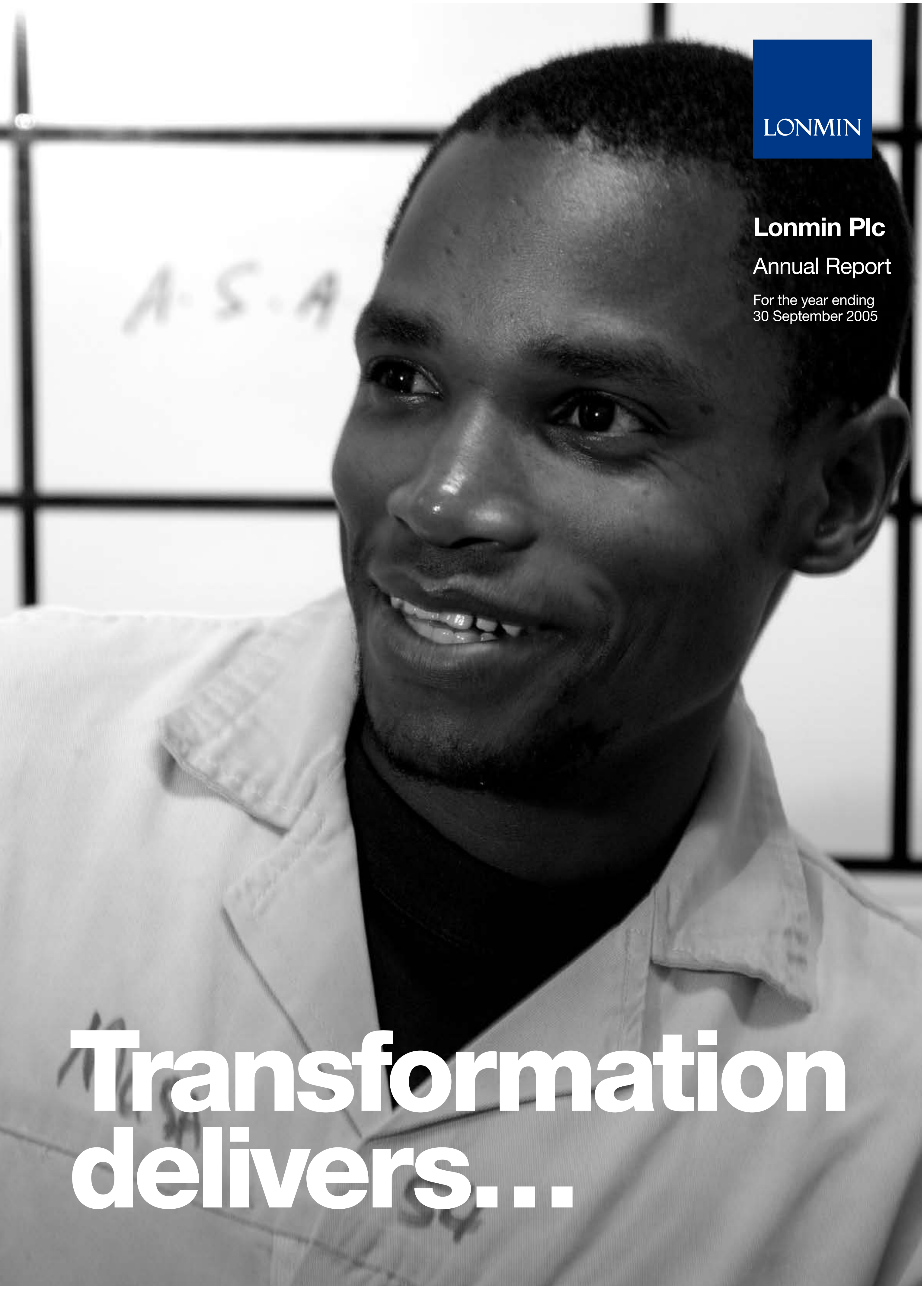

LONMIN

Lonmin Plc

Annual Report

For the year ending
30 September 2005

Transformation delivers…

Transformation delivers…

Our Business

Lonmin is the world's third largest primary Platinum producer.

Our Marikana operations are located on the western limb of South Africa's Bushveld complex and we have recently acquired a mine near Zebedelia in South Africa's Limpopo province.

We are committed to transforming our business to deliver value to all our stakeholders.

We would like to thank Musa Percy Khumalo, Metals Account Clerk, Precious Metals Refinery, whose photograph appears on the front cover.

…growth, value and empowerment

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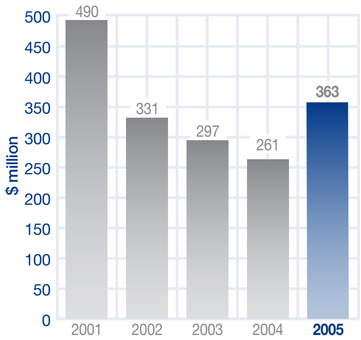
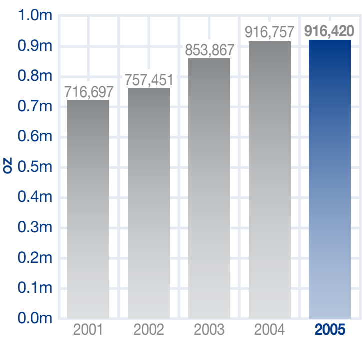
Financial Highlights

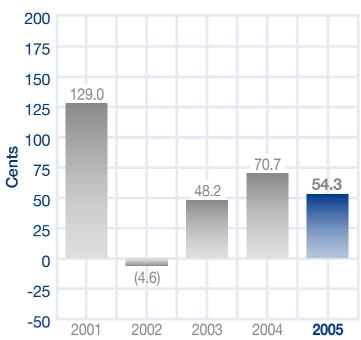
EBIT[1]



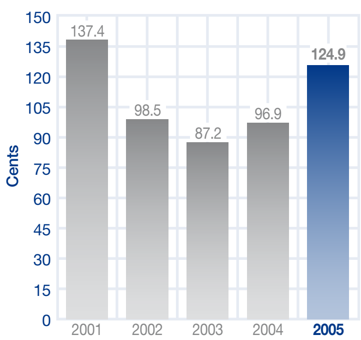
Platinum production



Free cash flow per share



Underlying EPS



Charts display figures from continuing operations excluding acquisitions

	2005	2004
Profits		
Turnover	$1,128m	$1,030m
– continuing operations	$1,122m	$1,030m
– acquisitions	$6m	–
Total operating profit/(loss)	$353m	$261m
– continuing operations	$363m	$303m
– acquisitions	$(10)m	–
– discontinued operations	–	$(42)m
Underlying earnings per share[2]	116.4c	96.9c
– continuing operations	124.9c	96.9c
– acquisitions	(8.5)c	–
Earnings per share	115.0c	137.9c
– continuing operations	127.0c	88.4c
– acquisitions	(12.0)c	–
– discontinued operations	–	49.5c
Dividends per share[3]	72.0c	72.0c
Cash flow		
Trading cash flow per share	191.2c	229.2c
– continuing operations	204.6c	229.2c
– acquisitions	(13.4)c	–
Free cash flow per share	39.5c	70.7c
– continuing operations	54.3c	70.7c
– acquisitions	(14.8)c	–
Balance sheet		
Equity shareholders' funds	$812m	$744m
Net borrowings	$588m	$275m
Interest cover[4]	13.9 times	30.4 times
Gearing[5]	41%	27%

1 EBIT is total operating profit.
2 Underlying earnings per share are calculated on attributable profit excluding exchange, the effect of a change in the South African tax rate on the opening deferred tax balance, exceptional items and reorganisation costs as disclosed in note 9 to the accounts.
3 The Board recommends a final dividend of 42.0 cents payable on 8 February 2006 to shareholders on the registers on 13 January 2006.
4 Interest cover is calculated on Group operating profit excluding exceptional items divided by net interest excluding exchange.
5 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 2004.

Analysis of results

Profit and loss account

A comparison of the 2005 total operating profit with the prior year is set out below:

	$m
Total operating profit for the year ended 30 September 2004	261
Increase in sales prices	140
Decrease in sales volumes	(14)
Insurance receipts	22
Smelting incident costs	(13)
Improved recoveries	29
Stock measurement	(22)
Exchange	(34)
Depreciation and amortisation	(16)
Reorganisation costs	(7)
Share of Incwala	6
Acquisitions	(8)
Other cost increases	(33)
Prior year funding requirement on SUITS pensions buy-out	42
Total operating profit for the year ended 30 September 2005	353

The average price realised for the basket of metals sold at 19,979 $/kg was 17% higher than the prior year. Sales volumes of PGMs decreased from 1,761,171 ounces to 1,692,517 ounces and turnover amounted to $1,128 million. The C1 cost per PGM ounce sold net of by product credits on own production from the Marikana operations amounted to R2,243 for 2005 compared with R2,186 for 2004, an increase of 2.6%. Further details of unit costs analysis can be found in the operating statistics table within the Annual Review. The improved recoveries detailed above reflected an improvement in underlying metallurgical recoveries which led to an increase in the 2004 year-end closing stock valuation. During the second half of the year, the method of measuring stockpiles and concentrate was refined to value these based on metal content rather than tonnage. This had the effect of reducing the 2005 year-end closing stock by $22 million. The strength of the South African Rand against the US dollar continued to impact on costs in dollar terms with the average exchange rate appreciating some 5% on the prior year. The investment in Platinum Australia was sold on 31 March 2005 for book value with no material profit impact. The resulting total operating profit which included $6 million for our 23.56% share of Incwala's operating profit, amounted to $353 million (2004 - $261 million). The total operating profit from continuing operations excluding acquisitions amounted to $363 million, an increase of 20% on the prior year.

Net interest payable and similar items in 2005 were $30 million compared with $13 million in 2004. Borrowing levels were higher during the year following the acquisition of Southern Platinum Corporation resulting in higher interest payable. This was offset by lower exchange losses due to the majority of borrowings being held in US dollars and lower levels of amortisation of expenses on bank facilities.

Profit before tax amounted to $323 million in 2005 compared with $360 million in 2004. Included in 2004 were exceptional profits totalling $70 million relating to the sale of AngloGold Ashanti ($112 million) and the SUITS pension buy-out ($42 million).

The 2005 tax charge was $118 million compared with $113 million in 2004 and included $2 million of exchange losses (2004 - $20 million). The corporate tax rate in South Africa was reduced to 29% during the year and was applicable to taxable results from 1 October 2004. The change in tax rate resulted in an adjustment to the opening deferred tax balance at 1 October 2004 to reduce it by $11 million as disclosed in note 7 to the accounts. The effective tax rate, excluding the effects of exchange, the adjustment to the opening deferred tax balance and exceptional items was 39% compared with 33% last year mainly due to higher dividends declared during the year and the resulting secondary tax charge thereon.

Profit for the year amounted to $163 million (2004 – $195 million) and earnings per share were 115.0 cents compared with 137.9 cents in 2004. Underlying earnings per share, being earnings excluding exchange on tax balances, the adjustment to the opening deferred tax balance as a result of the South African corporate tax rate change, reorganisation costs and exceptional items amounted to 116.4 cents (2004 – 96.9 cents). Underlying earnings per share from continuing operations excluding acquisitions were 124.9 cents, an increase of 29% on the 2004 amount of 96.9 cents.

On 30 September 2004, the Group increased its effective holding in its underlying Platinum assets from 73% to 82% at a cost of $313 million. In addition, it invested $90 million in 23.56% of Incwala Resources and advanced $34 million of loans to HDSA and seed capital investors in Incwala Resources. The effect of these acquisitions on the 2005 year-end results has been to improve reported earnings by 4 cents per share.

Balance sheet

Equity interests were $812 million at 30 September 2005 compared with $744 million at 30 September 2004 mainly reflecting the profit for the year of $163 million offset by dividends declared of $42 million and $60 million for the interim and final dividends respectively.

The Southern Platinum Corporation was acquired on 15 June 2005, with a compulsory acquisition of the remaining shares on 28 July 2005. The acquisition was made for a total purchase price of $192 million, including expenses of $5 million, with $55 million of net debt acquired. The excess of the purchase price over the book value of the assets acquired has been shown within fixed assets as mineral rights of $46 million and an uplift to the underlying values of other fixed assets of $36 million. An underlying minority interest of 8.5% remains at the operational level in Messina Platinum. An amount of $15 million has also been capitalised within intangible fixed assets. This represented the amount the Company paid to Impala Platinum Holdings Limited to acquire the Messina concentrate off-take contract. This is being amortised over 20 years.

The fair value assessment on the 9.11% acquisition of Eastern Platinum Limited and Western Platinum Limited on 30 September 2004 was finalised during the year. This resulted in an allocation of $40 million to goodwill which is being amortised over 20 years.

Net borrowings amounted to $588 million at 30 September 2005 with the main components being the convertible bonds of $216 million and bank loans of $382 million. Gearing was 41% compared with 27% at 30 September 2004, calculated on net borrowings attributable to the Group divided by those 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:

	2005 Continuing $m	2005 Acquisitions $m	2005 Total $m	2004 Total $m
Net cash inflow from operating activities	385	(8)	377	400
Interest and finance costs	(16)	(11)	(27)	(9)
Tax	(79)	–	(79)	(67)
Trading cash flow	290	(19)	271	324
Capital expenditure – purchases	(188)	(2)	(190)	(187)
Associate dividends received	2	–	2	–
Minority dividends	(27)	–	(27)	(37)
Free cash flow	77	(21)	56	100
Acquisitions*	(10)	(207)	(217)	(390)
Disposals	–	–	–	(41)
Financial investments	1	–	1	352
Shares issued	6	–	6	6
Equity dividends paid	(102)	–	(102)	(102)
Cash outflow	(28)	(228)	(256)	(75)
Opening net borrowings	(275)	–	(275)	(197)
Exchange	(1)	(1)	(2)	(3)
Net borrowings in subsidiaries acquired	–	(55)	(55)	–
Closing net borrowings	(304)	(284)	(588)	(275)
Trading cash flow per share	204.6c	(13.4)c	191.2c	229.2c
Free cash flow per share	54.3c	(14.8)c	39.5c	70.7c

*Includes $15 million on intangible fixed asset acquired.

Net cash inflow from operating activities was $377 million during 2005, a 6% decrease on last year's figure of $400 million. Included was an outflow on working capital of $43 million compared with an inflow of $39 million last year, due to stock build-up and higher year-end debtors. After interest and finance costs of $27 million and tax payments of $79 million, trading cash flow amounted to $271 million in 2005 against $324 million in 2004, with trading cash flow per share of 191.2 cents in 2005 against 229.2 cents in 2004.

Capital expenditure of $190 million was incurred during the year, an increase on the prior year in dollar terms, but a 4% reduction in Rand terms. Associate and minority dividends received and paid in 2005 represented dividends from and to Incwala. Free cash flow amounted to $56 million with free cash flow per share at 39.5 cents (2004 – 70.7 cents). Acquisitions of $217 million in 2005 represented the purchase of Southern Platinum for $192 million (including expenses of $5 million), $15 million for the purchase of the concentrate off-take agreement (shown as an intangible fixed asset) and costs relating to the 2004 purchase of a further 9.11% of Eastern Platinum Limited and Western Platinum Limited. Financial investments included proceeds of $3 million arising from the sale of Platinum Australia in March 2004. 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 $256 million during 2005 and net borrowings amounted to $588 million at 30 September 2005.

Dividends

The Board recommends a final dividend of 42.0 cents (2004 – 42.0 cents) making total dividends for the year of 72.0 cents (2004 – 72.0 cents). This represents a cover of 1.6 times on earnings (2004 – 1.2 times). On an underlying earnings basis, this represents a cover of 1.6 times compared with 1.3 times in 2004.

Financial Review

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's business is mining and it does not undertake 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 2005 represented $216 million of long-term borrowings in the form of US dollar 3.75% convertible bonds due 2008, drawings under long-term bank loans of $205 million and $42 million, and $1 million of overdrafts in the UK. In South Africa, a short-term bank loan of $85 million and a long-term bank loan of $49 million were drawn together with an outstanding finance lease obligation of $1 million. Cash deposits represented balances of $9 million in the UK and $2 million in South Africa.

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. This expired on 30 September 2005 and no further contracts were entered into. The resulting interest charged on the bonds during 2005 was $10 million (2004 – $6 million), equivalent to an interest rate of 4.7% (2004 – 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. All other borrowings tend to be drawn under floating interest rates.

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 2005 year end, the Group had $1,518 million of committed facilities in place, of which $597 million were drawn down. A long-term bank loan of $205 million was included in the amounts drawn down. Although this facility specifies an expiry date of 28 January 2006, the Company has the option to extend the maturity of any amount drawn down for up to a further four years.

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 majority of the 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.

Fluctuations in the Rand to US dollar exchange rate can have a significant impact on the Group's results. A strengthening of the Rand against the US dollar has an adverse effect on profits due to the majority of costs being denominated in Rand. The approximate effect on the Group's results of a 10% movement in the Rand to US dollar 2005 year average exchange rate would be as follows:

EBIT	±	$40 m
Profit for the year	±	$23 m
EPS	±	16.5 c

These sensitivities are based on 2005 prices, costs and volumes and assume all other variables remain constant. They are estimated calculations only.

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. Forward sales are undertaken where the Board determines that it is in the Group's interest to secure a proportion of future cash flows. No such forward sales were undertaken during the year.

The approximate effects on the Group's results of a 10% movement in the 2005 year average market prices for Platinum, Palladium and Rhodium would be as follows:

		Pt		Pd		Rh
EBIT	±	$78 m	±	$7 m	±	$19 m
Profit for the year	±	$45 m	±	$4 m	±	$11 m
EPS	±	32.0 c	±	3.0 c	±	7.9 c

The above sensitivities are based on 2005 volumes and assume all other variables remain constant. They are estimated calculations only.

International Financial Reporting Standards (IFRS)

Lonmin Plc currently presents its financial information in accordance with UK Generally Accepted Accounting Principles (UK GAAP). Following a European Union Regulation issued in 2002, the Group will be reporting its results in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union from 1 October 2005. Accordingly, the first financial information to be reported by the Group in accordance with IFRS will be for the six months ending 31 March 2006. The requirement to present comparative information means that a balance sheet as at 30 September 2004 and primary statements for the six months to 31 March 2005 and the year to 30 September 2005, prepared in accordance with IFRS, will also be required.

The Group intends to present the effects of adopting IFRS on its 2005 interim UK GAAP figures which were announced on 4 May 2005 and the 2005 annual UK GAAP figures now presented in this report during the early part of the 2006 calendar year.

The main differences identified to date between UK GAAP and IFRS which will affect the Group's UK GAAP financial statements are:

Post retirement benefits

Under UK GAAP, the Group accounts for defined benefit pension schemes in accordance with SSAP 24 – Accounting for pension costs. Surpluses or deficits are spread on a straight-line basis over the expected average remaining service lives of employees in the scheme. Under IAS 19 – Employee benefits (amended December 2004), there are several ways in which surpluses or deficits can be recognised. This will depend on whether the revised IAS 19 will be adopted by the European Union. The Group may choose to recognise surpluses or deficits directly in shareholders' funds through the Statement of recognised income and expense. This treatment is similar to FRS 17 – Retirement benefits. The Group reports the effects of FRS 17 in the notes to the accounts and therefore, the disclosures included on pages 57 to 61 give an indication of the effect of adopting this alternative on the Group's 2005 profit and loss account.

Share-based payments

Under UK GAAP, the cost of share options is based on the intrinsic value of the award, being the difference between the exercise price and the grant price. Hence, options granted to employees at market price or under Inland Revenue approved SAYE schemes do not generate an expense. Under IFRS 2 – Share-based payments, the economic cost of all share-based payments granted since 7 November 2002 is to be recognised by reference to the fair value on the grant date using options pricing models and charged to the income statement over the expected vesting period.

Proposed dividends

Under UK GAAP, proposed dividends are accrued for as an adjusting post balance sheet event in the period to which they relate in accordance with SSAP 17 – Accounting for post balance sheet events. Under IAS 10 – Events after the balance sheet date, dividends that do not represent a present obligation at the reporting date are not accrued for in the balance sheet. Instead, they are recognised in the accounting period in which they are declared.

Financial Review

Financial instruments
The IFRS requirements for financial instruments are included in IAS 32 – Financial instruments: disclosure and presentation and IAS 39 – Financial instruments: recognition and measurement. Financial assets and liabilities are measured at fair value or amortised cost and foreign currency borrowings and derivative contracts are designated, where applicable, as hedges of specific assets, liabilities, income and/or expenses. The convertible bonds contain an embedded derivative in the form of a conversion right, which the Company can settle in cash. The debt and embedded derivative elements are separated and the amount relating to the embedded derivative is subject to fair value accounting under IFRS. This may introduce some material volatility to reported earnings but will have no impact on cash flow.

Investments in associates
Under UK GAAP, the Group's share of an associate's operating profit, interest and tax are shown within the separate profit and loss account headings. Under IAS 28 – Investments in associates, the Group's share of an associate's profit after tax is presented as a single item within the profit and loss account.

Goodwill
Under UK GAAP, goodwill is required to be amortised. Under IFRS 3 – Business combinations, amortisation of goodwill is no longer required and instead, annual impairment reviews must be performed. Due to the finite life of mining assets, impairment charges relating to goodwill are expected to arise in future reporting periods. The Group has elected to take advantage of the exemption allowed in IFRS 1 – First-time adoption of International Financial Reporting Standards not to recalculate goodwill for business combinations occurring prior to the transition date of 1 October 2005. Therefore, the goodwill which arose on the purchase of a further 9.11% of Eastern Platinum Limited and Western Platinum Limited on 30 September 2004 remains at its UK GAAP disclosed amount. Amortisation charged on this goodwill during 2005 will be reversed under IFRS and will be subject to an impairment test.

Presentation of financial statements
There are a number of reclassifications on the balance sheet to separately show current and non-current assets and liabilities in accordance with IAS 1 – Presentation of financial statements.

It should be noted that the above summary is not intended to be a complete list of areas affected by the introduction of IFRS. Further differences may arise as a result of the Group's continued detailed assessment and interpretations of IFRS and any further pronouncements issued by the International Accounting Standards Board ('IASB').

John Robinson
Chief Financial Officer
15 November 2005

Directors' Report
for the year ended 30 September 2005

Principal activities of the Group
The principal activities of the Group during the year continued to be mining, refining and marketing of Platinum group metals. Analyses of turnover, EBITDA (Group operating profit before interest, tax, depreciation and amortisation), total operating profit and profit before taxation, analysing between principal activities and geographical origins, appear in note 2 to the accounts and a list of the principal subsidiary undertakings, indicating their main activities, appears on page 68. 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 2005 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.

Acquisition of Southern Platinum Corp.
On 15 April 2005, the Company announced that its wholly owned subsidiary, Lonmin Investments Canada Inc. (the 'Offeror'), had made a cash offer to the shareholders of Southern Platinum to purchase all of the issued and outstanding common shares of Southern Platinum at a price of C$2.66 per common share. The offer was subsequently extended and eventually closed on 28 June 2005, at which time the Offeror had acquired 85,096,881 Southern Platinum shares representing approximately 97.2% of the aggregate number of Southern Platinum shares issued and outstanding. Under Canadian law, this enabled the Offeror to acquire compulsorily all outstanding shares, which process was duly completed on 28 July 2005, on which date Southern Platinum Corp. became a wholly-owned subsidiary of the Group.

As a result of the acquisition of Southern Platinum, the Company acquired a 91.5% interest in Messina Limited, a company incorporated and listed in South Africa which operates PGM mines in Limpopo Province. On 15 September 2005, the Company informed the board of Messina Limited of its firm intention to proceed with a cash offer of R33.00 per share for the outstanding shares in Messina Limited. The offer price was based on the see through valuation of Messina using the offer price the Company paid for 100% of Southern Platinum. The offer price values the total outstanding Messina shares at R56.3 million ($8.9 million).

Group results
An analysis of the Group's results for the year is given in the financial review on pages 2 to 6.

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 8 February 2006, to shareholders on the registers at the close of business on 13 January 2006. With the net interim dividend of 30 US cents paid on 5 August 2005, this would make a total dividend for the year of 72 US cents per share (2004 – 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 2005 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 $812 million at 30 September 2005. This compares with $744 million at 30 September 2004. At the AGM held on 27 January 2005, 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 447,704 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 the allotment of equity securities, a limited dis-application of the statutory pre-emption rights and an authority for the Company to make market purchases of its own shares. Further details are set out in the circular accompanying this document.

Directors' Report
for the year ended 30 September 2005

Directorate
The present Board of the Company and biographical details are set out on pages 22 and 23 of the annual review. All those named held office throughout the year, with the exceptions of:

- Karen de Segundo, who was appointed as a non-executive director of the Company on 29 April 2005;
- Dr Sivi Gounden, who was appointed as a non-executive director of the Company on 23 September 2005; and
- Peter Ledger, an executive director who did not seek re-election to the Board at the AGM held on 27 January 2005.

At the forthcoming annual general meeting Sir John Craven and Michael Hartnall retire by rotation and Karen de Segundo and Sivi Gounden retire having been appointed since the last annual general meeting. Being eligible, each offers himself or herself for re-election. All four directors seeking re-election to the Board are non-executives and the Board has carried out formal performance evaluations of all the directors seeking re-election, with the exception of Sivi Gounden who had been a director for slightly over one month at the time of the assessment and had yet to attend a Board meeting. The Board concluded that each of the three directors reviewed is effective and demonstrates commitment to their roles and has every confidence in the skills, knowledge and experience of Dr Gounden. Further information on those seeking re-election is contained in the AGM circular accompanying this document, and the directors' biographies in the annual review.

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 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 and are shown in the directors' remuneration report on page 25. 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.

Substantial shareholdings
The Company had been notified of the following interests in 3% or more of the Company's issued ordinary share capital up to 15 November 2005:

	Number of shares	Percentage of the Company's issued share capital*
Prudential plc and group companies	19,918,007	14.02
Ameripise Financial Inc. and Group companies	16,912,041	11.90
Zurich Financial Services and Group companies	7,405,658	5.24
Lloyds TSB Group Plc	5,660,883	3.99
AEGON Asset Management UK plc	5,594,615	3.95
Legal & General Investment Management Limited	4,337,127	3.07

* Percentages as at date of notification

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 £41,566 ($76,452) (2004: £32,275 ($58,590)). The Group also made contributions to social welfare causes in South Africa during the year amounting to R42.4 million ($6.8 million) (2004: R42.6 million ($6.5 million)). A fuller explanation of this expenditure is contained in Lonmin's sustainable development report for the year ended 30 September 2005 available from the company secretary, or which can be downloaded from the Company's website.

The Group now focuses its social welfare efforts in South Africa through the Lonmin Development Trust. Further information on the Trust's strategy and activities can be found on its website, www.lonmindevelopmenttrust.com.

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 2005 represented 4 days (2004: 2 days) of annual purchases.

Annual general meeting
The 2006 annual general meeting will be held at 11.00am on Thursday 26 January 2006 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
15 November 2005

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 by the Financial Reporting Council in July 2003. The Company has during the year to 30 September 2005 and to the date of this report complied with all the provisions affecting companies of the Combined Code, with one exception. Following the death of Sir Alastair Morton shortly before the start of the year, the Board comprised an independent non-executive chairman, three independent non-executive directors and four executive directors, until Peter Ledger retired from the Board on 26 January 2005. The Combined Code suggests that at least half the Board, excluding the chairman, should be non-executive, which position was achieved on Mr Ledger's retirement from office. The Board now comprises the chairman, three executive directors and five independent non-executive 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.
- Relations with shareholders.

Directors

The Board

The Company is led and controlled by the Board of Directors. As noted above, the Board currently has nine members, comprising an independent non-executive chairman, five non-executive directors, all of whom the Board judges to be independent, and three executive directors.

Details of the individuals' skills and experience are contained in the directors' biographies on pages 22 and 23 of the annual review.

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 fall into the key areas listed below:
- Strategy and management.
- Financial reporting and control.
- Social, environmental and ethical matters.
- Contracts and financial commitments.
- External communications.
- Corporate governance.
- Remuneration.
- Board composition and membership.

Whilst all directors have equal responsibility in law 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 freely express their views, and may 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 judgement.

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. The recruitment of two additional non-executive directors during the year has added to the overall diversity and experience of the Board and should enable the Board to address any succession issues that may arise without undue disruption. The quality of the individual directors and the balance of the Board's composition ensures the Board's effectiveness 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. The deputy chairman, Roger Phillimore, in his capacity as Senior Independent Director, 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 31. Appointments are made on merit and against objective criteria. In the case of candidates for non-executive directorships, care is taken to ascertain whether 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.

Board Committees

The Board has established four committees and provides sufficient resources to enable them to undertake their duties. Membership of these committees during the year to 30 September 2005 is shown below.

	Remuneration	Audit	Nomination	Risk & SHEC[3]
Non-executive directors				
Sir John Craven				
Peter Godsoe	Member	Member[1]	Member	
Sivi Gounden				
Michael Hartnall	Member	Chairman		Member
Roger Phillimore	Chairman	Member	Chairman	
Karen de Segundo		Member[2]		
Executive director				
Brad Mills				Chairman

1 Member until 22 September 2005
2 Member from 29 April 2005
3 The Risk & SHEC Committee comprises a number of senior managers in addition to those noted above

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 appointment and subsequently as necessary. This includes a full, formal and tailored induction programme, briefings on the legal, regulatory, financial and competitive environments in which the Company operates and, 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 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, information flow, Board composition 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 did not undertake such an assessment in respect of Dr Gounden as he had only been a director for slightly over a month at the time of the assessment and he had not yet attended a Board meeting. However, the Board has every confidence in his skills, knowledge and experience.

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 effective in the role.

Corporate Governance

Attendance at Board meetings

The non-executive directors make themselves available to management whenever required and there are numerous regular contacts outside the Board meeting schedule. The Board met formally on six 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	6	6
Ian Farmer	6	6
Peter Godsoe	6	6
Michael Hartnall	6	6
Brad Mills	6	6
Roger Phillimore	6	5
John Robinson	6	6
Karen de Segundo	3	3
Sivi Gounden	–	–
Peter Ledger	1	1

In addition, a further five 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 are required by the Company's articles of association to submit themselves to shareholders for re-election after first appointment and thereafter by rotation at least once 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.

Directors' remuneration

While the Board is ultimately responsible for directors' remuneration, the remuneration committee, consisting solely of non-executive directors, is responsible for determining the remuneration and conditions of employment of executive directors and senior executives. A report on directors' remuneration, including a more detailed description of the role and activities of the remuneration committee is set out on pages 15 to 27.

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; and
- 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 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 28 to 30.

Going concern

The directors consider that the Group has adequate resources to continue operating 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.

Internal control
The Company has complied and continues to comply with the Combined Code provisions on internal control in that an ongoing process is in place for identifying, evaluating and managing the significant risks faced by the Company. In brief, risk identification and evaluation comprises both 'top down' and 'bottom up' reviews conducted annually, the results of which are compared to previous risk evaluations to ensure that the corporate risk register is fully up to date. This process, which was in place during the year under review and to the date of the approval of the accounts, has been reviewed regularly 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 of the internal control environment following the year-end. This included reviewing the work of the numerous external assurance providers responsible for assessing the business and its control environment and considering progress made by management in mitigating the key risks facing the Group. This supplements all the other management reporting and discussion of risk and reports provided to the audit committee by the external auditors and other specialist advisors by way of combined assurance on the Group's risk and control environments. Action has been, or is being, taken where necessary to remedy any significant failings and weaknesses identified in the review of effectiveness of the internal control system.

Risk management
A risk and SHEC committee was formed last year, the terms of reference of which 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 and experience to review, but generally no line management responsibility for, their focus areas. It reports to the audit committee, whose chairman attends its meetings as of right. In August 2004, the Company's existing risk identification and evaluation process 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 on both a 'top down' and 'bottom up' basis during each year.
- 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 plans 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. Lonmin plays a full part in helping South Africa to address the HIV/AIDS pandemic, including the free 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

Corporate Governance

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 15 to 27. A full explanation of Lonmin's approach and actions in these areas is contained in the 2005 Sustainable Development Report available from the company secretary, or which can be downloaded from the Company website. 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 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 routinely offers key shareholders the opportunity of meetings with either himself or the senior independent director to discuss governance, strategy or any other matters shareholders wish to raise. Copies of analysts' notes on the Company are circulated to all directors and senior executives, 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. We give shareholders the opportunity to vote on every substantially different issue by proposing separate resolutions and use electronic poll voting on all resolutions. 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 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 15 November 2005.

Remuneration Committee Report

for the year ended 30 September 2005

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 18, and the disclosure of the items comprising the directors' benefits in kind.
- The table of directors' defined benefit pension entitlements and associated footnotes on page 20.
- The disclosure of directors' defined contribution pension arrangements on page 20.
- The tables of directors' share options and awards and associated footnotes on pages 25 and 26.

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 2005. A copy of the terms of reference is available on the Company's website. 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;
- to review directors' expenses;
- to oversee the Company's executive pension arrangements;

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 remuneration committee since September 2002.
- Michael Hartnall – an independent director, who has been a member of the remuneration committee since May 2003.

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 18 and a detailed breakdown is also provided on page 18. All members of the committee are provided with a 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 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, the VP-Human Capital and the company secretary, none 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:

- November: approval or review of changes to those within the committee's purview, salary review for executive directors and senior executives based on performance appraisal data, 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, consideration of LTIP awards, 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.
- April: approval or review of changes to those within the committee's purview, review of projected short-term incentives for the current year, consideration of LTIP awards to be made after announcement of the interim results, review of directors' expenses for the quarter to end December.

Remuneration Committee Report
for the year ended 30 September 2005

- **July:** approval or review of changes to those within the committee's purview, consideration of LTIP awards, 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:** approval or review of changes to those within the committee's purview, review of projected short-term incentives for the current year, approval of detailed short-term incentive scheme design for the new financial year, approval of awards under the Stay & Prosper cash incentive plan for managers based in South Africa, consideration of LTIP awards, review of directors' expenses for the quarter to end June, review of the effectiveness of the committee and its chairman.

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:
- Review of the Group's talent assessment process and outcomes, and consideration of the results of the half- and full-year performance appraisal exercises.
- Review of senior management reorganisation and consideration of implications for remuneration practice.
- Review of the Company's UK pension plans in preparation for 'A Day', including a review of scheme design and consideration of the revised pension arrangements to be offered in future.
- Consideration of the extension of the balanced scorecard short-term incentive scheme across the Group, including adoption of detailed rules and the treatment of items that were not foreseen at the time when the targets were established.
- Review of the rules of share incentive schemes, including approval of changes of an administrative or regulatory nature, and monitoring of the degree of satisfaction of performance conditions, and approval of changes to the comparator group as needed.
- Consideration of the corporate governance environment as it relates to remuneration policy and practices, and review of changes required to be made to external reporting.
- Review of remuneration practices within the Group, including bonus arrangements below the senior executive cadre, the terms of the New Era Labour Agreement and related matters.

The committee met four times during the year. Attendance at these meetings was as follows:

Director	Number of meetings held during time in office	Number of meetings attended
Peter Godsoe	4	3
Michael Hartnall	4	4
Roger Phillimore	4	4

In addition, a further three ad hoc meetings were held to issue formal approvals, or deal with other matters of a routine or administrative nature.

The Combined Code
The directors consider that the Company has, throughout the year, complied with the provisions relating to directors' remuneration set out in the Combined Code. The Company's remuneration policy is geared towards providing a level of remuneration which attracts, retains and motivates directors and senior managers, but at the same time ensures remuneration is consistent with best practice and aligned with the interests of the Company's shareholders. 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 and senior executives
The remuneration committee's objective is to provide the Group with a remuneration policy and framework enabling it to attract, retain and motivate executives 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 individuals 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.

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 executives 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 and senior executives 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 the award of shares under the Company's long-term incentive plan or the grant of executive share options or an award under the Stay & Prosper Plan). Full details of each element of the directors' remuneration package are set out below together with an analysis showing the various elements of remuneration as a percentage of base salary.

Ultimately, the committee believes that the interests of the directors and senior executives 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.

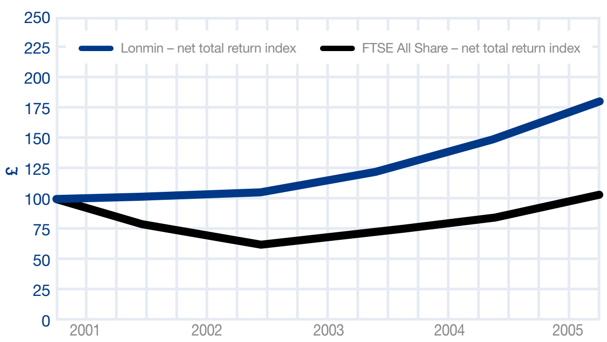
Benchmarking methodology

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 specialist 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.

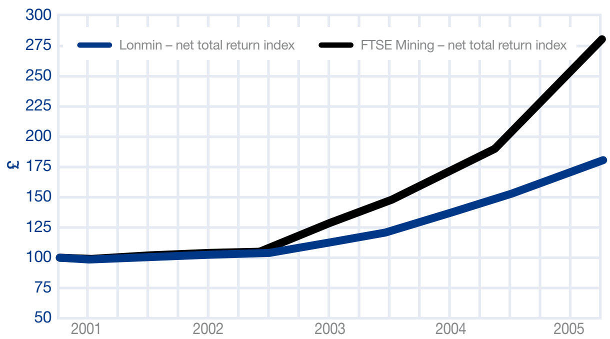
Performance graphs

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 2005, 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.

TSR – v – FTSE All Share



TSR – v – FTSE Mining sector



Remuneration Committee Report

for the year ended 30 September 2005

Directors' remuneration

For the year ended 30 September 2005 the directors' remuneration settled in cash or at a cash cost to the Company was as shown in the table below. In addition, the executive directors participated in pension arrangements and received long-term share incentives as detailed elsewhere in this report. A reconciliation of total remuneration for each executive director is shown in the charts opposite.

Directors	Salary or fees £	Benefits in kind £	Benefits in kind (cash) £	Short-term incentives £	Other (see notes to table) £	**Total for year to 30.09.05 £**	Total for year to 30.09.04[5] £
Executive directors							
Brad Mills[1]	525,000	152,395	310,000	401,027	735,514	**2,123,936**	924,769
Ian Farmer	268,757	25,529	21,679	129,729	–	**445,694**	524,373
Peter Ledger[2]	88,767	3,431	8,184	70,000	923,838	**1,094,220**	456,061
John Robinson	303,812	27,758	–	130,656	–	**462,226**	525,293
Non-executive directors							
Sir John Craven	200,000	–	–	–	–	**200,000**	200,000
Peter Godsoe	67,673	–	–	–	–	**67,673**	60,000
Sivi Gounden[3]	–	–	–	–	–	**–**	–
Michael Hartnall	80,000	–	–	–	–	**80,000**	80,000
Roger Phillimore	110,000	–	–	–	–	**110,000**	110,000
Karen de Segundo[4]	24,179	–	–	–	–	**24,179**	–
Total	1,668,188	209,113	339,863	731,412	1,659,352	**4,607,928**	2,880,496

Notes:

1 Brad Mills was appointed to the Board on 26 March 2004 so the comparative data therefore relates to a period of approximately six months. The amount disclosed under benefits in kind includes a sum of £310,000 relating to Brad Mills' pension benefits paid in the year in line with the Company's contractual obligation. The £735,514 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 22.

2 Peter Ledger retired from the Board on 27 January 2005, so the salary and benefits data above relates to a period of approximately four months. Mr Ledger's employment with the Company ended on 31 March 2005 through redundancy, when he received contractual and other payments which the Company was legally obliged to make which are summarised under 'Other' in the table. Further information is provided below.

3 Sivi Gounden was appointed to the Board on 23 September 2005, and no fees were paid to him during the year.

4 Karen de Segundo was appointed to the Board on 29 April 2005, and the data therefore relates to a period of approximately five months.

5 The total emoluments stated in the directors' remuneration report for the prior year amounted to £3,814,528 since they included amounts paid to directors who served for a part of that year only and who have not served in the current year.

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

7 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.

Payments to former executive director

Peter Ledger retired from the Board on 27 January 2005, so the salary and benefits data above relates to a period of approximately four months. Mr Ledger's employment with the Company ended on 31 March 2005 through redundancy. The Company has honoured a contractually binding obligation and paid him £407,535 in respect of salary and benefits for his notice period and accrued, but untaken, holiday and the sum of £300,881 due under a long-standing severance pay scheme applicable to all senior management redundancies, which was a legally binding obligation. In addition, to secure a valuable set of restrictive covenants and protect shareholders' interests, the Company paid £215,422 in return for a 24 month Restraint Agreement.

Non-executive directors' fees

The fees payable to the non-executive directors are set by the Board and are designed to ensure the Company attracts and retains individuals of the highest calibre. The Board commissions an independent review of non-executive directors' fees every two years, the most recent of which was conducted in August 2005. No change was made to the non-executive directors' fees, which have not been increased since 2002. A detailed breakdown of the fees paid to non-executive directors during the year is provided:

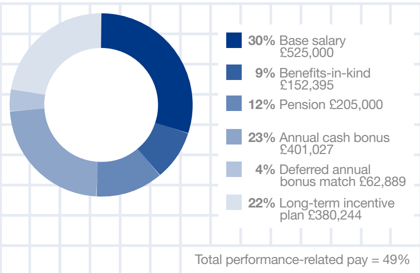
Directors	Directorship	Chairmanship fee		Remuneration		Audit		Nomination		Risk and SHEC		Total
Sir John Craven	50,000	C	150,000									200,000
Peter Godsoe	50,000			M	5,000	M	7,673	M	5,000			67,673
Sivi Gounden	–											–
Michael Hartnall	50,000			M	5,000	C	17,500			M	7,500	80,000
Roger Phillimore	50,000	D	35,000	C	10,000	M	7,500	C	7,500			110,000
Karen de Segundo	21,025					M	3,154					24,179

Key: C = Chairman, D = Deputy Chairman, M = Member

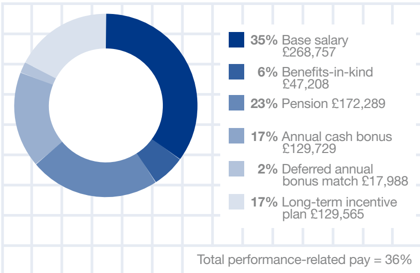
Make up of executive directors' remuneration

The remuneration attributable to each of the three continuing executive directors in respect of the year was comprised of the following broad elements:

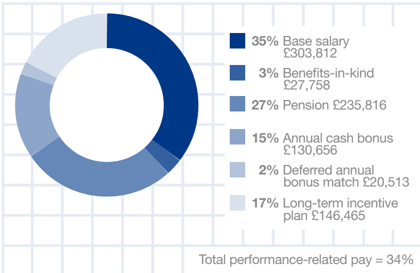
Brad Mills



Ian Farmer



John Robinson



1 Benefits in kind are stated at their taxable value or the cost incurred by the Company where not taxable.
2 The cash bonus amount is the pre-tax amount payable in respect of the year and is stated before partial deferral into the DABP.
3 The DABP Matched Award assumes the mandatory deferral of ⅓ and is stated as the fair value that would be likely to have been accounted for had the Company adopted FRS20. It, therefore, represents a reasonable estimate of the likely value of this award. However, if the threshold conditions noted elsewhere in this report are not obtained, no payment will be made. The basis of calculation has not been audited.
4 The valuation of the LTIP award made during the year has followed the same principles as the DABP Matched Award and is similarly at risk.
5 Pension is the additional accrual of pension earned in the year capitalised at a ratio of 20:1 in line with the statutory methodology used to calculate the Lifetime Allowance under the new tax rules less the amount contributed by the employee in the year.
6 The data for Mr Mills excludes a payment of £105,000 for pension not relating to the year under review and £735,514 relating to a contractual commitment entered into on recruitment.

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.

Salaries are reviewed once annually, as at 1 October, taking into account annual performance review data. The year-on-year change in the directors' salaries was 5% in every case, which compares to an increase of 6.8%, based on the South African Consumer Price Index + 2% paid to our general workforce in South Africa.

In addition to the executive directors, the remuneration of eighteen other senior executives falls within the purview of the remuneration committee. The base salaries of those individuals, the majority of whom are employed in South Africa, fall within the following bands:

Salary band	Number of executives
up to £50,000	2
£51,000 to £100,000	8
£101,000 to £150,000	6
£151,000 to £200,000	–
£201,000 to £250,000	1
£251,000 to £300,000	1

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 Farmer, a children's education allowance.
Mr Mills also benefited from life assurance in excess of the Inland Revenue earnings cap. Mr Mills was 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 resided in the USA until shortly before the year end. 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.

Remuneration Committee Report

for the year ended 30 September 2005

Pensions

Defined benefit arrangements – Ian Farmer and John Robinson 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 two-thirds 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.

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, which amounted to 25% of pensionable salary for all scheme members. 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. Under his contract of employment, Brad Mills is entitled to life assurance of four times his base salary, but no spouse's pension. He is a 'life assurance only' member of the Lonmin Superannuation Scheme in respect of salary up to the cap, and is provided by the Company with unapproved life assurance on his salary in excess of the cap, the premium for which is a benefit in kind and included as such in the remuneration table. He will not join the LSS for pension benefits after A Day.

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

Directors	Additional pension earned in the year £	Additional pension earned in the year net of inflation[1] £	Transfer value of additional pension earned £	**Accrued pension at 30.09.05[2] £**	Transfer value of accrued pension at 30.09.04 £	**Transfer value of accrued pension at 30.09.05 £**	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	9,276	6,995	80,830	**95,023**	828,890	**1,101,370**	272,480	13,231	67,599
John Robinson	12,540	8,879	138,230	**150,187**	1,839,140	**2,340,330**	501,190	14,984	123,246

Notes:

1 This additional pension earned in the year is stated after making allowance for UK retail price inflation of 2.7% 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 2005. 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 increase over the year in the capital amount that the director would be entitled to transfer to another pension scheme on leaving the Company. Changes in this value arise from a number of sources including the increase in the executive's accrued pension over the year, investment returns on the transfer value at the start of the year, and changes in actuarial assumptions. The figure therefore reflects prevailing market conditions at the date on which it is evaluated. For clarity, it is not a sum due to the director nor can it meaningfully be added to the director's remuneration for the year.

4 This adjusts the increase in transfer value to reflect both inflation 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. (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 period to the date on which his employment ceased, these employer contributions amounted to £11,261 (R125,337) (2004: £31,722 (R376,473) for the year).

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.

Significant changes are proposed to the tax treatment of pensions in the UK from 'A Day', 6 April 2006. In addition, various changes to pensions law will arise on implementation of the Pensions Act 2004, which will have implications for Lonmin's UK pension arrangements. The committee is aware of the changes that will need to be made but no final decisions have, as yet, been taken on the Company's detailed response. The committee has adopted a guiding principle that the cost to the Company of its pension arrangements should not increase as a consequence of these changes.

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. The Company provides the opportunity to earn an annual cash bonus through a balanced scorecard approach, assessing performance under four broad headings, being as follows (the weighting generally attaching to each component is quoted as a percentage of overall bonus opportunity):

	Brad Mills		John Robinson and Ian Farmer	
Component and constituent elements	Percentage of bonus opportunity on offer for target performance	Actual payment[1] for the year (% of bonus opportunity)	Percentage of bonus opportunity on offer for target performance	Actual payment for the year (% of bonus opportunity)
SHEC matters (15%)				
• Number of fatalities	3.5%	0.0%	2.5%	0.0%
• Improvement in lost time injury frequency rate	3.5%	0.0%	2.5%	0.0%
• Community satisfaction	4.0%	4.0%	5.0%	5.0%
• Environmental risk	4.0%	0.0%	5.0%	0.0%
Shareholder alignment (50%)				
• EBIT	20.0%	16.4%	20.0%	16.4%
• Economic value added	15.0%	0.0%	15.0%	0.0%
• Free cash flow	15.0%	0.0%	15.0%	0.0%
Production and growth (5%)				
• Primary production of Platinum	5.0%	3.8%	5.0%	3.8%
Personal objectives (30%)				
• Four or more projects which are judged to be of material importance to the Company's future	30.0%	33.3%	30.0%	35.7%[2]
Total	100.0%	57.5%	100.0%	60.9%[2]

1 Mr Mills was contractually entitled to a guaranteed bonus of £250,000 in respect of the first half of the year
2 Average of the two individual outcomes

The bonus elements and relative weightings detailed above were selected as these best captured the steps needing to be taken to improve the delivery of value to shareholders, and all were capable of objective measurement and independent verification.

For each element, three levels of attainment were set:
- **Threshold** – the minimum level of attainment for which the committee felt payment could be warranted, with 75% of the 'target' amount for that element being payable.
- **Target** – based on the Company's budget, at which 100% of the bonus for that element becomes payable.
- **Stretch** – representing a significant level of outperformance and also acting as a cap on the bonus due for that element, with 150% of the 'target' amount for that element being payable.

The scheme design provides 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. 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. Of the bonus resulting, two-thirds is settled in cash and a minimum of one-third (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 2006 is substantially similar in design to that of the prior year.

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 greater amount up to the whole of their net bonus. The funds invested are used to buy Lonmin shares in the open market via the Company's employee benefit trust. 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.

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

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

On 20 December 2004, the first awards were made under this plan to the executive directors and to a number of senior executives. The mid market closing share price on that date was 917p. Details of the awards are included in the table of directors' interests.

Co-investment plan

The deferred annual bonus plan forms the basis of a co-investment plan entered into with Brad Mills when he joined the Company in March 2004. The arrangement provides Mr Mills with partial compensation for the loss of his long-term share incentives upon leaving the employment of BHP Billiton. Mr Mills is the sole participant in this arrangement which applied from the date of his 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 Relative Total Shareholder Return ('RTSR') growth target used in the Company's deferred annual bonus plan with the vesting of the other half linked to absolute growth in the Company's share price over the period:

Level	Share price growth	Percentage of element released
Threshold	+20%	50%
Target	+35%	75%
Stretch	+50%	100%

Long-term incentive plan

This plan is designed to ensure that the Company can offer long-term incentives to executive directors and senior executives 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 which is detailed further below.

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 award released
Threshold	50th percentile (median)	35%
Target	70th percentile	50%
Stretch	92nd percentile (upper quartile)	100%

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

Awards were made to the executive directors and a number of senior executives on 30 September 2005. The closing mid market share price on that date was 1295p. Details of the awards are included in the table of directors' interests.

The award made to Brad Mills was equivalent to 150% of his annual base salary, being the normal limit on award size, and John Robinson and Ian Farmer both received awards equivalent to 100% of their annual base salaries.

Stay & Prosper plan

The committee regularly reviews the incentive arrangements offered to managers, particularly in South Africa where there is severe competition for the best executive talent, to ensure the Group is able to provide an appropriate level of reward and incentive, whilst remaining consistent with current best practice. Following such a review, the committee concluded that the existing share schemes no longer adequately met the requirements for this category of employees and therefore recommended the implementation of a cash based incentive plan, the purpose of which is to provide a significant retention tool whilst also providing sufficient incentive opportunity to align the interests of managers with those of shareholders.

The plan consists of two components. 75% of the award, called the performance award, is subject to the same performance condition and vesting schedule as that in the long-term incentive plan. The remaining 25%, called the retention award, will only vest if the manager is still employed at the end of a three-year period. There are no good leaver provisions attached to the retention award and vesting of the performance award, in good leaver situations, is subject to the discretion of the committee. Awards are linked to a notional number of shares which are awarded at nil cost and participants receive cash at the end of three years based on the prevailing market value of that proportion of the notional award that vests.

An award was made on 30 September 2005 to senior managers based in South Africa. The executive directors do not participate in this plan.

The comparator group of companies

Each of the share plans mentioned above uses relative total shareholder return as the performance condition. The committee believes that this measure best links the actual returns delivered to shareholders with the executive remuneration due as a result of the delivery of our strategy. In addition, the committee believes that this measure provides the best reflection of true performance for shareholders in light of the variability introduced into reported results by metal prices and exchange rates (particularly between the South African Rand and the US Dollar). The committee recognises that the underlying financial performance of the business is an important driver of shareholder value. The committee is of the view that during the year this aspect of performance was adequately reflected in the short-term incentive arrangements.

The remuneration committee regularly reviews the comparator group used for the Company's long-term incentive arrangements to ensure that it remains relevant to the Company's stated strategy and therefore aligns executives appropriately with shareholders. For 2005 awards the committee made the changes set out below, in the main to increase the representation of focused PGM producers in the Group.

RTSR compares the total return accruing to Lonmin shareholders over three years assuming dividend re-investment with that of the following companies:

2004 DABP, CIP (as to 50%) and LTIP awards	2005 LTIP and Stay & Prosper awards	Reason for change
Anglo American plc	Anglo American plc	
Anglo Platinum Limited	Anglo Platinum Limited	
AngloGold Ashanti Limited	AngloGold Ashanti Limited	
Aquarius Platinum Limited	Aquarius Platinum Limited	
BHP Billiton plc	BHP Billiton plc	
Engelhard Corporation	Engelhard Corporation	
Gold Fields Limited	Gold Fields Limited	
Impala Platinum Holdings Limited	Impala Platinum Holdings Limited	
Inco Limited	Inco Limited	
Johnson Matthey plc	Johnson Matthey plc	
–	JSC MMC Norilsk Nickel	Russian PGM producer
–	Kumba Resources Limited	South African mining company
–	Northam Platinum Limited	South African PGM producer
Rio Tinto plc	Rio Tinto plc	
–	Stillwater Mining Company	North American PGM producer
WMC Resources Limited	–	Acquired by BHP Billiton
Xstrata plc	–	Not seen as a valid comparator

Progress against performance conditions

The Company's performance to date compared to the various performance conditions described earlier is set out below.

Award	Date of award	Normal vesting date	Growth to date (as at 30.09.05)	Ranking level
CIP (50% RTSR)	May 2004	May 2007	24%	10th out of 13
CIP (50% Share Price)	May 2004	May 2007	17%	Below threshold
LTIP	July 2004	July 2007	22%	10th out of 13
DABP Matched Award	December 2004	December 2007	14%	9th out of 13

Remuneration Committee Report
for the year ended 30 September 2005

Executive share option schemes
Eligibility to participate in these schemes is at the discretion of the committee and is 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 during the year and it is not intended that any executive director will receive an award of options in the foreseeable future.

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

The tests carried out at the year end relating to options granted under the executive share option schemes show that the Company has not yet met the performance conditions. Details of the results are provided below.

Scheme	Date of award	First normal exercise date	TSR growth (as at 30.09.05)	FTSE Actuaries Mining sector TSR growth
ESOS	June 2001	June 2004	65%	142%
ESOS	July 2002	July 2005	21%	87%
ESOS	30 September 2003	September 2006	41%	69%

The committee does not currently expect to make any future grants under these schemes, following the introduction of the long term incentive plan, deferred annual bonus plan and the Stay and Prosper plan.

Lonmin Plc Share plan

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. The plan operates through options granted by the trustee of the Company's employee benefit trust 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 new long-term incentive arrangements, no further awards are intended to be made under this scheme.

Sharesave

The Company offers an Inland Revenue approved savings-related share option scheme to all UK-remunerated employees, including 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 committee'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 those granted to John Robinson and Ian Farmer, details of which are provided in the table of directors' options and awards.

Share schemes generally

Except under the Sharesave scheme 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 or awards of any kind have been granted to non-executive directors. Directors are strongly encouraged to hold the shares issued to them upon the exercise of options.

Options granted under the executive share option schemes and Sharesave are satisfied with new issued shares. Full exercise of all outstanding options would require the issue of new shares equating to 2.32% of the current issued share capital. Options and awards made under the Lonmin Share Plan, long-term incentive plan, deferred annual bonus plan and the co-investment plan are satisfied with market purchased shares via the Company's employee benefit trust.

Directors' shareholdings

The beneficial interests of the directors in office during the year are shown below:

	30.09.04[1]	**30.09.05**
Executive Directors		
Brad Mills[2]	124,362	**141,596**
John Robinson	15,763	**25,491**
Ian Farmer	2,680	**12,681**
Non-Executive Directors		
Sir John Craven	93,808	**93,808**
Roger Phillimore	17,956	**18,614**
Michael Hartnall	4,000	**4,000**
Peter Godsoe	3,360	**3,360**
Karen de Segundo	–	**–**
Sivi Gounden	–	**–**
Former Executive Director		
Peter Ledger[3]	39,640	**43,685**

1 As at the later of 30.09.04 or date of appointment.
2 Mr Mills' holding of 124,362 shares under the co-investment plan is, as explained above, at risk of forfeiture if his employment is summarily terminated with cause.
3 Mr Ledger's closing interest is stated as at 27 January 2005, the date his directorship ceased.

Directors' options and awards

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

						During year								
During year	Scheme	Perf cond	Date of grant	Exercise price (p)	As at 30.09.04	Granted	Exercised/ vested	Lapsed	**As at 30.09.05**	Date from which exercisable/ vesting date	Expiry date	Date of exercise/ vesting	Market price at date of exercise[1]	Notional pre-tax gain (£)[2]
Executive Directors														
Brad Mills[3]	DABP MA	(d)	20.12.04	–	–	28,210	–	–	**28,210**	20.12.07	20.12.07	–	–	–
	LTIP	(d)	20.07.04	–	78,451	–	–	–	**78,451**	20.07.07	20.07.07	–	–	–
	LTIP	(d)	30.09.05	–	–	67,500	–	–	**67,500**	30.09.08	30.09.08	–	–	–
	CIP IA	(e)	19.05.04	–	124,362	–	–	–	**124,362**	19.05.07	19.05.07	–	–	–
	CIP MA	(e)	19.05.04	–	104,869	–	–	–	**104,869**	19.05.07	19.05.07	–	–	–
John Robinson	ESOS	(a)	08.06.00	668.50	60,000	–	60,000	–	**–**	08.06.03	08.06.10	08.08.05	1,162.00	296,100
	ESOS	(b)	01.07.02	1,150.00	27,000	–	–	–	**27,000**	01.07.05	01.07.12	–	–	–
	ESOS	(b)	30.09.03	942.00	27,000	–	–	–	**27,000**	30.09.06	30.09.13	–	–	–
	SAYE	(c)	15.12.03	840.00	1,886	–	–	–	**1,886**	01.02.09	01.08.09	–	–	–
	DABP MA	(d)	20.12.04	–	–	7,928	–	–	**7,928**	20.12.07	20.12.07	–	–	–
	LTIP	(d)	20.07.04	–	30,266	–	–	–	**30,266**	20.07.07	20.07.07	–	–	–
	LTIP	(d)	30.09.05	–	–	26,000	–	–	**26,000**	30.09.08	30.09.08	–	–	–
Ian Farmer	ESOS	(a)	08.06.00	668.50	60,000	–	60,000	–	**–**	08.06.03	08.06.10	05.08.05	1,169.00	300,300
	ESOS	(b)	01.07.02	1,150.00	27,000	–	–	–	**27,000**	01.07.05	01.07.12	–	–	–
	ESOS	(b)	30.09.03	942.00	27,000	–	–	–	**27,000**	30.09.06	30.09.13	–	–	–
	SAYE	(c)	15.06.01	836.00	2,018	–	–	2,018	**–**	01.08.06	01.02.07	–	–	–
	SAYE	(c)	05.01.05	705.00	–	2,343	–	–	**2,343**	01.02.05	01.08.05	–	–	–
	DABP MA	(d)	20.12.04	–	–	8,433	–	–	**8,433**	20.12.07	20.12.07	–	–	–
	LTIP	(d)	20.07.04	–	26,773	–	–	–	**26,773**	20.07.07	20.07.07	–	–	–
	LTIP	(d)	30.09.05	–	–	23,000	–	–	**23,000**	30.09.08	30.09.08	–	–	–
Former Executive Director														
Peter Ledger[4]	ESOS	(a)	08.06.00	668.50	60,000	–	–	–	**60,000**	08.06.03	08.06.10	–	–	–
(retired from the	ESOS	(b)	01.07.02	1,150.00	22,170	–	–	–	**22,170**	01.07.05	01.07.12	–	–	–
Board 27.01.05)	ESOS	(b)	30.09.03	942.00	23,000	–	–	–	**23,000**	30.09.06	30.09.13	–	–	–
	DABP MA	(d)	20.12.04	–	–	6,597	–	–	**6,597**	20.12.07	20.12.07	–	–	–
	LTIP	(d)	20.07.04	–	27,831	–	–	–	**27,831**	20.07.07	20.07.07	–	–	–

1 The market price is the closing middle market quotation for Lonmin shares on the date of exercise.
2 The notional pre-tax gain is the difference between the market price on the date of exercise or vesting and the exercise price, regardless of whether the shares were actually sold on that date or not. The total notional pre-tax gains made by directors exercising executive share options during the year and from the vesting of various awards was £596,400 (2004: £266,039). This figure is purely notional as Mr Robinson and Mr Farmer each retained some of the shares issued to them upon exercise of their options.
3 Mr Mills' holding of 124,362 shares under the co-investment plan is at risk of forfeiture if his employment is summarily terminated with cause.
4 Mr Ledger's closing interests are stated as at 27 January 2005. In accordance with the scheme rules, Mr Ledger was treated as a 'good leaver' as his employment ended through redundancy and accordingly he was entitled to exercise or receive the shares comprised (respectively) in his options or plan awards.
5 Save as disclosed above, no options or awards were held by directors, or were exercised or lapsed during the year. There were no changes in the serving directors' interests from 30 September 2005 to the date of this report.
6 The closing middle market quotation for the Company's ordinary shares, as derived from the London Stock Exchange Daily Official List, was 1295p on 30 September 2005, and the price ranged between 875p and 1303p during the financial year.

The schemes under which these awards/options were granted are:
ESOS – Options granted under the Lonmin Executive Share Option Plans (Inland Revenue approved and unapproved)
SAYE – Options granted under the Lonmin Savings Related Share Option Scheme
DABP MA – Deferred Annual Bonus Plan Matched Awards made under the Shareholder Value Incentive Plan
LTIP – Long Term Incentive Plan Awards made under the Shareholder Value Incentive Plan
CIP IA – Co-Investment Plan Invested Award made under the Shareholder Value Incentive Plan
CIP MA – Co-Investment Plan Matched Award made under the Shareholder Value Incentive Plan

The peformance conditions are fully explained in earlier narrative, but are briefly:
(a) TSR exceeds that achieved on the FTSE mining sector over any 3 years.
(b) TSR exceeds that achieved on the FTSE mining sector over 3, 4, 5 or 6 years.
(c) No performance condition is attached to SAYE options.
(d) TSR exceeds TSR of 13 comparator companies over three years with vesting schedules as described.
(e) 50% of award linked to DABP TSR condition and remaining 50% of award linked to absolute growth in the Company's share price over three year period.

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 above.

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. 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. 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. Mr Farmer's appointment as interim chief executive of Incwala Resources Limited ended on 4 July 2005 upon the appointment of a permanent successor. Mr Farmer has not received and does not receive any remuneration in respect of his services to any of these organisations.

Service contracts

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

The remuneration committee would be responsible for settling any payment to be made if an executive 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.

Directors' service contracts and letters of appointment

	Date of contract/letter	Expiry date of current service contract or letter of appointment
Executive directors		
Brad Mills	4 February 2004	After completion of his first year of service on 26 March 2005, Brad Mills' agreement provides for a notice period of 12 months from the Company and 6 months from Brad Mills. The contract also contains provisions for 'gardening leave' and payment in lieu of notice (being salary and benefits for one year at the rate then in force plus an estimate of any bonus due for that year), at the discretion of the Company.
Ian Farmer John Robinson Peter Ledger	15 October 2001 1 April 1999 (amended 15 October 2001) 6 October 1998 (amended 25 November 2002)	Contracts are terminable on 364 days' prior written notice given by either the Company or the individual, except for gross misconduct and certain other circumstances which may result in dismissal. Save in the case of Peter Ledger, the Company may impose a period of 'gardening leave' of up to 6 months.
Non-executive directors		
Sir John Craven Peter Godsoe Sivi Gounden Michael Hartnall Roger Phillimore Karen de Segundo	1 March 2003 28 June 2005 28 September 2005 8 May 2003 7 July 2005 22 April 2005	Letters of appointment provide for a fixed period of appointment of three years, subject to the Company's articles of association relating to retirement by rotation. No compensation is payable to non-executive directors for loss of office.

This report was approved by the board on 15 November 2005.

Roger Phillimore
Chairman, Remuneration Committee

Audit Committee Report

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 terms of reference were reviewed by the Board in May 2004 and are compliant with the provisions of the Combined Code. A copy of the terms of reference is available on the Company's website and sets out the primary purposes of the audit committee, which 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 agreeing 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 September 2005. To do so, members of the committee, the internal and 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 comprised the following members during the year and to the date of this report, except where stated otherwise:

- Michael Hartnall – an independent director and 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.
- Peter Godsoe – an independent director and chartered accountant who served as an interim member of the audit committee from September 2004 until 22 September 2005.
- Karen de Segundo – an independent director and a member of the audit committee since 29 April 2005.

Biographical details of each director are set out on page 22 and 23 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 18 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 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 VP-Finance 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 are also advising the Group on the internal control environment that will be implemented when the Group migrates to a new enterprise resource planning system. The committee sees this activity as wholly appropriate for the internal auditors to perform. A total of 30 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 president of Lonmin Platinum and to the chief financial officer, with material findings and recommendations then summarised to the audit committee, who receive regular updates on progress in addressing the matters raised by internal audits. 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 (2004 – $0.5 million), equating to approximately 56% (2004 – 70%) of the total Group audit fee, and relate primarily to the provision of taxation advisory services and advice on accounting practice, including the transition to international financial reporting standards. KPMG supported management during the year by undertaking a significant amount of pre-acquisition due diligence investigation. They were selected for this role in view of their familiarity with PGM mining operations, and more particularly the Group's policies and procedures.

The external auditors may not be engaged on any non-audit work without the prior approval of the audit committee, who are responsible for the annual work plan and fee budget for the auditors. The committee is satisfied that the overall level of non-audit fees is not material relative to the income of the audit offices and firm as a whole, and that the nature of the services provided are 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:

- 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; receive an update on the work of the risk and SHEC committee and any material matters arising; review of matters reported to the external ethics whistleblowing hotline; private meeting with the external auditors.
- 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 matters reported to the external ethics whistleblowing hotline; private meeting with the internal auditors.
- April: 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 key risks facing the Group following a 'bottom up' risk review; review of matters reported to the external ethics whistleblowing hotline; 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 key risks facing the Group following a 'top down' risk review; review of the renewal terms and scope of cover of the Group's insurance programme; 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; review of matters reported to the external ethics whistleblowing hotline; private meeting with the internal auditors.

Audit Committee Report

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:

- Review of an improvement in metallurgical recoveries and the accounting and disclosure treatment.
- Review and agreement of the process for independent verification of the Group's ore reserves and resources.
- Reviewing arrangements for the proposed sale to employees of housing owned by the Group in South Africa.
- Consideration and approval of the Group's capital expenditure control procedures and further review of the capex reporting process.
- Reviewing progress in mapping and assessing the Group's internal control environment.
- Commissioning an independent review of the policy wordings of the Group's material insurance policies.
- Monitoring progress in the adoption of International Financial Reporting Standards.
- Review of the financial management of the Lonmin Development Trust.
- Reviewing the probity of KPMG.

The committee met four times during the year. Attendance at these meetings was as follows:

Director	Number of meetings held during time in office	Number of meetings attended
Karen de Segundo	1	1
Peter Godsoe	4	4
Michael Hartnall	4	4
Roger Phillimore	4	4

This report was approved by the Board on 15 November 2005.

Michael Hartnall
Committee Chairman

Nomination Committee Report
for the year ended 30 September 2005

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 November 2005. These are available from the Company, and displayed on its website. 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 18.

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 two non-executive directors. An external executive search firm was employed and a global search undertaken, which resulted in recommendation to the Board for the appointments of Karen de Segundo and Sivi Gounden.

The committee also considered whether the offer of a second term of office for Peter Godsoe should be recommended to the Board, concluding that he was effective in, and fully committed to, his role and that he added to the balance of skills, knowledge and experience of the Board.

At a meeting in November 2005 the committee assessed its effectiveness and, in his absence, that of the chairman of the committee. The views expressed were summarised to the Board. There were no matters arising which the committee or the Board felt necessitated change.

The committee met four times 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*	1	1
Peter Godsoe*	4	3
Roger Phillimore	4	4

*Sir John Craven attended by invitation since the meeting was required to consider the offer of a further term of office to Peter Godsoe.

This report was approved by the Board on 15 November 2005.

Roger Phillimore
Committee Chairman

Auditors' Report

Independent Auditors' Report to the Members of Lonmin Plc

We have audited the financial statements on pages 33 to 68. 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 remuneration committee report. As described on pages 7 to 9, 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 remuneration committee report to be audited have been 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 corporate governance statement on pages 10 to 14 reflects the Company's compliance with the nine provisions of the 2003 FRC 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 remuneration committee 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 remuneration committee 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 remuneration committee 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 remuneration committee 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 2005 and of the profit of the Group for the year then ended; and
- the financial statements and the part of the remuneration committee report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
15 November 2005

Consolidated profit and loss account
for the year ended 30 September

		Note	2005 Total $m	2004 Before exceptional items $m	2004 Exceptional items $m	2004 Total $m
Turnover		2	**1,128**	1,030	–	1,030
	– continuing operations		**1,122**	1,030	–	1,030
	– acquisitions[4]		**6**	–	–	–
EBITDA[1]		2	**416**	357	(42)	315
	– continuing operations		**424**	357	–	357
	– acquisitions		**(8)**	–	–	–
	– discontinued operations		**–**	–	(42)	(42)
Depreciation and amortisation			**(69)**	(53)	–	(53)
Group operating profit/(loss)		3	**347**	304	(42)	262
	– continuing operations		**357**	304	–	304
	– acquisitions		**(10)**	–	–	–
	– discontinued operations		**–**	–	(42)	(42)
Share of associates' operating profit/(loss)			**6**	(1)	–	(1)
Total operating profit/(loss)		2	**353**	303	(42)	261
Profit on sale of fixed assets		6	**–**	–	112	112
Profit before net interest payable and similar items			**353**	303	70	373
Net interest payable and similar items	– Group	5	**(27)**	(13)	–	(13)
	– Associates	5	**(3)**	–	–	–
Profit before taxation		2	**323**	290	70	360
Taxation[2]		7	**(118)**	(116)	3	(113)
Profit after taxation			**205**	174	73	247
Equity minority interests			**(42)**	(51)	(1)	(52)
Profit for the year		25	**163**	123	72	195
	– continuing operations		**180**	123	2	125
	– acquisitions		**(17)**	–	–	–
	– discontinued operations		**–**	–	70	70
Dividends		8	**(102)**	(102)	–	(102)
Retained profit for the year			**61**	21	72	93
Underlying earnings per share[5]	– total	9	**116.4c**	96.9c	–	96.9c
	– continuing operations		**124.9c**	96.9c	–	96.9c
	– acquisitions		**(8.5)c**	–	–	–
Earnings per share	– total	9	**115.0c**	87.0c	50.9c	137.9c
	– continuing operations		**127.0c**	87.0c	1.4c	88.4c
	– acquisitions		**(12.0)c**	–	–	–
	– discontinued operations		**–**	–	49.5c	49.5c
Diluted earnings per share		9	**113.4c**	85.9c	45.9c	131.8c
Dividends per share		8	**72.0c**	72.0c	–	72.0c
Financial ratios						
Tax rate[3]			**39%**	33%	–	33%
Net debt to EBITDA			**1.4 times**	0.8 times	–	0.9 times

Notes:
1 EBITDA is Group operating profit before interest, tax, depreciation and amortisation.
2 The taxation charge includes exchange losses of $2 million (September 2004 – $20 million) as disclosed in note 7 to the accounts.
3 The tax rate has been calculated excluding exchange, the effect of a change in the South African tax rate on the opening deferred tax balance and exceptional items as disclosed in note 7 to the accounts.
4 Acquisitions represented Southern Platinum Corporation.
5 Underlying earnings per share are calculated on profit for the year excluding exchange, the effect of a change in the South African tax rate on the opening deferred tax balance, reorganisation costs and exceptional items as disclosed in note 9 to the accounts.

Consolidated balance sheet

as at 30 September

	Note	2005 $m	2004 $m
Fixed assets			
Intangible assets	10	53	–
Tangible assets	11	1,719	1,370
Investments:		132	133
Associate	12	91	90
Other investments	13	41	43
Total fixed assets		1,904	1,503
Current assets			
Stocks	14	110	81
Debtors	15	152	124
Investments	16	7	5
Cash and short-term deposits		11	20
Total current assets		280	230
Creditors: amounts falling due within one year	17	(308)	(217)
Current loans and overdrafts		(86)	(23)
Other		(222)	(194)
Net current (liabilities)/assets		(28)	13
Total assets less current liabilities		1,876	1,516
Creditors: amounts falling due after more than one year	18	(510)	(268)
Convertible debt		(213)	(212)
Other loans		(296)	(56)
Other		(1)	–
Provisions for liabilities and charges	21	(388)	(353)
		978	895
Capital and reserves			
Called up share capital	23	142	142
Share premium account	23	12	6
Revaluation reserve	25	16	16
Capital redemption reserve	25	88	88
Profit and loss account	25	554	492
Equity shareholders' funds		812	744
Equity minority interests	26	166	151
		978	895

The financial statements were approved by the Board of Directors on 15 November 2005 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	2005 $m	2004 $m
Net cash inflow from operating activities		**377**	359
Dividend received from associate		**2**	–
Returns on investment and servicing of finance		**(54)**	(46)
Interest – received		**2**	8
– paid		**(23)**	(13)
Financing expenses		**(6)**	(4)
Dividends paid to minority		**(27)**	(37)
Taxation		**(79)**	(67)
Capital expenditure and financial investment	31	**(204)**	165
Acquisitions and disposals	32	**(197)**	(390)
Equity dividends paid		**(102)**	(102)
Net cash outflow before financing		**(257)**	(81)
Financing		**269**	60
New long-term loans		**204**	56
New short-term loans		**85**	–
Repayment of long-term loans		**(26)**	–
Repayment of short-term loans		**–**	(2)
Issue of ordinary share capital		**6**	6
Increase/(decrease) in cash in the year	34	**12**	(21)

Net cash inflow from operating activities

	2005 $m	2004 $m
Group operating profit before exceptional items	**347**	304
Depreciation and amortisation	**69**	53
(Increase)/decrease in stock	**(26)**	19
(Increase)/decrease in debtors	**(22)**	26
Increase/(decrease) in creditors	**5**	(6)
Increase in provisions	**3**	–
Other	**1**	4
Net cash inflow from operating activities – continuing operations and acquisitions	**377**	400
Net cash outflow from operating activities – discontinued operations	**–**	(41)
Net cash inflow from operating activities	**377**	359

Statement of total consolidated recognised gains and losses

for the year ended 30 September

	2005 $m	2004 $m
Profit/(loss) for the year – Group	**160**	196
– Associate	**3**	(1)
Total consolidated recognised gains relating to the year	**163**	195

Consolidated historical cost profits and losses

for the year ended 30 September

	2005 $m	2004 $m
Reported profit before taxation	**323**	360
Difference between an historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	**2**	2
Historical cost profit before taxation	**325**	362
Historical cost retained profit for the year	**63**	95

Reconciliation of movement in equity shareholders' funds

for the year ended 30 September

	2005 $m	2004 $m
Total consolidated recognised gains relating to the year	**163**	195
Dividends	**(102)**	(102)
Retained profit for the year	**61**	93
Shares purchased by ESOP	**(1)**	(2)
Shares disposed of by ESOP	**1**	–
Amortisation of share-based payments	**1**	2
Shares issued on the exercise of share options	**6**	6
Net increase in equity shareholders' funds in the year	**68**	99
Equity shareholders' funds at 1 October	**744**	645
Equity shareholders' funds at 30 September	**812**	744

Lonmin Plc company balance sheet

as at 30 September

	2005 $m	2004 $m
Fixed assets		
Intangible asset	15	–
Tangible assets	1	–
Investments:	1,205	1,017
Subsidiaries	1,167	980
Other investments	38	37
Total fixed assets	1,221	1,017
Current assets		
Debtors	347	279
Cash and short-term deposits	5	12
Total current assets	352	291
Creditors: amounts falling due within one year	(730)	(751)
Net current liabilities	(378)	(460)
Total assets less current liabilities	843	557
Creditors: amounts falling due after more than one year	(460)	(268)
Convertible debt	(213)	(212)
Other loans	(246)	(56)
Other	(1)	–
	383	289
Capital and reserves		
Called up share capital	142	142
Share premium account	12	6
Capital redemption reserve	88	88
Profit and loss account	141	53
	383	289

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 15 November 2005 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(4) 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 2004.

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 2005 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.

Intangible fixed assets

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. Goodwill arising during the year is being amortised over 20 years.

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.

Other intangible fixed assets

Other intangible fixed assets are recorded at cost and are depreciated over their useful life in accordance with FRS 10. The intangible asset acquired during the year is being amortised over 20 years.

Associates

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

The consolidated profit and loss account includes the Group's share of the results of associates. The carrying value of associates in the Group's balance sheet comprises the Group's share of the net assets of associates. 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.

1 Statement on accounting policies continued

Other investments

Fixed asset investments are stated at cost less provisions for impairments or at directors' valuations.

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:

	2005	2004
Average exchange rates:		
Sterling	**0.54**	0.56
South African Rand	**6.28**	6.60
Closing exchange rates:		
Sterling	**0.57**	0.55
South African Rand	**6.36**	6.48

Exploration costs

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

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

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

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

Research and development

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

Tangible fixed assets

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

	Method	Rate
Shafts and underground	Units of production	2.5%–5.0% per annum/(20–40 years)
Metallurgical	Straight line	2.5%–7.1% per annum/(14–40 years)
Infrastructure	Straight line	2.5%–2.9% per annum/(35–40 years)
Mineral rights	Units of production	2.5%–2.9% per annum/(35–40 years)
Other plant and equipment	Straight line	2.5%–50% per annum/(2–40 years)

Notes to the accounts

1 Statement on accounting policies continued

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.

An improvement in underlying metallurgical recoveries led to an increase in the 2004 year-end closing stock valuation of $29 million. During the second half of the year, the method of measuring stockpiles and concentrate was refined to value them based on metal content rather than tonnage; this had the effect of reducing the 2005 year-end closing stock by $22 million.

Deferred tax

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

Pension costs and other post-retirement benefits

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

Certain Group companies 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. During 2004 annuities were purchased to fulfil the outstanding obligations for post-retirement medical benefits and the resulting liabilities were discharged.

Under the transitional arrangements of FRS 17 – Retirement benefits, additional disclosures are included for pension and other retirement benefits as disclosed in note 27 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,

1 Statement on accounting policies continued

inflation and return rate assumptions are made, 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 and the estimation of the metal content of stock.

Dividend reinvestment programme

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

2 Segmental analysis

By business origin:

			2005		
	Turnover $m	EBITDA $m	Total operating profit $m	Profit before tax $m	Net assets $m
Platinum	1,128	450	387	370	1,491
– continuing operations	1,122	458	397	384	1,306
– acquisitions	6	(8)	(10)	(14)	185
Exploration	–	(11)	(11)	(11)	–
Corporate	–	(23)	(23)	(36)	(513)
Total	1,128	416	353	323	978
– continuing operations	1,122	424	363	341	793
– acquisitions	6	(8)	(10)	(18)	185
South Africa	1,128	457	394	377	1,488
Other	–	(18)	(18)	(18)	3
Corporate	–	(23)	(23)	(36)	(513)
Total	1,128	416	353	323	978
– continuing operations	1,122	424	363	341	793
– acquisitions	6	(8)	(10)	(18)	185

			2004		
	Turnover $m	EBITDA $m	Total operating profit $m	Profit before tax $m	Net assets $m
Platinum	1,030	384	332	324	1,217
Exploration	–	(7)	(8)	(8)	3
Other	–	(2)	(2)	(2)	–
Corporate	–	(18)	(19)	(24)	(325)
Continuing operations	1,030	357	303	290	895
Discontinued operations	–	(42)	(42)	70	-
Total	1,030	315	261	360	895
South Africa	1,030	387	335	327	1,215
Other	–	(12)	(13)	(13)	5
Corporate	–	(18)	(19)	(24)	(325)
Continuing operations	1,030	357	303	290	895
Discontinued operations	–	(42)	(42)	70	–
Total	1,030	315	261	360	895

The segmental analysis of assets is now based on net assets rather than net operating assets.

Notes to the accounts

2 Segmental analysis continued

Turnover by destination is analysed by geographical area below:

	2005 $m	2004 $m
The Americas	**368**	269
Asia	**351**	300
Europe	**210**	312
South Africa	**191**	140
Zimbabwe	**8**	9
Continuing operations	**1,128**	1,030

3 Group operating profit/(loss)

Group operating profit/(loss) is arrived at as follows:

	Continuing operations $m	Acquisitions $m	2005 Total $m	Continuing operations $m	Discontinued operations $m	2004 Total $m
Turnover	**1,122**	**6**	**1,128**	1,030	–	1,030
Cost of sales	**(746)**	**(9)**	**(755)**	(680)	–	(680)
Gross profit/(loss)	**376**	**(3)**	**373**	350	–	350
Administration expenses	**(35)**	**(6)**	**(41)**	(35)	(42)	(77)
Exploration	**(11)**	**–**	**(11)**	(7)	–	(7)
Other operating income/(expense)	**27**	**(1)**	**26**	(4)	–	(4)
Group operating profit/(loss)	**357**	**(10)**	**347**	304	(42)	262

Group operating profit is stated after charging:

		2005 $m	2004 $m
Operating lease charges	– land and buildings	**2**	2
Depreciation charge	– owned tangible assets	**67**	52
	– finance leased tangible assets	**–**	1
Amortisation of goodwill		**2**	–
Foreign exchange losses		**–**	9

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

		2005 $m	2004 $m
Audit remuneration		**0.9**	0.7
	– UK – the Company	**0.4**	0.4
	– overseas	**0.5**	0.3
Accounting/tax advice		**0.5**	0.5
	– UK	**0.2**	0.2
	– overseas	**0.3**	0.3
		1.4	1.2

4 Employees

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

	2005 No.	2004 No.
South Africa	**22,370**	20,902
Europe	**32**	29
	22,402	20,931

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

	2005 $m	2004 $m
Wages and salaries	**261**	237
Social security costs	**29**	27
Other pension costs	**23**	20
	313	284
Total directors' emoluments	**8.5**	8.2
Emoluments of the highest paid director	**3.9**	2.1

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 Remuneration Committee report on pages 15 to 27.

5 Net interest payable and similar items

	2005 $m	2004 $m
Interest payable:		
On bank loans and overdrafts	**24**	12
Bank fees	**2**	6
Discounting on provisions	**2**	–
	28	18
Capitalisation of interest	**(1)**	–
Interest receivable on cash at bank and in hand	**(2)**	(4)
Interest receivable on loans to Ashanti	**–**	(4)
Exchange differences on net borrowings	**2**	3
Net interest payable and similar items – Group	**27**	13
– Associates	**3**	–
	30	13

Notes to the accounts

6 Exceptional items

	2005 $m	2004 $m
Operating items:		
– Funding requirement on the buy-out of the SUITS pension fund (note 27)	–	(42)
Profit on sale of fixed assets:		
– Sale of investment in AngloGold Ashanti	–	112
Exceptional items before taxation and minority interest	–	70
Taxation	–	3
Minority interest	–	(1)
Net exceptional profit	–	72
Continuing operations	–	2
Discontinued operations	–	70

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

7 Taxation

	2005 $m	2004 $m
United Kingdom:		
Corporation tax at 30% (2004 – 30%)	53	17
Double tax relief	(53)	(17)
	–	–
Overseas:		
Current taxation at 29% (2004 – 30%)	95	60
Excluding tax on local currency exchange profits	79	54
Tax on local currency exchange profits	(3)	(2)
Tax on dividends remitted	19	7
Exchange on current taxation	–	1
Deferred taxation	24	59
Origination and reversal of timing differences	30	39
Change in South African corporate tax rate to 29% (2004 – 30%)	(11)	–
Exchange on deferred taxation	5	20
Prior year items (current taxation)	(1)	(6)
Exceptional	–	(4)
Other	(1)	(3)
Exchange on prior year items	–	1
Tax charge	118	113
Tax charge excluding exceptional items, tax rate adjustments and exchange	127	97
Effective tax rate excluding exceptional items, tax rate adjustments and exchange	39%	33%

7 Taxation continued

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

	2005 $m	2004 $m
Tax charge at standard tax rate of 29% (2004 – 30%)	**94**	108
Overseas taxes on dividends remitted by subsidiary companies	**19**	7
Non-taxable chargeable gains	**–**	(34)
Other timing differences	**(15)**	(20)
Effect of exchange adjustments	**(3)**	(1)
Prior year items	**(1)**	(6)
Current tax charge	**94**	54

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 29% (2004 – 30%). The secondary tax rate on dividends remitted by South African companies was 12.5% (2004 – 12.5%).

8 Dividends

	2005 $m	2004 $m
Interim 30.0c (2004 – 30.0c) per share	**42**	42
Final 42.0c (2004 – 42.0c) per share	**60**	60
Total dividends 72.0c (2004 – 72.0c) per share	**102**	102

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 (2004 – $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 $189 million (2004 – $167 million).

Notes to the accounts

9 Earnings per share

Earnings per share have been calculated on the profit for the year amounting to $163 million (2004 – $195 million) using a weighted average number of 141,727,124 ordinary shares (2004 – 141,384,398 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:

	2005 Profit for the year $m	2005 Number of shares	2005 Per share amount cents	2004 Profit for the year $m	2004 Number of shares	2004 Per share amount cents
Basic EPS	163	141,727,124	115.0	195	141,384,398	137.9
– continuing operations	180	–	127.0	125	–	88.4
– acquisitions	(17)	–	(12.0)	–	–	–
– discontinued operations	–	–	–	70	–	49.5
Share option schemes	–	290,375	(0.2)	–	468,002	(0.4)
Convertible bonds	10	10,576,993	(1.4)	6	10,576,993	(5.7)
Diluted EPS	173	152,594,492	113.4	201	152,429,393	131.8

Underlying earnings per share have been presented as the directors consider it to give a fairer reflection of the underlying results of the business. Underlying earnings are based on the profit for the year adjusted to exclude reorganisation costs, exceptional items, the effect of a change in the South African tax rate on the opening deferred tax balance and exchange on tax balances as follows:

	2005 Profit for the year $m	2005 Number of shares	2005 Per share amount cents	2004 Profit for the year $m	2004 Number of shares	2004 Per share amount cents
Basic EPS	163	141,727,124	115.0	195	141,384,398	137.9
– continuing operations	180	–	127.0	125	–	88.4
– acquisitions	(17)	–	(12.0)	–	–	–
– discontinued operations	–	–	–	70	–	49.5
Reorganisation costs	12	–	8.4	–	–	–
– continuing operations	7	–	4.9	–	–	–
– acquisitions	5	–	3.5	–	–	–
Exceptional items before taxation and minority interest						
– discontinued operations	–	–	–	(70)	–	(49.5)
Taxation on above items						
– continuing operations	(2)	–	(1.4)	(4)	–	(2.8)
Tax rate change – effect on opening deferred tax balance						
– continuing operations	(11)	–	(7.7)	–	–	–
Exchange on tax balances						
– continuing operations	2	–	1.4	20	–	14.1
Minority interest						
– continuing operations	1	–	0.7	(4)	–	(2.8)
Underlying EPS	165	141,727,124	116.4	137	141,384,398	96.9
– continuing operations	177	–	124.9	137	–	96.9
– acquisitions	(12)	–	(8.5)	–	–	–

10 Intangible fixed assets

Group	Goodwill $m	Other intangibles $m	Total $m
Cost or valuation:			
At 30 September 2004	–	–	–
Additions 2004	40	–	40
Additions 2005	–	15	15
At 30 September 2005	**40**	**15**	**55**
Amortisation:			
At 30 September 2004	–	–	–
Charge for the year	2	–	2
At 30 September 2005	**2**	**–**	**2**
Net book value:			
At 30 September 2005	**38**	**15**	**53**
At 30 September 2004	–	–	–

Goodwill comprised $40 million arising on the finalisation of the fair values of the assets and liabilities of Eastern Platinum Limited and Western Platinum Limited as detailed in note 35 to the accounts. This is being amortised on a straight-line basis over 20 years.

Other intangible fixed assets amounted to $15 million relating to the acquisition of Southerrn Platinum Corporation on 15 June 2005. This represented the amount Lonmin Plc paid to Impala Platinum Holdings Limited to acquire the Messina concentrate off-take contract. This is being amortised on a straight-line basis over 20 years.

11 Tangible fixed assets

Group	Shafts and underground $m	Metallurgical $m	Infrastructure $m	Capital work in progress $m	Mineral rights $m	Other plant and equipment $m	Total $m
Cost or valuation:							
At 30 September 2004	457	428	189	203	348	69	1,694
On acquisition of subsidiaries	204	31	9	–	46	1	291
Additions	35	38	28	82	–	12	195
Fair value adjustment (see note 35)	4	11	8	–	(64)	–	(41)
At 30 September 2005	**700**	**508**	**234**	**285**	**330**	**82**	**2,139**
Depreciation:							
At 30 September 2004	142	76	52	–	37	17	324
On acquisition of subsidiaries	21	8	–	–	–	–	29
Charge for the year	27	16	11	–	7	6	67
At 30 September 2005	**190**	**100**	**63**	**–**	**44**	**23**	**420**
Net book value:							
At 30 September 2005	**510**	**408**	**171**	**285**	**286**	**59**	**1,719**
At 30 September 2004	315	352	137	203	311	52	1,370

The analysis of fixed assets has been amended to show mineral rights as a separate category due to their size and nature.

Included in other plant and equipment are leased assets with a cost of $8 million (2004 – $7 million) and a net book value of $nil (2004 – $1 million).

Included in shafts and underground are leased assets with a cost of $1 million (2004 – $nil) and a net book value of $1 million (2004 – $nil).

Cost or valuation of tangible fixed assets included $73 million (2004 – $56 million) in respect of capitalised interest. Interest capitalised during 2005 amounted to $1 million (2004 – $nil). In accordance with the Group accounting policies no depreciation has been provided on surface mining land having a book value of $13 million (2004 – $9 million).

11 Tangible assets continued

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

	2005 $m	2004 $m
Net book value:		
Professionally valued in 1986	**74**	76
At cost	**212**	235
	286	311
The historical cost of revalued assets was as follows:		
Cost	**23**	23
Depreciation	**22**	20
Historical cost net book value	**1**	3

12 Associate

Group	Associate at cost $m	Goodwill $m	Post-acquisition reserves $m	Total $m
At 30 September 2004	90	–	–	90
Goodwill	(6)	6	–	–
Profit for the year	–	–	3	3
Dividends declared	–	–	(2)	(2)
At 30 September 2005	**84**	**6**	**1**	**91**

The net assets of associate comprises:

	2005 $m	2004 $m
Share of net assets	**85**	90
Goodwill	**6**	–
	91	90
Unlisted – directors' valuation	**91**	90

The investment in associate of $91 million (2004 - $90 million) shown above represented an investment of 24% made on 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. During the year, the provisional fair values of the assets and liabilities of Incwala have been subject to further investigation and review, as permitted by FRS 7 – Fair Values in Acquisition Accounting. This has resulted in a reduction of $6 million to the fair value of the share of net assets on acquisition and an increase in the goodwill on acquisition of $6 million.

13 Fixed asset investments

Group	Investments $m	Loans receivable $m	Total $m
At 30 September 2004	11	32	43
Disposals	(3)	–	(3)
Exchange differences	–	1	1
At 30 September 2005	**8**	**33**	**41**

	2005 $m	2004 $m
Net book value of investments shown above:		
Listed on the London and overseas stock exchanges	–	3
Unlisted	8	8
	8	11
Value at 30 September:		
Listed (market value)	–	4
Unlisted (directors' valuations)	8	8

The investment of 38% in the ordinary share capital of Platinum Australia Limited, a company incorporated in Australia, was transferred from investments in associates to fixed asset investments on 30 September 2004 following the resignation of Lonmin representatives from its Board. This investment was sold on 31 March 2005 for book value with no material profit impact.

Loans receivable at 30 September 2005 represented loans advanced to fellow investors in Incwala Resources (Pty) Limited in which the Group holds a 24% interest. These loans expire between 4 and 6 years.

14 Stocks

Group	2005 $m	2004 $m
Raw materials and consumables	42	35
Work in progress	49	33
Finished goods	19	13
	110	81

15 Debtors

Group	2005 $m	2004 $m
Amounts falling due within one year:		
Trade debtors	118	97
Other debtors	27	20
Prepayments and accrued income	5	5
Loans receivable	2	2
	152	124

16 Current asset investments

Group	2005 $m	2004 $m
Unlisted	7	5

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

Notes to the accounts

17 Short-term creditors

Group	2005 $m	2004 $m
Amounts falling due within one year:		
Bank loans and overdrafts – unsecured	86	22
Finance lease – secured (note 19)	–	1
Trade creditors	39	25
Corporate taxation	28	13
Indirect taxation and social security	1	1
Other creditors	9	11
Accruals	85	84
Dividend	60	60
	308	217

18 Long-term creditors

Group	2005 $m	2004 $m
Amounts falling due after more than one year:		
Loans – convertible bonds	213	212
– other unsecured	295	56
Finance leases – secured (note 19)	1	–
Other creditors	1	–
	510	268

19 Loans

Group	2005 $m	2004 $m
Long-term loans:		
US dollar 3.75% convertible bonds due 2008 – unsecured	213	212
Bank loan – unsecured	295	56
Finance leases – secured	1	1
	509	269
Deduct instalments repayable within one year (note 17)	–	(1)
	509	268

The unsecured convertible bonds are shown after deducting issue expenses of $3 million (2004 – $4 million) in accordance with FRS 4 – Capital instruments. The amount to be repaid on the bonds is $215.8 million. Detail of the conversion rate is set out in note 23 to the accounts. The unsecured bank loans bear interest at commercial rates and are shown after deducting issue expenses of $1 million (2004 – $nil).

The loans are repayable over the following periods:

	2005 $m	2004 $m
Between one and two years:		
Secured	1	–
Between two and five years:		
Unsecured	508	268
	509	268

Included within unsecured loans repayable between two and five years is an amount of $204 million (net of $1 million of issue expenses) due to be repaid on 28 January 2006 with the option to extend the loan for up to a further four years at the Company's option.

20 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 4 and 5.

20a Interest rate risk

	At floating interest rates 2005 $m	2004 $m
Financial liabilities		
US dollar	**594**	290
SA Rand	**1**	1
	595	291

	2005 $m	2004 $m
The financial liabilities of the Group comprised:		
Total borrowings	**595**	291

Floating rate financial liabilities comprised bank borrowings and overdrafts bearing interest at the applicable inter-bank offer rates or prime lending rates and finance lease obligations outstanding in South Africa. Also included within floating rate financial liabilities were $215.8 million 3.75% convertible bonds due 30 September 2008. The bonds are shown as liabilities at floating interest rates 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 $10 million (2004 – $6 million) representing a loss of $2 million (2004 – profit of $2 million) as a result of the swap arrangement. The unsecured convertible bonds are shown after deducting issue expenses of $3 million (2004 – $4 million) in accordance with FRS 4 – Capital instruments. The swap expired on 30 September 2005 with no further contracts entered into to date.

	Non-interest bearing 2005 $m	2004 $m	At floating interest rates 2005 $m	2004 $m
Financial assets				
US dollar	**–**	–	**2**	3
SA Rand	**33**	32	**13**	15
Sterling	**–**	–	**5**	9
	33	32	**20**	27

	2005 $m	2004 $m
The financial assets of the Group comprised:		
Cash and short-term deposits	**11**	20
Loans receivable	**35**	34
Current asset investments	**7**	5
	53	59

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 four and six years from the balance sheet date and some will become interest bearing after four 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 and monies held in trust to fund future rehabilitation obligations.

20 Financial Risk Management continued

20b Currency exposures

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

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

	Net foreign currency monetary assets					
		2005			2004	
	SA Rand $m	Sterling $m	Total $m	SA Rand $m	Sterling $m	Total $m
Functional currency of Group operation:						
US dollar	45	5	50	46	9	55

The South African Rand net monetary assets included loans receivable, trust funds to finance rehabilitation liabilities and outstanding finance lease obligations. The sterling net monetary assets comprised bank deposits held in Head Office companies.

20c Maturity of financial liabilities

	2005 $m	2004 $m
In one year or less, or on demand	86	23
In more than one year but not more than two years	92	–
In more than two years but not more than five years	417	268
	595	291

20d 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.

	2005 $m	2004 $m
Expiring in one year or less	675	75
Expiring in more than one year but not more than two years	199	283
Expiring in more than two years	47	19
	921	377

20e Fair value of financial instruments

	2005		2004	
	Book value $m	Fair value $m	Book value $m	Fair value $m
Cash and short-term deposits	11	11	20	20
Loans receivable	35	23	34	21
Current asset investments	7	7	5	5
Borrowings falling due within one year	(86)	(86)	(23)	(23)
US dollar convertible bonds	(213)	(266)	(212)	(256)
Other borrowings falling due after more than one year	(296)	(296)	(56)	(56)
	(542)	(607)	(232)	(289)

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.

20 Financial Risk Management continued

20f Hedging

Forward sales are undertaken where the Board determines that it is in the Group's interest to secure a proportion of future cash flows. No such forward sales were undertaken during the year.

21 Provisions for liabilities and charges

Group	Deferred tax $m	Site rehabilitation $m	Total $m
At 30 September 2004	322	31	353
Change in South African corporate tax rate to 29% (2004 – 30%)	(11)	–	(11)
Charge for the year	30	–	30
Subsidiaries acquired	–	2	2
Additions	–	6	6
Unwinding of discount	–	2	2
Exchange differences	5	1	6
At 30 September 2005	**346**	**42**	**388**

	2005 $m	2004 $m
Deferred tax comprised:		
Accelerated capital allowances	**359**	354
Other timing differences	**(13)**	(32)
	346	322

At 30 September 2005, the Group had $146 million (2004 – $65 million) of operating losses carried forward with no expiry date, $771 million of capital losses (2004 – $788 million) with no expiry date and unredeemed capital expenditure of $174 million (2004 – $nil) with no expiry date. An amount of $103 million (2004 – $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 $189 million (2004 – $167 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.

22 Contingent assets and liabilities

Group	2005 $m	2004 $m
Third party guarantees	**9**	10
Indemnities	**177**	177
Preference share capital put options	**15**	15
Contingent liabilities	**201**	202

Third party guarantees relate to 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.

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 has been given by each HDSA investor, which is secured on that HDSA investor's shares in Incwala.

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 Incwala Resources (Pty) Limited and Incwala Platinum (Pty) Limited to the preference shareholders, based on information disclosed by EPL, WPL or Lonmin. 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.

23 Called up share capital and share premium account

		2005 $m	2004 $m
Authorised			
252,735,000	Ordinary shares of $1 each	**253**	253
	(2004 – 252,735,000 ordinary shares of $1 each)		
50,000	Deferred shares of £1 each	**–**	–
	(2004 – 50,000 deferred shares of £1 each)		
Issued and fully paid			
142,064,482	Ordinary shares of $1 each	**142**	142
	(2004 – 141,616,778 ordinary shares of $1 each, fully paid)		
50,000	Deferred shares of £1 each	**–**	–
	(2004 – 50,000 deferred shares of £1 each)		

		Paid up amount $m	Share premium $m
Issued and fully paid	At 30 September 2004:		
141,616,778	Ordinary shares of $1 each	142	6
50,000	Deferred shares of £1 each	–	–
	The exercise of options under:		
433,614	(i) The Lonmin Executive Share Option Scheme	–	6
2,000	(ii) The Lonmin Share Option Scheme	–	–
12,090	(iii) The Lonmin Savings Related Share Option Scheme 1994	–	–
	At 30 September 2005:		
142,064,482	**Ordinary shares of $1 each**	**142**	**12**
50,000	**Deferred shares of £1 each**	**–**	**–**

There were 50,000 sterling deferred shares of £1 each in issue at 30 September 2005 (2004 – 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 2005 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.

Notes to the accounts

24 Share plans

Share based plans

At 30 September 2005, the following options and awards were outstanding:

Share option plans	30.09.04	Granted	Exercised	Lapsed	**30.09.05**	Latest exercise date	Weighted ave ex price of outstanding options (pence)
The Lonmin Executive Share Option Scheme[1]	3,728,885	–	433,614	91,549	**3,203,722**	Sept 2013	1,023.87
The Lonmin Share Option Scheme[2]	63,842	–	2,000	5,200	**56,642**	Sept 2013	1,121.94
The Lonmin Savings Related Share Option Scheme 1994[3]	38,219	29,755	12,090	24,825	**31,059**	Jul 2010	720.72
The Lonmin Share Plan[4]	213,500	9,000	122,420	12,096	**87,984**	Jan 2007	–

Long Term Incentive Plan	30.09.04	Awarded	Vested	Lapsed	**30.09.05**	Latest vesting date	Price
Long Term Incentive Plan Awards[5]	290,970	224,045	27,831	11,643	**475,541**	Sept 2008	–

Deferred annual bonus plan	30.09.04	Awarded	Vested	Lapsed	**30.09.05**	Latest vesting date	Price
Matched Awards[6]	–	80,163	6,597	3,676	**69,890**	Dec 2007	–

Co-investment plan	30.09.04	Awarded	Vested	Lapsed	**30.09.05**	Latest vesting date	Price
Invested Award[7]	124,362	–	–	–	**124,362**	May 2007	–
Matched Award[7]	104,869	–	–	–	**104,869**	May 2007	–

Options granted under the two share option schemes and the SAYE scheme are satisfied with new issued shares. Awards made under the Lonmin Share Plan, Long Term Incentive Plan, Deferred Annual Bonus Plan and the Co-Investment Plan are satisfied with market purchased shares held by the Lonmin Employee Benefit Trust.

1 Further information about this scheme and details of the performance conditons appear on page 24. The opening balance has been restated to take account of leavers in the prior year whose status as such had not been confirmed at the prior year end.
2 Further information about this scheme and details of the performance conditions appear on page 24.
3 Further information about this scheme appear on page 25. No performance condition is attached to options granted under this scheme.
4 Further information about this scheme appear on page 25. No performance condition is attached to options granted under this scheme.
5 Further information about this scheme and details of the performance conditions appear on page 22.
6 Further information about this plan and details of the performance condition appear on page 22.
7 Further information about this plan and details of the performance conditions appear on page 22.

Cash settled plans

Stay and Prosper Plan	30.09.04	Awarded	Vested	Lapsed	**30.09.05**	Latest vesting date	Price
Stay and Prosper Awards[1]	–	354,697	–	–	**354,697**	Sept 2008	–

1 Further information about this plan and details of the performance conditon appear on page 22. The executive directors do not participate in this plan.

Lonmin Employee Benefit Trust (the 'Trust')

At 30 September 2005, the Trust held 305,456 shares (2004 - 470,362 shares). The market value of these shares at the year end was $7 million (2004 – $9 million). Dividends payable on these shares are held by the Trust on behalf of the participants. Each of the executive directors are deemed to have a beneficial interest, to the extent disclosed in the table of directors' share interests, and a non-beneficial interest in the balance.

Share Dilution

The table below sets out the total number of new issued shares committed in accordance with the ABI's equity dilution guidelines at the beginning and the end of the period.

Undiluted	30.09.04	%age of ISC	**30.09.05**	**%age of ISC**
Issued share capital (refer to Note 23)	141,616,778		**142,064,482**	
The Lonmin Executive Share Option Scheme	3,728,885	2.63	**3,203,722**	**2.26**
The Lonmin Share Option Scheme	63,842	0.05	**56,642**	**0.04**
The Lonmin Savings Related Share Option Scheme 1994	38,219	0.03	**31,059**	**0.02**
Total	3,830,946	2.71	**3,291,423**	**2.32**

24 Share plans continued

The Company issued a 3.75% convertible bond in September 2003 (refer to Note 23). The percentage of shares under option assuming full conversion of the bond to new ordinary shares of $1 each is provided below.

Fully diluted	30.09.04	%age of ISC	30.09.05	%age of ISC
Issued share capital (refer to Note 23)	141,616,778		**142,064,482**	
Conversion of convertible bonds	10,576,993		**10,576,993**	
Issued share capital (after conversion)	152,193,771		**152,641,475**	
The Lonmin Executive Share Option Scheme	3,728,885	2.45	**3,203,722**	**2.10**
The Lonmin Share Option Scheme	63,842	0.04	**56,642**	**0.04**
The Lonmin Savings Related Share Option Scheme 1994	38,219	0.03	**31,059**	**0.02**
Total	3,830,946	2.52	**3,291,423**	**2.16**

25 Reserves

Group	Revaluation reserve $m	Capital redemption reserve $m	Profit and loss account $m
At 30 September 2004	16	88	492
Shares purchased by ESOP	–	–	(1)
Shares disposed of by ESOP	–	–	1
Amortisation of share-based payments	–	–	1
Profit for the financial year	–	–	163
Dividends	–	–	(102)
At 30 September 2005	**16**	**88**	**554**

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 (2004 – $7 million).

At 30 September 2005 the Group's ESOP held 305,456 shares (2004 – 470,362 shares) with a market value at that date of $7 million (2004 – $9 million). The book value of the ESOP, which continues to be shown as a deduction to the profit and loss account, amounted to $5 million at 30 September 2005 (2004 – $7 million). The shares were purchased in the open market and funded by Lonmin Plc.

26 Minority equity interest

Minority equity interests represented an 18% shareholding in Eastern Platinum Limited and Western Platinum Limited and an 8.5% shareholding in Messina Limited.

27 Pension costs

The Group operates a variety of funded pension schemes in the United Kingdom and overseas. The total pension cost for the Group was $23 million (2004 – $20 million), $22 million of which related to overseas schemes (2004 – $18 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.

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 is a defined benefit scheme, the Lonmin Superannuation Scheme (the LSS scheme). This scheme applies to the current employees of the Group. In 2004 there was also another defined benefit scheme, the Scottish and Universal Investments Scheme (the SUITS scheme), which had no active members and was settled during that year. This scheme is in the process of being wound up.

27 Pension costs continued

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% 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	3.25% 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. On 30 March 2005, the principal employer of the SUITS scheme formally initiated an orderly winding up of the plan, which is now substantially complete. A contribution of $42 million was made as settlement of all outstanding obligations. This was shown within discontinued operations in 2004.

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 no longer provides healthcare benefits for qualifying pensioners in South Africa during the year. These liabilities were settled during September 2004.

(b) FRS 17 disclosures

The LSS scheme

For the LSS scheme the actuarial valuation was conducted on 30 September 2005 using the following major assumptions:

Discount rate	5.0% per annum (2004–5.5% per annum)
Inflation assumptions	2.75% per annum (2004–3.0% per annum)
Rate of increase in salaries	3.25% per annum (2004–3.5% per annum)
Rate of increase in pensions in payment	2.75% per annum (2004–3.0% per annum)
Contribution rate in the year	25.0% per annum (2004–25.0% per annum)
Expected future contribution rate	25.0% per annum (2004–25.0% per annum)

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

27 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:

	2005 Expected return %	2005 $m	2004 Expected return %	2004 $m	2003 Expected return %	2003 $m
Insurance policies	5.0	61	5.5	61	5.0	54
Equities	7.5	35	8.0	29	8.0	33
Bonds	4.3	40	5.0	37	5.0	23
Total market value of assets		136		127		110
Limitation on the use of surplus		–		–		(2)
		136		127		108
Present value of scheme liabilities		(124)		(122)		(103)
Surplus before related deferred tax liability		12		5		5
Related deferred tax liability		(4)		(2)		(2)
Net pension asset		8		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:

	2005 $m	2004 $m
Current service cost	(1)	(1)
Past service cost	–	–
Total operating charge	(1)	(1)

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

	2005 $m	2004 $m
Expected return on pension scheme assets	7	7
Interest on pension scheme liabilities	(6)	(6)
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:

	2005 $m	2004 $m
Actual return less expected return on pension scheme assets	9	1
Experience gains arising on scheme liabilities	1	2
Changes in assumptions underlying the present value of the scheme liabilities (increase to mortality assumption)	(4)	(6)
Actuarial profit/(loss) recognised in the STRGL	6	(3)

27 Pension costs continued

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

	2005 $m	2004 $m
Surplus in scheme at beginning of year	5	7
Movement in year:		
Current service cost	(1)	(1)
Contributions	1	1
Past service cost	–	–
Interest	1	1
Actuarial gain/(loss)	6	(3)
Translation exchange	–	–
Surplus in scheme at end of year	12	5

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

	2005	2004	2003
Difference between expected and actual return on scheme assets:			
– amount ($m)	9	1	–
– percentage of scheme assets	6.8	0.9	–
Experience gains on scheme liabilities:			
– amount ($m)	1	2	1
– percentage of present value of scheme liabilities	0.6	1.9	1.0
Total amount recognised in STRGL			
– amount ($m)	6	(3)	–
– percentage of present value of scheme liabilities	4.7	2.9	–

The SUITS scheme

The SUITS scheme was wound up in the prior year. For the comparatives shown below the actuarial valuation was conducted on 13 September 2004, the date of the settlement of the scheme, using the following major assumptions:

Discount rate	nil% per annum (2004–5.5% per annum)
Inflation assumptions	nil% per annum (2004–3.0% per annum)
Rate of increase in pensions in payment	nil% per annum (2004–5.0% per annum)
Contribution rate in the year	nil% per annum (2004–nil% per annum)
Expected future contribution rate	nil% per annum (2004–nil% per annum)

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 was 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.

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:

	2005		2004		2003	
	Expected return %	$m	Expected return %	$m	Expected return %	$m
Insurance policies	–	–	–	–	5.0	146
Equities	–	–	–	–	8.0	9
Bonds	–	–	–	–	5.0	13
Total market value of assets		–		–		168
Present value of scheme liabilities		–		–		(184)
Net pension liability		–		–		(16)

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

27 Pension costs continued

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

	2005 $m	2004 $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:

	2005 $m	2004 $m
Expected return on pension scheme assets	–	2
Interest on pension scheme liabilities	–	(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:

	2005 $m	2004 $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	–	-
Actuarial loss recognised in STRGL	–	-

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

	2005 $m	2004 $m
Deficit in scheme at beginning of year	–	(16)
Movement in year:		
Current service cost	–	-
Contributions	–	42
Past service cost	–	-
Interest	–	-
Actuarial loss	–	-
Settlement	–	(25)
Translation exchange	–	(1)
Scheme at end of year	–	-

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

	2005	2004	2003
Difference between expected and actual return on scheme assets:			
– amount ($m)	–	–	–
– percentage of scheme assets	–	–	–
Experience losses on scheme liabilities:			
– amount ($m)	–	–	–
– percentage of present value of scheme liabilities	–	–	–
Total amount recognised in STRGL:			
– amount ($m)	–	–	(1)
– percentage of present value of scheme liabilities	–	–	(0.6)

Notes to the accounts

28 Related party transactions

The Group's related party transactions are summarised below:

	2005 $m	2004 $m
Purchase of associate – Incwala	–	90.4
Purchase from previous minority shareholder of 9.11% of the Platinum operations	–	282.6
Sale of goods to previous minority shareholder	–	30.6
Amounts due from previous minority shareholder	–	6.4
Toll smelting and refining charges paid to previous minority shareholder	–	21.5
Commissions paid to previous minority shareholder	–	5.0
Services provided to previous associate – Platinum Australia	–	0.5
Amounts received from associate – Incwala	2.1	–
Amounts due from associate – Incwala	–	0.5

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.

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

29 Capital commitments

Group	2005 $m	2004 $m
Contracted for but not yet provided	56	118

30 Operating and finance leases

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

	Land and buildings	
Group	2005 $m	2004 $m
Operating leases which expire:		
Within one year	1	2
Between one and five years	5	3
Over five years	–	1
	6	6

30 Operating and finance leases continued

Obligations under leases comprise:

	Operating leases 2005 $m	Operating leases 2004 $m	Finance leases 2005 $m	Finance leases 2004 $m
Rentals due within 1 year	2	3	–	1
Rentals due after more than 1 year:				
from 1 to 2 years	3	2	1	–
from 2 to 3 years	2	2	–	–
from 3 to 4 years	2	1	–	–
from 4 to 5 years	1	1	–	–
After 5 years	–	1	–	–
	8	7	1	–
Total	10	10	1	1
Less amounts representing interest			–	–
Present value of net minimum lease payments			1	1
Less current lease obligations			–	(1)
Non-current lease obligations			1	–

Obligations under finance leases are included under notes 17 and 18 to the accounts.

31 Capital expenditure and financial investment

	2005 $m	2004 $m
Purchase of tangible fixed assets	(190)	(187)
Purchase of intangible fixed asset	(15)	–
Purchase of fixed asset investments	–	(2)
Sale of fixed asset investments	3	390
Advances of loans receivable	–	(34)
Purchase of current asset investments	(2)	(2)
Net cash (outflow)/inflow from capital expenditure and financial investment	(204)	165

32 Acquisitions and disposals

	2005 $m	2004 $m
Investment in associate	–	(90)
Purchase of subsidiary undertaking (note 35)	(192)	–
Additional investment in subsidiary (note 35)	(10)	(300)
Cash in subsidiary acquired	5	–
Net cash outflow from acquisitions and disposals	(197)	(390)

Notes to the accounts

33 Analysis of net borrowings

	At 1 October 2004 $m	Subsidiary acquired* $m	Cash flow $m	Exchange movements $m	**At 30 September 2005 $m**
Cash	20	–	(9)	–	**11**
Overdrafts	(22)	–	21	–	**(1)**
	(2)	–	12	–	**10**
Convertible bonds	(216)	–	-	–	**(216)**
Loans due after one year	(56)	(60)	(178)	(2)	**(296)**
Loans due within one year	(1)	–	(85)	–	**(86)**
Net borrowings	(275)	(60)	(251)	(2)	**(588)**

*Excludes cash in subsidiary acquired of $5 million

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

	2005 $m	2004 $m
Balance at 1 October	**(275)**	(197)
Increase/(decrease) in cash in the year	**12**	(21)
Cash inflow from loans	**(263)**	(54)
Borrowings in subsidiaries acquired	**(60)**	–
Effect of exchange rate movements	**(2)**	(3)
Balance at 30 September	**(588)**	(275)

35 Acquisitions

Acquisitions in 2005

On 15 June 2005 the Group acquired 92.6% of Southern Platinum Corporation (SPC). This increased to 97.2% on 28 June and 100% on 28 July 2005. The acquisition was accounted for using the acquisition method of accounting.

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

	Book value on acquisition $m	Accounting policy adjustment $m	Fair value adjustment $m	**Fair value 2005 $m**
Tangible fixed assets	190	(10)	82	**262**
Stocks	3	–	–	**3**
Debtors	6	–	–	**6**
Creditors	(16)	–	(1)	**(17)**
Overdraft and loans	(60)	–	(5)	**(65)**
Provisions	(2)	–	–	**(2)**
Cash	5	–	–	**5**
	126	(10)	76	**192**

The accounting policy adjustment above reflects a realignment of the treatment of exploration costs to be consistent with the Lonmin policy as detailed in note 1 to the accounts.

The adjustment to fixed assets shown above represents an uplift to reflect the fair value of mineral rights acquired. The figures reflect a preliminary allocation of the purchase consideration to the assets of SPC. This will be reviewed further by 15 June 2006.

The fair value of the consideration given for the Group's purchase amounted to $192 million which represented a cash consideration of $187 million and expenses on the transaction of $5 million, all paid in the year.

35 Acquisitions continued

Additional stake in subsidiaries in 2004

On 30 September 2004, the Group acquired a further 9.11% in both Eastern Platinum Limited and Western Platinum Limited taking its holding from 73% to 82%. The acquisitions were accounted for using the acquisition method of accounting. At that time, expenses on the transaction amounted to a total of $28 million of which $20 million had been paid by 30 September 2004. During 2005, further expenses of $2 million arose. In addition, the fair values of the assets and liabilities of EPL/WPL included in the accounts for the year ended 30 September 2004 have been subject to further investigation and review, as permitted by FRS 7 – Fair Values in Acquisition Accounting. This has resulted in a number of revisions as detailed below:

	Fair value previously reported at 30 September 2004 $m	Revisions $m	**Final fair value $m**
Tangible fixed assets	338	(41)	**297**
Stocks	7	3	**10**
Debtors	10	–	**10**
Creditors	(10)	–	**(10)**
Overdraft and loans	(2)	–	**(2)**
Provisions	(32)	–	**(32)**
Net assets acquired	311	(38)	**273**
Goodwill	–	40	**40**
Consideration	311	2	**313**

The adjustment to fixed assets as shown above represents a reduction to the fair value of mining rights acquired of $1 million and an allocation of $40 million to goodwill representing the premium paid for the net assets acquired. The adjustment to stocks represents an adjustment to the 2004 year-end closing stock valuation in respect of an improvement in the underlying metallurgical recoveries.

36 Parent company disclosures

Intangible fixed asset	Other intangibles $m
Cost:	
At 30 September 2004	–
Additions	15
At 30 September 2005	**15**
Amortisation:	
At 30 September 2004	–
Charge for the year	–
At 30 September 2005	**–**
Net book value:	
At 30 September 2005	**15**
At 30 September 2004	–

Details of the intangible fixed asset can be found in note 10 to the accounts.

Notes to the accounts

36 Parent company disclosures continued

Tangible fixed assets	Other plant and equipment $m
Cost:	
At 30 September 2004	2
Additions	1
At 30 September 2005	**3**
Depreciation:	
At 30 September 2004	2
Charge for the year	–
At 30 September 2005	**2**
Net book value:	
At 30 September 2005	**1**
At 30 September 2004	–

Subsidiaries	$m
Cost:	
At 30 September 2004	1,042
Additions	187
At 30 September 2005	**1,229**
Provisions:	
At 30 September 2004 and 30 September 2005	**62**
Net book value:	
At 30 September 2005	**1,167**
At 30 September 2004	980

Fixed asset investments	Investment $m	Loans receivable $m	Total $m
At 30 September 2004	5	32	37
Exchange adjustments	-	1	1
At 30 September 2005	**5**	**33**	**38**

	2005 $m	2004 $m
Net book value of fixed asset investment:		
Unlisted	**5**	5
Value at 30 September:		
Unlisted (directors' valuation)	**5**	5

Debtors	**2005 $m**	2004 $m
Amounts falling due within one year:		
Amounts owed by subsidiary companies	**343**	273
Other debtors	**1**	3
Prepayments and accrued income	**1**	1
Loans receivable	**2**	2
	347	279

36 Parent company disclosures continued

Creditors	2005 $m	2004 $m
Amounts falling due within one year:		
Amounts due to subsidiary companies	**661**	670
Bank loans and overdrafts – unsecured	**1**	4
Other creditors	**4**	3
Accruals	**4**	14
Dividend	**60**	60
	730	751

Creditors	2005 $m	2004 $m
Amounts falling due after more than one year:		
Loans – convertible debt – unsecured	**213**	212
– other – unsecured	**246**	56
Other creditors	**1**	–
	460	268

Details of the convertible debt are shown under notes 18 and 19 to the accounts.

Contingent liabilities	2005 $m	2004 $m
Third party guarantees – sale of subsidiaries	**2**	3
– bank financing	**85**	-
	87	3

Lonmin Plc has guaranteed a bank loan advanced to Messina Platinum Mines Limited up to a total amount of $100 million. At 30 September 2005, the amount drawn down under this loan amounted to $85 million and accordingly this amount has been disclosed as a contingent liability.

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 22 to the accounts.

There were no contingent liabilities in respect of litigation.

Reserves	Capital redemption reserve $m	Profit and loss account $m
At 30 September 2004	88	53
Shares purchased by ESOP	–	(1)
Shares disposed of by ESOP	–	1
Amortisation of share-based payments	–	1
Profit for the financial year	–	189
Dividends	–	(102)
At 30 September 2005	**88**	**141**

The profit of the Company for the 2005 financial year amounted to $189 million (2004 – $76 million).

Details of shares held in the employee share ownership plan (ESOP) 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.

Company	Country of incorporation	Direct interest in ordinary share capital %	Beneficial interest %	Principal activities
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	23.6	23.6	Ownership of platinum mining assets
Messina Platinum Mines Ltd.	South Africa	91.5	91.5	Platinum mining

The investment in Messina Platinum Mines Limited was made on 15 June 2005.

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

Five year financial record

for the year ended 30 September
continuing operations excluding acquisitions

	2005 $m	2004 $m	2003 Restated $m	2002 Restated $m	2001 $m
Turnover	**1,122**	1,030	779	697	866
Total operating profit	**363**	303	297	331	490
Profit before exceptional items	**341**	290	269	332	523
Profit before taxation	**341**	290	291	332	523
Profit for the year before exceptional items	**180**	123	61	185	274
Profit for the year	**180**	125	74	185	274
Cost of dividend (net)	**102**	102	101	101	110
Fixed assets	**1,904**	1,503	1,272	1,181	997
Net current (liabilities)/assets	**(28)**	13	79	(6)	404
Total assets less current liabilities	**1,876**	1,516	1,351	1,175	1,401
Equity shareholders' funds	**812**	744	645	671	1,077
Net cash inflow from operating activities	**377**	400	296	359	525
Net (borrowings)/cash and deposits	**(588)**	(275)	(197)	(155)	523
Basic earnings per share (cents)	**127.0**	88.4	52.5	121.5	153.7
Underlying earnings per share (cents)	**124.9**	96.9	87.2	98.5	137.4
Dividends per share (cents)	**72.0**	72.0	72.0	72.0	64.0
Trading cash flow per share (cents)	**204.6**	229.2	161.0	118.9	242.9
Free cash flow per share (cents)	**54.3**	70.7	48.2	(4.6)	129.0
Equity shareholders' funds per share (cents)	**572**	525	457	476	607

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.

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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.

South African branch register information

The South African branch register is administered by Computershare Investor Services 2004 (Pty) Limited.

Contact details for both registrars can be found in Corporate Information on page 70.

Dividends

Currency of dividends

The Company declares dividends in US dollars. Subject to shareholder approval, the final dividend of 42 cents per share for the year ended 30 September 2005 will be paid on 8 February 2006 to shareholders on the registers at the close of business on 13 January 2006. The dividend will be paid in sterling to UK shareholders (unless they elect to receive US dollar dividends) calculated at the US dollar to sterling exchange rate on 20 January 2006 and in Rand to shareholders on the SA branch register calculated at the US dollar to Rand exchange rate on 29 December 2005. The dividend will be paid in US dollars to all other overseas shareholders (unless they elect to receive sterling dividends or have mandated their dividend payments to a UK bank or participate in TAPS). Elections to receive an alternative currency (US dollars or sterling) should comprise a signed request to Lloyds TSB Registrars at the address shown on page 70 to be received by 5.00 p.m. on 13 January 2006.

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.

Transcontinental Automated Payment System (TAPS)

TAPS permits shareholders resident in certain countries to receive dividend payments to their local bank and in their local currency. All eligible shareholders have been or will be sent information on TAPS by Lloyds TSB 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, 13 January 2006, may participate in the plan in respect of that dividend, provided their application forms are received by 25 January 2006. Copies of the DRIP brochure and application form have been sent to eligible shareholders on the registers up to 8 July 2005 and are being sent to those who are newly entered on the registers between then and 13 January 2006. Further copies are available from the registrars or can be downloaded from the registrars' website.

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.

Contact details can be found in Corporate Information on page 70.

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 $1 each.

Shareholder information

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 de-merger 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 CorporateISA 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. Contact details can be found in Corporate Information on page 70. 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.

ShareGift
Lonmin is proud to support ShareGift, an independent charity share donation scheme administered by the Orr Mackintosh Foundation (registered charity number 1052686). Those shareholders who hold only a small number of shares, the value of which make them uneconomic to sell, can donate the shares to ShareGift who will sell them and donate the proceeds to a wide range of charities. Further information about ShareGift can be obtained from their website at www.ShareGift.org and a ShareGift transfer form can be downloaded from the Company's website.

Lonmin Plc

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