum (2003 – 5.0% per annum)
Contribution rate in the year	See note below (2003 – 0% per annum)
Expected future contribution rate	nil (2003 – nil)

During September 2004, the Group provided for a funding requirement on the buy-out of the SUITS pension scheme. This amounted to \$42 million and has been disclosed within discontinued operations as an exceptional charge.

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.

Notes to the Accounts

26 Pension costs *continued*

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:

	2004		2003		2002	
	Expected return %	\$m	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 as follows:

	2004 \$m	2003 \$m
Current service cost	–	–
Past service cost	–	–
Settlement	(25)	–
Total operating charge	(25)	–

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

	2004 \$m	2003 \$m
Expected return on pension scheme assets	2	2
Interest on pension scheme liabilities	(2)	(2)
Net return	–	–

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

	2004 \$m	2003 \$m
Actual return less expected return on pension scheme assets	–	–
Experience losses arising on scheme liabilities	–	–
Changes in assumptions underlying the present value of the scheme liabilities	–	(1)
Actuarial loss recognised in STRGL	–	(1)

26 Pension costs continued

The movement in the scheme deficit during the year was as follows:

	2004 \$m	2003 \$m
(Deficit) in scheme at beginning of year	(16)	(14)
Movement in year:		
Current service cost	–	–
Contributions	42	–
Past service cost	–	–
Interest	–	–
Actuarial loss	–	–
Settlement	(25)	(1)
Translation exchange	(1)	(1)
Scheme at end of year	–	(16)

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

	2004	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)

27 Related party transactions

The Group's related party transactions are summarised below:

	2004 \$m	2003 \$m
Purchase of associate – Incwala	90.4	–
Purchase from previous minority shareholder of 9.11% of the platinum operations	311.1	–
Sale of goods to previous minority shareholder	30.6	66.2
Amounts due to previous minority shareholder	–	6.4
Amounts due from previous minority shareholder	6.4	22.9
Toll smelting and refining charges paid to previous minority shareholder	21.5	25.6
Commissions paid to previous minority shareholder	5.0	3.5
Services provided to previous associate – Platinum Australia	0.5	0.4
Amounts due from previous associate – Platinum Australia	–	0.3
Amounts due from associate – Incwala	0.5	–
Management contracts – costs incurred	–	0.4
Management contracts – fees reimbursed	–	0.4

The previous minority shareholder was Impala which held a 27% stake in the platinum operations up until 30 September 2004 when it sold its entire holding.

Notes to the Accounts

27 Related party transactions continued

Further details concerning the purchase of Incwala and the additional 9.11% of the platinum operations can be found in the Financial review on page 2 and the Directors' report on page 5.

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

28 Capital commitments

Group	2004 \$m	2003 \$m
Contracted for but not yet provided	118	79

29 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:

Group	Land and buildings 2004 \$m	2003 \$m
Operating leases which expire:		
Within one year	2	–
Between one and five years	3	1
Over five years	1	1
	6	2

Obligations under leases comprise:

	Operating leases		Finance leases	
	2004 \$m	2003 \$m	2004 \$m	2003 \$m
Rentals due within 1 year	3	2	1	3
Rentals due after more than 1 year:				
from 1 to 2 years	2	2	–	1
from 2 to 3 years	2	1	–	–
from 3 to 4 years	1	1	–	–
from 4 to 5 years	1	1	–	–
After 5 years	1	2	–	–
	7	7	–	1
Total	10	9	1	4
Less amounts representing interest			–	(1)
Present value of net minimum lease payments			1	3
Less current lease obligations			(1)	(2)
Non-current lease obligations			–	1

Obligations under finance leases are included under notes 16 and 17 to the accounts.

30 Net cash flow from operating activities

	2004 \$m	2003 \$m
Group operating profit from continuing operations	304	298
Depreciation charge	53	46
Decrease/(increase) in stock	19	(59)
Decrease/(increase) in debtors	26	(42)
(Decrease)/increase in creditors	(6)	47
Increase in provisions	–	5
Other	4	1
Net cash inflow from operating activities – continuing operations	400	296
Net cash outflow from operating activities – discontinued operations	(41)	–
Net cash inflow from operating activities	359	296

31 Capital expenditure and financial investment

	2004 \$m	2003 \$m
Purchase of tangible fixed assets	(187)	(161)
Sale of tangible fixed assets	–	25
Purchase of fixed asset investments	(2)	–
Sale of fixed asset investments	390	1
Advances of loans receivable	(34)	–
Purchase of current asset investments	(2)	(1)
Net cash inflow/(outflow) from capital expenditure and financial investment	165	(136)

32 Acquisitions and disposals

	2004 \$m	2003 \$m
Investment in associate	(90)	(1)
Additional investment in subsidiary (note 35)	(300)	–
Cash received on sale of subsidiary	–	14
Prepaid expenses	–	(3)
Net cash (outflow)/inflow from acquisitions and disposals	(390)	10

Notes to the Accounts

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

	2004 \$m	2003 \$m
Balance at 1 October	(197)	(155)
(Decrease)/increase in cash in the year	(21)	62
Cash inflow from issue of convertible bonds	–	(216)
Cash (inflow)/outflow from loans	(54)	131
Effect of exchange rate movements	(3)	(19)
Balance at 30 September	(275)	(197)

34 Analysis of net borrowings

	At 1 October 2003 \$m	Cash flow \$m	Transfers \$m	Exchange movements \$m	At 30 September 2004 \$m
Cash	66	(46)	–	–	20
Overdrafts	(44)	25	–	(3)	(22)
	22	(21)	–	(3)	(2)
Convertible bonds	(216)	–	–	–	(216)
Loans due after one year	(1)	(56)	1	–	(56)
Loans due within one year	(2)	2	(1)	–	(1)
Net borrowings	(197)	(75)	–	(3)	(275)

35 Additional stake in subsidiaries

On 30 September 2004, the Group acquired a further 9.11% in both Eastern Platinum Limited (EPL) and Western Platinum Limited (WPL) taking its holding from 73% to 82%. The acquisitions were accounted for using the acquisition method of accounting.

The assets and liabilities of EPL and WPL and the fair values attributed were as follows:

	EPL/WPL Book value at 9.11% \$m	Adjustment \$m	EPL/WPL Fair value \$m
Tangible fixed assets	103	235	338
Stocks	7	–	7
Debtors	10	–	10
Creditors	(10)	–	(10)
Overdraft and loans	(2)	–	(2)
Provisions	(32)	–	(32)
	76	235	311

The adjustment to fixed assets shown above represents an uplift to reflect the fair value of mining rights acquired. The figures reflect a preliminary allocation of the purchase consideration to the assets of EPL and WPL. This will be reviewed further on 30 September 2005.

The fair value of the consideration given for the Group's purchase of the additional 9.11% in EPL/WPL amounted to \$311 million which represented a cash consideration of \$283 million and expenses on the transaction of \$28 million, of which \$17 million was paid in the year.

36 Parent company disclosures

	Plant, machinery, fixtures and equipment	\$m	
Tangible fixed assets			
Cost:			
At 30 September 2003 and 2004		2	
Depreciation:			
At 30 September 2003		1	
Charge for the year		1	
At 30 September 2004		2	
Net book value:			
At 30 September 2004		–	
At 30 September 2003		1	
Subsidiaries			
\$m			
Cost:			
At 30 September 2003 and 30 September 2004		1,042	
Provisions:			
At 30 September 2003 and 30 September 2004		62	
Net book value:			
At 30 September 2003 and 2004		980	
Fixed asset investments	Investments \$m	Loans receivable \$m	Total \$m
At 30 September 2003 – restated	269	–	269
Additions	–	32	32
Disposals	(264)	–	(264)
At 30 September 2004	5	32	37
		2004 \$m	2003 \$m
Net book value of fixed asset investments:			
Listed		–	190
Unlisted		5	82
Value at 30 September:			
Listed (market value)		–	396
Unlisted (Directors' valuation)		5	82
		2004 \$m	2003 \$m
Debtors			
Amounts falling due within one year:			
Amounts owed by subsidiary companies		273	28
Loans receivable		2	–
Other debtors		3	3
Prepayments and accrued income		1	15
		279	46

Notes to the Accounts

36 Parent company disclosures continued

	2004 \$m	2003 \$m
Creditors		
Amounts falling due within one year:		
Amounts due to subsidiary companies	670	743
Bank loans and overdrafts – unsecured	4	1
Other creditors	3	5
Accruals	14	12
Dividend	60	59
	751	820

	2004 \$m	2003 \$m
Creditors		
Amounts falling due after more than one year:		
Loans – convertible debt	212	211
– other unsecured	56	–
	268	211

Details of the convertible debt are shown under notes 17 and 18 to the accounts.

	2004 \$m	2003 \$m
Contingent liabilities		
Third party guarantees	3	3

There are no contingent liabilities in respect of litigation.

Various indemnities were given by the Company following the purchase of the additional 9.11% in Eastern Platinum Limited and Western Platinum Limited and the investment in Incwala Resources. Further details of these can be found in note 21 to the accounts.

36 Parent company disclosures continued

Reserves	Capital redemption reserve \$m	Profit and loss account \$m
At 30 September 2003	88	82
Restated for ESOP accounting (note 24)	–	(3)
At 30 September 2003 – restated	88	79
Shares purchased by ESOP	–	(2)
Amortisation of share-based payments	–	2
Profit for the financial year	–	76
Dividends	–	(102)
At 30 September 2004	88	53

The profit of the Company for the 2004 financial year amounted to \$76 million (2003 – \$4 million). Details of shares held in the employee share ownership plan can be found in note 24 to the accounts.

Principal Group Companies

Including associates

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.

	Country of Incorporation	Direct interest in ordinary share capital %	Beneficial interest %	Principal activities
Mining and refining				
Eastern Platinum Ltd.	South Africa	82	82	Platinum mining
Western Platinum Ltd.	South Africa	82	82	Platinum mining and refining
Incwala Resources (Pty) Ltd.	South Africa	24	24	Ownership of platinum mining assets

The direct interests and the beneficial interests in Eastern Platinum Ltd and Western Platinum Ltd were 73% for the year up until 30 September 2004 when the interests increased to 82%. The investment in Incwala Resources (Pty) Ltd was made on 30 September 2004.

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

Continuing operations

	2004	2003	2002	2001	2000
	\$m	Restated \$m	Restated \$m	\$m	\$m
Turnover	1,030	779	697	866	757
Total operating profit	303	297	331	490	380
Profit before exceptional items	290	269	332	523	392
Profit before taxation	290	291	332	523	402
Profit for the year before exceptional items	123	61	185	274	214
Profit for the year	125	74	185	274	223
Cost of dividend (net)	102	101	101	110	90
Fixed assets	1,503	1,272	1,181	997	916
Net current assets/(liabilities)	13	79	(6)	404	333
Total assets less current liabilities	1,516	1,351	1,175	1,401	1,249
Equity shareholders' funds	744	645	671	1,077	926
Net cash inflow from operating activities	400	296	359	525	354
Net (borrowings)/cash and deposits	(275)	(197)	(155)	523	422
Basic earnings per share (cents)	88.4	52.5	121.5	153.7	135.1
Underlying earnings per share (cents)	96.9	87.2	98.5	137.4	119.1
Dividends per share (cents)	72.0	72.0	72.0	64.0	50.0
Trading cash flow per share (cents)	229.2	161.0	118.9	242.9	195.3
Free cash flow per share (cents)	70.7	48.2	(4.6)	129.0	105.6
Equity shareholders' funds per share (cents)	525	457	476	607	521

Notes:

The 2003 and 2002 figures have been restated to show the investment in the Lonmin Employee Share Ownership Plan as a deduction from equity shareholders' funds.

Corporate Information

Company secretary and registered office

Rob Bellhouse BSc FCIS

Lonmin Plc

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United Kingdom

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External auditors

KPMG Audit Plc

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8 Salisbury Square
London EC4Y 8BB
United Kingdom

Internal auditors

Ernst & Young

Business Risk Services (SA)
PO Box 2322
Johannesburg 2000
South Africa

Principal Group bankers

Lloyds TSB Bank Plc
Standard Chartered Bank
Standard Bank
HSBC Bank Plc

Financial advisers

Cazenove & Co. Ltd

Stockbrokers

Cazenove & Co. Ltd
HSBC Investment Bank plc

Shareholder Information

Lonmin's shares are quoted on the London and Johannesburg stock exchanges, and ADRs representing Lonmin shares are also traded in an over-the-counter market in the USA.

UK share register information

All holdings of the company's shares are maintained on the company's UK share register, with the exception of those held on the South African branch register. The register is administered by Lloyds TSB Registrars, who offer a range of shareholder information online, including facilities to check shareholdings, update personal details and cast votes at general meetings as well as providing practical help on transferring shares at www.shareview.co.uk. Up-to-date information on the Company is contained in the Company's website at www.lonmin.com, which also includes a link to the registrars' website.

For those wishing to contact the registrars directly, their contact details are Lloyds TSB Registrars, The Causeway, Worthing, West Sussex, BN99 6DA, United Kingdom. Their telephone number is 0870 600 3970 (international +44 121 415 7047) and the fax number is 0870 600 3980 (international +44 1903 833371).

Currency of dividends

The company declares dividends in US dollars. The final dividend for the year ended 30 September 2004 will be paid in sterling to UK shareholders (unless they elect to receive US dollars) calculated at the US dollar to sterling exchange rate on Friday 28 January 2005 and in US dollars to all other shareholders (unless they elect to receive sterling dividends or have mandated their dividend payments to a UK bank). Elections to receive an alternative currency (dollars or sterling) should comprise a signed request to Lloyds TSB Registrars at the address shown above to be received by 1700 hours on Friday 21 January 2005.

Dividend payment to your bank account

The company can pay UK registered shareholders' dividends direct to their bank or building society account. This means that dividends will normally be in shareholders' accounts on the same day as the payment is made and tax vouchers will be posted to the shareholders' registered addresses. Shareholders wishing to adopt this method of payment should contact the registrars.

Dividend Reinvestment Plan

A Dividend Reinvestment Plan (DRIP) is available through which eligible shareholders may invest the whole of their cash dividends in additional Lonmin Plc shares. Shareholders on the registers on the record date for the recommended final dividend, Friday 21 January 2005, may participate in the plan in respect of that dividend, provided their application forms are received by Monday 31 January 2005. Copies of the DRIP brochure and application form have been sent to eligible shareholders on the registers up to 16 July 2004 and are being sent to those who are newly entered on the registers between then and 21 January 2005. Further copies are available from the registrars or can be downloaded from the registrars' website.

South African branch register information

The South African branch register is administered by Computershare Investor Services 2004 (Pty) Limited, PO Box 61051, Marshalltown 2107, South Africa. Their telephone number is +27 (0)11 370 5000 and the fax number is +27 (0)11 688 5217 or 7707.

Dividends paid on shares held on the branch register are settled in Rand. The final dividend for the year ended 30 September 2004 will be converted using the Rand to US dollar exchange rate on 7 January 2005.

Shareholder Information

American depositary receipts (ADRs)

The company has a sponsored Level 1 ADR programme for which The Bank of New York acts as the depositary. Each ADR represents one ordinary share of the company. The ADRs trade in the over-the-counter (OTC) market under the symbol LOMNY. When dividends are paid to shareholders, the depositary makes the equivalent payment in US dollars to ADR holders.

ADR enquiries should be addressed to The Bank of New York, ADR Shareholder Inquiries Department, PO Box 11258, Church Street Station, New York, NY 10286, USA. To speak directly to a Bank of New York representative, please call 1-888-BNY-ADRS (1-888-269-2377) if you are calling from within the United States. If you are calling from outside the USA, please call +1-610-382-7836. You can also use the e-mail address shareowners@bankofny.com to communicate with the depositary.

Further information for UK domiciled shareholders

Capital Gains Tax

For capital gains tax purposes, shareholders disposing of shares in either Lonmin Plc or Lonrho Africa Plc after 7 May 1998, who held shares prior to that date, should apportion the base cost of their original Lonmin Plc shares between the two companies. Based on the closing share prices on 7 May 1998 of Lonmin Plc and Lonrho Africa Plc, this apportionment would be 80.49% for Lonmin Plc and 19.50% for Lonrho Africa Plc.

The Company's capital reduction was completed on 22 February 2002. For the purposes of assessing any liability to capital gains tax, UK shareholders should apportion 13.33% of the base cost of their original shareholding to the capital reduction and the balance to their new holding of ordinary shares of US\$1 each.

The market price of Lonmin Plc ordinary shares at 31 March 1982 was 38.9 pence (as adjusted for subsequent capitalisation issues), and 155.6 pence as adjusted for the consolidation of the Company's shares on 24 April 1998 and 125.3 pence as adjusted for the demerger of Lonrho Africa Plc on 7 May 1998.

Lonmin Corporate Individual Savings Accounts (ISAs)

Carr Sheppards Crosthwaite offers the Lonmin Corporate Stocks & Shares ISA (from which dividend income and capital gains are completely free of UK tax) for investment in Lonmin Plc shares. UK registered shareholders may subscribe to the Lonmin Corporate ISA up to a maximum currently of £7,000 annually for a maxi ISA (or alternatively one stocks-and-shares mini ISA of £3,000), by direct transfer of eligible employee shares and/or by sale and reinvestment of existing Lonmin Plc shares. To obtain full details and an application form, please contact Carr Sheppards Crosthwaite Limited, Clock House, Dogflud Way, Farnham, Surrey GU9 7UL, Tel 01252 712049, Fax 01252 734628. Carr Sheppards Crosthwaite is regulated by the FSA.

This is not a recommendation that shareholders should subscribe to the ISA. The advantages of holding shares in an ISA vary according to individual circumstances and shareholders who are in any doubt should consult their financial adviser.

Notes

Notes

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LONMIN



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