FINANCIAL REVIEW CONTINUED

Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

4. Operating segments

For management purposes, the chief operating decision maker of the Group, being the executive directors of the Company and the executive directors of the subsidiaries, reports its results per segment. The Group currently has the following three segments:

- PGM segment
- Chrome segment
- Agency and trading segment.

The operating results of each segment are monitored separately by the chief decision maker in order to assist them in making decisions regarding resource allocation as well as enabling them to evaluate performance. Segment performance is evaluated on a PGM ounce production and sales basis and a chrome concentrate tonnes production and sales basis. Third-party logistics, third-party trading and third-party chrome operations are evaluated individually but aggregated together as the agency and trading segment.

The Group's administrative costs, financing (including finance income and finance costs) and income taxes are managed on a group basis and are not allocated to a segment.

The accounting policies used by the Group in reporting segments internally are the same as those contained in the consolidated financial statements.

Due to the intrinsic nature of the Group's PGM and chrome concentrate production processes, assets are reported on a consolidated basis and cannot necessarily be allocated to a specific segment. Consequently, assets are not disclosed per segment in the following segmental information.

	PGM US$'000	Chrome US$'000	Agency and trading US$'000	Total US$'000
2018				
Revenue	117 381	250 351	38 536	406 268
Cost of sales				
Manufacturing costs	(87 745)	(106 485)	(21 695)	(215 925)
Selling costs	(399)	(48 343)	(9 711)	(58 453)
Freight services	–	(19 836)	(3 568)	(23 404)
	(88 144)	(174 664)	(34 974)	(297 782)
Gross profit	29 237	75 687	3 562	108 486
2017				
Revenue	90 924	252 869	5 650	349 443
Cost of sales				
Manufacturing costs	(54 336)	(107 634)	(4 241)	(166 211)
Selling costs	(366)	(44 780)	(1 144)	(46 290)
Freight services	–	(14 288)	–	(14 288)
	(54 702)	(166 702)	(5 385)	(226 789)
Gross profit	36 222	86 167	265	122 654

Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

4. Operating segments continued

The shared costs relating to the manufacturing of PGM and chrome concentrates are allocated to the relevant operating segments based on the relative sales value per product on an ex-works basis. During the year ended 30 September 2018, the relative sales value of PGM concentrate increased compared to the relative sales value of chrome concentrates and consequently shared costs were allocated equally. The allocation basis of shared costs was 65.0% (chrome concentrates) and 35.0% (PGM concentrate) in the comparative period.

Cost of sales includes a charge for the write off/impairment of property, plant and equipment totalling US$3.6 million (2017: no charge) which mainly relates to mining equipment. The write off/impairment has been allocated on an equal basis to the PGM and chrome segments.

Geographical information

The following table sets out information about the geographical location of:

- the Group's revenue from external customers
- the Group's property, plant and equipment and goodwill ('specified non-current assets').

The geographical location analysis of revenue from external customers is based on the country of establishment of each customer. The geographical location of the specified non-current assets is based on the physical location of the asset in the case of property, plant and equipment and the location of the operation to which they are allocated in the case of goodwill.

Revenue from external customers

	PGM US$'000	Chrome US$'000	Agency and trading US$'000	Total US$'000
2018				
South Africa	117 381	62 464	969	180 814
China	–	86 866	9 894	96 760
Singapore	–	10 942	17 088	28 030
Hong Kong	–	89 733	9 453	99 186
Other countries	–	346	1 132	1 478
	117 381	250 351	38 536	406 268
2017				
South Africa	90 924	59 150	1 811	151 885
China	–	82 196	3 839	86 035
Singapore	–	13 961	–	13 961
Hong Kong	–	94 866	–	94 866
Other countries	–	2 696	–	2 696
	90 924	252 869	5 650	349 443

Revenue represents the sale value of goods supplied to customers, net of value added tax. The following table summarises sales to customers with whom transactions have individually exceeded 10.0% of the Group's revenues.

FINANCIAL REVIEW CONTINUED

Notes to the condensed consolidated financial statements continued

for the year ended 30 September 2018

4. Operating segments continued

	2018 Segment	2018 US$'000	2017 Segment	2017 US$'000
Customer 1	PGM	101 560	PGM	88 118
Customer 2	Chrome	62 583	Chrome	60 370
Customer 3	Chrome	46 186	Chrome	43 676

	2018 US$'000	2017 US$'000
Specified non-current assets		
South Africa	264 933	233 394
Zimbabwe	4 438	–
Cyprus	73	3
	269 444	233 397

Non-current assets includes property, plant and equipment, goodwill and the investment accounted for using the equity method.

5. Revenue

	PGM US$'000	Chrome US$'000	Agency and trading US$'000	Total US$'000
2018				
Revenue				
Variable revenue based on initial results	110 619	169 092	33 957	313 668
Quantity adjustments	254	(1 041)	42	(745)
Revenue based on fixed selling prices	–	62 464	915	63 379
Freight services	–	19 836	3 622	23 458
	110 873	250 351	38 536	399 760
Fair value adjustments	6 508	–	–	6 508
Total revenue	117 381	250 351	38 536	406 268
2017				
Total revenue	90 924	252 869	5 650	349 443