1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value, in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The consolidated financial statements incorporate the following accounting policies which have been applied on a basis consistent with the previous year, with the exception of the policies adopted during the year as more fully set out below in accounting policy note 1.1.

The preparation of financial statements in conformity with IFRS requires that management and the board exercises their judgement in the process of applying the company's group accounting policies. It also requires the use of certain critical economic and other estimates. The areas requiring a high degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 1 to the financial statements.

1.1 NEW ACCOUNTING POLICIES ADOPTED

The group has adopted the following new and amended International Financial Reporting Standards and IFRIC interpretations during the year.

- IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (Amendment).
- IAS 12 – Income Taxes – Deferred Taxes – Recovery of underlying assets (Amendment).

The effect of the adoption of these standards, interpretations and amendments in the current financial year is set out below:

IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (Amendment)
The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time are now presented separately from items that will never be reclassified. The amendments also reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements.

The amendment has an impact on the group's share of other comprehensive income from associate in that the associate's foreign currency translation reserve (FCTR) and fair value adjustments on available-for-sale financial assets are classified as recyclable.

IAS 12 – Income Taxes – Deferred Taxes – Recovery of underlying assets (Amendment)
The amendments incorporate SIC 21 into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim for the amendments is to provide a practical solution for jurisdictions where entities currently find it difficult and subjective to determine the expected manner of recovery for investment property that is measured using the fair value model in IAS 40. A rebuttable presumption was introduced that an investment property measured using the fair value

model will be recovered in its entirety through sale. Deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16 should always be measured on a sale basis.

The adoption of this amendment has no material effect on the group as the group does not have investment properties or non-depreciable assets measured using the revaluation model.

1.2 STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET EFFECTIVE:

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective. The effective date refers to periods beginning on or after, unless otherwise indicated.

Standard or Interpretation	Description	Impact	Effective date
IFRS 1	First time adoption of International Financial Reporting Standards – Government Loans (amendments)	The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. It provides the same relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The adoption of these amendments will have no impact on the financial statements of the group as the group adopted IFRS in 2006 already.	1 January 2013
IFRS 1	First time adoption of International Financial Reporting Standards – Application of IFRS 1 for previous IFRS reporters (Annual Improvements Project 2012)	The amendment clarifies that when an entity ceased IFRS reporting, it may choose to either re-apply IFRS 1 or apply changes retrospectively in accordance with IAS 8. The adoption of this amendment will have no impact on the financial statements of the group as the group adopted IFRS in 2006 already.	1 January 2013
IFRS 1	First time adoption of International Financial Reporting Standards – Borrowing costs capitalised under previous GAAP (Annual Improvements Project 2012)	The amendment clarifies that when an entity capitalised borrowing costs as per previous GAAP, it may carry forward the amount previously capitalised on the date of transition. The adoption of this amendment will have no impact on the financial statements of the group as the group adopted IFRS in 2006 already.	1 January 2013

Standard or Interpretation	Description	Impact	Effective date
IFRS 9	Financial Instruments- Classification and Measurement of Financial Assets and Liabilities	**Financial Assets:** This phase applies to financial assets and simplifies the classification of financial assets whilst retaining the measurement principles, being at fair value or amortised cost. Financial assets are classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The IAS 39 exemption which allows equity instruments to be measured at cost will be limited further and reclassifications between categories will only be allowed in exceptional circumstances. IFRS 9 could impact the classification and measurement of the group's financial assets – the impact has not yet been assessed as the group is still awaiting the finalisation of the other chapters in the accounting standard, e.g. amortised cost and impairment. **Financial Liabilities:** The Standard retains the existing IAS 39 classification and measurement requirements for financial liabilities not designated at fair value through profit or loss using the Fair Value Option as well as the criteria within IAS 39 for using the fair value option for financial liabilities. The changes only affect the measurement of fair value option liabilities. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. For fair value option liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (OCI). The remainder of the change in fair value is presented in profit or loss. The Standard prohibits any recycling through profit or loss of amounts recognised in OCI upon derecognition of the liability, but these amounts may be transferred to retained earnings upon derecognition. Liabilities arising from certain derivatives on unquoted equity instruments will no longer be able to be measured at cost and will be required to be measured at fair value. The impacts of this Standard have not yet been assessed.	

Standard or Interpretation	Description	Impact	Effective date
IFRS 10	Consolidated Financial Statements	IFRS 10 includes a new definition of control which is used to determine which entities are consolidated. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This will apply to all entities, including special purpose entities (now known as 'structured entities'). The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore consolidated, and may result in a change to the entities which are within the group, the impact of which has not yet been assessed.	1 January 2013
IFRS 10	Consolidated Financial Statements – Transition guidance amendments (amendment)	The amendments clarify that an entity is not required to make adjustments to the previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same when applying IAS 27/SIC-12 and when adopting IFRS 10. As a result, relief from retrospective application of IFRS 10 would also apply to an investor's interests in investees that were disposed of during a comparative period, such that consolidation would not occur in accordance with either IAS 27/SIC-12 or IFRS 10 at the date of initial application. Although the impacts of the amendments have not yet been assessed in detail, it might reduce the burden of adopting IFRS 10 during the 2014 financial year.	1 January 2013
IFRS 10	Consolidated Financial Statements – Investment entities final amendment – exception to consolidation (amendment)	The amendment provides an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this amendment will have no impact on the Group as the holding company does not comply with the definition of an investment entity.	1 January 2014

Standard or Interpretation	Description	Impact	Effective date
IFRS 11	Joint Arrangements	This standard deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement rather than its legal form. Joint arrangements will be classified as joint operations or joint ventures. Proportionate consolidation will no longer be permitted for joint ventures. The impact of adoption of this new standard has not yet been assessed.	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	IFRS 12 includes all the disclosures that are required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. An entity is now required to disclose the judgements made to determine whether it controls another entity and as such the adoption of this new standard in future will result in additional disclosure which has not yet been assessed in sufficient detail to determine the impacts.	1 January 2013
IFRS 11 and IFRS 12	Joint Arrangements and Disclosure of Interests in Other Entities – Transition guidance amendments	The amendments provide transition relief, as follows: To limit the requirement to provide adjusted comparative information to the immediately preceding period only; and for the first year that IFRS 12 is applied, the requirement to present comparative information for the disclosures related to unconsolidated structured entities is removed. Although the impacts of these amendments have not yet been assessed in detail, it might reduce the burden of adopting IFRS 11 and IFRS 12 during the 2014 financial year.	1 January 2013
IFRS 13	Fair Value Measurement	IFRS 13 provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS. The proposed disclosures increase transparency about fair value measurement, e.g. fair value hierarchy, inputs in fair value measurement, etc. The impact of the adoption of this Standard has not yet been assessed.	1 January 2013
IAS 16	Property, Plant and Equipment – Classification of servicing equipment (Annual Improvements Project 2012)	The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The adoption of this amendment will have no impact on the group, as this principle is already applied.	1 January 2013

Standard or Interpretation	Description	Impact	Effective date
IAS 19	Employee Benefits (revised)	Numerous changes to IAS 19 have been made. The two most significant of these relates firstly to short and long-term benefits that will now be distinguished based on the expected timing of settlement, rather than employee entitlement. The second item relates to the corridor mechanism for pension plans being removed. This means all changes in the value of defined benefit plans will be recognised as they occur. The adoption of this revised standard with regards to defined benefit plans will have no material effect on the group's financial statements, as there are no such plans. The removal of the corridor method will not impact the Toro Long Term Employee plan, as the corridor method cannot be applied to such plans at present. The measurement implications for the recognition of net interest (as opposed to interest cost and expected return on plan assets) are yet to be determined. The impacts of the amendments to short-term employee benefits have not yet been assessed.	1 January 2013
IAS 27	Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	This amendment is as a consequence of amendments resulting from the issue of IFRS 10, 11 and 12. The adoption of this standard should not have an impact on the financial statements of the group as the basis of preparation for the separate financial statements of the company remains the same, i.e. investments in group entities are measured at cost.	1 January 2013
IAS 28	Investments in Associates and Joint Ventures (amendment)	The revised standard caters for joint ventures (now accounted for by only applying the equity method) in addition to prescribing the accounting for investments in associates. The adoption of this amended standard is not expected to impact the group as the current application of the equity method should not change.	1 January 2013
IAS 32	Financial Instruments: Presentation – Tax effect of distributions (Annual Improvements Project 2012)	The amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12. The adoption of this amendment will have no impact on the group as these principles were already applied.	1 January 2013

Standard or Interpretation	Description	Impact	Effective date
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (amendment)	The amendments clarify the accounting requirements for offsetting financial instruments. New guidance clarifies that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, or in the event of a default, or in the event of insolvency or bankruptcy of the entity and all of the counterparties. The adoption of this amendment is unlikely to have an impact on the group, as the financial statements that were previously offset are likely to comply with the new criteria also.	1 January 2014
IFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (amendment)	The amendments introduce new disclosure requirements that aim to improve the comparability of financial statements. New disclosures are required for all financial instruments that are set off in accordance with the amendments made in IAS 32 and for financial assets that are subject to an enforceable master netting arrangement or similar arrangement regardless whether they are set off. The impacts of this amendment have not yet been assessed.	1 January 2013
IAS 34	Interim Financial Reporting – Interim Financial Reporting and segment information for total assets and liabilities (Annual Improvements Project 2012)	The amendment clarifies the requirements of IAS 34 to disclose segment information for total assets and liabilities only if such information is regularly provided to the chief operating decision maker. This amendment will have no impact on the group, as these principles are already applied in the preparation of interim reports or press releases.	1 January 2013
IAS 36	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets (amendment)	These amendments clarify the disclosure requirements about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarify that additional information should also be disclosed on discount rates if fair value less costs of disposal is based on present value techniques. It is unlikely that this amendment will have an impact on the group, as impairment calculations are normally done on a value-in-use basis.	1 January 2014

Standard or Interpretation	Description	Impact	Effective date
IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting (amendment)	The amendment provides relief from discontinuing hedge accounting when novation of a derivative (designed as a hedging instrument) to a central counterparty following the introduction of a new law or regulation meets certain criteria. The adoption of this amendment will have no impact on the group as hedge accounting is not applied.	1 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This interpretation will have no impact on the financial statements of the group as the group is not involved in "open cast" mining activities.	1 January 2013
IFRIC 21	Levies	The interpretation clarifies that a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The impact of this interpretation has not yet been assessed.	1 January 2014

The group does not intend early adopting any of the above amendments, standards and interpretations.

2. CONSOLIDATION

The consolidated financial statements include the results, financial position and cash flows of Northam, its subsidiaries, joint ventures and associates. A subsidiary is an entity that is controlled due to the company having the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of any subsidiary acquired or disposed of during the year are included from the date control was obtained up to the date control ceased to exist. Where an acquisition of a subsidiary is made during the financial year, any excess or deficit of the purchase price compared to the fair value of the attributable net identifiable assets is recognised respectively as goodwill (excess) or in profit or loss (deficit) and accounted for as described in the goodwill accounting policy note 4.

The financial statements of the subsidiaries are prepared for the same reporting period as Northam, using consistent accounting policies, and all intra-group transactions and balances are eliminated on consolidation.

Non-controlling interests represent the portion of profit or loss and net assets not held by the group and are presented separately in profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders equity.

Investments in subsidiaries are recognised at cost less accumulated impairment losses in the accounts of the company.

3. ASSOCIATES

The group has an interest in a joint venture which is classified as an investment in associate due to the existence of significant influence as opposed to joint control; as well as other interests in associates. The group's investment in its associates is accounted for using the equity method of accounting except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. An associate is an entity in which the group has significant influence.

The group also has an interest in a joint venture which is classified as such in terms of IAS 31 Interests in Joint Ventures. The group's investment in this joint venture is accounted for using the equity method of accounting except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Profit or loss in the Statement of Comprehensive Income reflects the share of the results of operations of the associate. Where there has been a change recognised directly in other comprehensive income or equity of the associate, the group recognises its share of any changes and recognises this, when applicable, in other comprehensive income or equity within the statement of changes in equity. Unrealised gains and losses resulting from transactions between the group and the associate are eliminated to the extent of the interest in the associate.

The share of profit of associates is shown on the face of the Statement of Comprehensive Income in profit or loss. This is the profit attributable to equity holders of the associate and is therefore profit after tax and non-controlling interests.

The financial statements of the associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an impairment loss on the group's investment in its associates. The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Upon loss of significant influence over the associate, the group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

4. BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 Financial Instruments: Recognition and Measurement, either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the date of acquisition. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) that is expected to benefit from the combination. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is tested for impairment annually or more frequently if events or circumstances suggest that it might be impaired and an impairment loss recognised is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

5. PROPERTY, PLANT AND EQUIPMENT

5.1 MINING ASSETS

Mining assets are recorded at cost of acquisition less accumulated depreciation and accumulated impairment losses.

5.2 MINE DEVELOPMENT COSTS

Capitalised mine development costs include expenditure incurred to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of the mine. Costs include interest capitalised during the construction period until commercial production is reached where development is financed by borrowings, and the net present value of future decommissioning costs. Depreciation is first charged on new mining ventures from the date on which the mining venture reaches commercial production levels. Development costs to maintain production are recognised as an expense when incurred. Mine development costs are depreciated on a straight-line basis, over the estimated economic life of the mine, based on measured and indicated resources which are revised annually.

5.3 MINING PLANT AND EQUIPMENT

Mining plant and equipment, including the decommissioning asset, is depreciated on a straight-line basis over the lesser of the estimated economic life of the mine, based on measured and indicated resources, which are revised annually, or their expected useful lives.

Where items of plant and equipment comprise separate, identifiable components that have differing lives, such components are depreciated according to their individual useful lives.

Research costs associated with the design of new items of plant and equipment, or improvements to existing items of plant and equipment, are expensed when incurred, unless the recognition criteria are met.

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

5.4 DECOMMISSIONING ASSET

The decommissioning asset is depreciated on a straight-line basis over the estimated economic life of the mine, based on measured and indicated resources which are revised annually.

The decommissioning asset is recognised and subsequent changes in the assumptions which impact the asset is reflected in the asset as set out in the decommissioning provision accounting policy note 11.1.1.

5.5 INTANGIBLE ASSETS COMPRISING MINING PROPERTIES

Mining properties, comprising mineral rights and mineral leases are recorded at cost of acquisition. Depreciation is first charged on new mining properties from the date on which the mining in respect of the mining property reaches commercial production levels. Mining properties are depreciated on a straight-line basis over the estimated economic life of the mine, based on measured and indicated resources which are revised annually.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is expensed in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense of intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

5.6 PLANT AND EQUIPMENT

Office equipment, furniture and vehicles are depreciated using varying rates, ranging between 10% and 20% on a straight-line basis over their expected useful lives.

5.7 LAND

Land is recorded at cost of acquisition less accumulated impairment losses and is not depreciated.

5.8 IMPAIRMENT

At each reporting date, the group assesses whether there is any indication that an asset or cash-generating-unit may be impaired. Where an indicator of impairment exists or where annual impairment testing for an asset is required, the group makes a formal estimate of the asset or cash-generating-unit's recoverable amount. Where the carrying amount of an asset or cash-generating-unit exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount and the difference is recognised in profit or loss. The recoverable amount is the higher of value in use and fair value less cost to sell.

The value in use of mining assets is determined by applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset to the anticipated cash flows for the remaining useful life of the assets.

The fair value less costs to sell of non-mining assets is determined with reference to market values by making use of a valuation model.

The revised carrying amounts are depreciated on a systematic basis over the remaining useful lives of such affected assets.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

An impairment calculation used during a previous financial year can be re-used if the recoverable amount is significantly greater than the carrying amount and if no events have occurred that would eliminate this difference.

5.9 DERECOGNITION

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

5.10 ANNUAL REVIEW OF RESIDUAL VALUES, DEPRECIATION METHOD AND USEFUL LIVES

The assets' residual value, depreciation method and useful life are reviewed, and adjusted prospectively, if appropriate, at each financial year end.

5.11 SUBSEQUENT EXPENDITURE

Subsequent expenditure relating to an item of property, plant, equipment and mining properties is added to the carrying value of the asset when it is probable that future economic benefits will flow to the group. All other subsequent expenditure is recognised as an expense and included in profit before tax.

6. TOWNSHIP LAND AND DEVELOPMENT

Township land and development, which is an initiative in order to assist the group's employees to acquire their own affordable housing, is initially recognised at cost, being the fair value of the consideration given and including acquisition charges. Where the recoverable amount is less than the carrying value, an impairment loss is recognised in accordance with accounting policy note 5.8. Cost is determined on the basis of land acquisition, development and housing construction cost. Township land and development is derecognised when the risks and rewards of ownership of the property transfers to the employees.

7. FINANCIAL INSTRUMENTS

Financial instruments recognised on the statement of financial position include investments, cash and cash equivalents, long-term receivables, trade accounts receivable, trade accounts payable, borrowings and derivative instruments. These are recognised when the group becomes party to the contractual agreements. All financial instruments are initially recorded at fair value and in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs.

7.1 INVESTMENTS

Investments acquired for the purpose of selling in the near term are classified as held for trading and is part of the fair value through profit or loss category of financial assets. Other investments are classified as available-for-sale.

After initial recognition, investments, which are classified as available-for-sale, are re-measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired when it is recognised in profit or loss – refer to accounting policy note 7.7.

Gains or losses on investments held for trading are recognised in profit or loss.

7.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired, as well as through the amortisation process.

7.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise demand and time deposits with banking institutions and money market instruments readily convertible to known amounts of cash subject to insignificant risk of changes in value. Current account balances are only netted off when set-off would apply or when the balances are with the same banking institution. Cash and cash equivalents are subsequently carried at amortised cost.

Negotiable instruments are recorded initially at the fair value of the consideration given subsequent measurement is at amortised cost which is incorporated in the determination of investment income.

7.4 TRADE AND OTHER PAYABLES

Trade and other payables are stated at the recognised obligation less payments made and adjustments made to reflect the fair value of the expected outflow of economic resources and are subsequently carried at amortised cost.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

7.5 BORROWINGS

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

7.6 DERIVATIVE INSTRUMENTS

In the ordinary course of its operations, the group is exposed to fluctuations in metal prices, exchange rates and changes in interest rates. The group engages in a number of activities to manage these risks. These activities include economic hedging of a portion of these exposures through the use of derivative financial instruments. Forward sales contracts and option contracts are utilised to manage metal price and exchange rate exposures. The group does not speculate, acquire, hold or issue derivative instruments for trading purposes, and does not apply hedge accounting.

Derivatives are initially measured at fair value and associated transaction costs are charged to profit or loss when incurred. Subsequently these instruments are measured as set out as follows:

- All forward and option contracts outstanding at reporting date are marked to market and any changes in their fair value is included in net sundry income/ (expenditure).
- Gains and losses on all contracts not outstanding at reporting date are recognised and included in net sundry income/(expenditure) at the time that the contracts expire.

7.7 IMPAIRMENT OF FINANCIAL INSTRUMENTS

The group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in estimated future cash flows. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

In relation to loans and receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale investments

For available-for-sale investments, the group assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is to be evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available for sale are not recognised in profit or loss and are reversed in other comprehensive income. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

7.8 DERECOGNITION OF FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; and
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either: (a) the group has transferred substantially all the risks and rewards of the asset or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

8. COMMODITY CONTRACTS

Contracts that are entered into and continue to meet the group's expected purchase, sale or usage requirements that were designated for that purpose at their inception and are expected to be settled by delivery are recognised in the financial period when the risks and rewards of ownership of such items have passed.

9. INVENTORIES

9.1 CONSUMABLE STORES

Consumable stores consist of consumable and maintenance stores and are valued at the lower of cost or net realisable value. Cost is determined on the weighted average cost basis. Consumable stores are under continual review and are written down in regard to age, condition and utility.

9.2 METAL ON HAND

Stocks of the three major platinum group elements and gold (3 PGEs + Au), either in refined or concentrate form, are valued at the lower of cost of production (including the value of any purchased concentrate) or net realisable value. Production costs include an appropriate portion of overhead expenses. Cost is determined on the first-in, first-out basis. No account is taken of the value of metal in the process of production prior to the production of flotation concentrate.

Other metals are accounted for as by-products and are not capitalised as inventory.

10. DEFERRED TAX

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available, against which the deductible temporary differences, carry forward of unused tax credits and unused tax losses can be utilised in the foreseeable future except:

- where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in profit or loss.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and when they relate to income taxes levied by the same taxation authority and taxable entity.

11. PROVISIONS

11.1 ENVIRONMENTAL REHABILITATION PROVISIONS

11.1.1 Decommissioning provision

Provision is made for the present value of the estimated future decommissioning costs at the end of the mine's life. A decommissioning asset is recognised as part of the underlying property, plant and equipment.

With regards to the provision, the estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the decommissioning provision due to the passage of time is recognised as a finance cost in profit or loss. Other changes in the carrying value of the provision subsequent to initial recognition are adjusted in the determination of the carrying value of the decommissioning asset as opposed to being recognised in profit or loss. If the adjustment result in an addition to the decommissioning asset consideration is given as to whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount in accordance with accounting policy note 5.8.

11.1.2 Environmental restoration provision

Provision is made for the estimated cost to be incurred on long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the mine.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the restoration provision due to the passage of time is recognised as a finance cost in profit or loss.

In assessing the future liability, no account is taken of the potential proceeds from the sale of assets and metals from the plant clean-up. The future liability is reviewed regularly and adjusted as appropriate for new facts and changes in legislation.

The cost of ongoing programmes to prevent and control pollution and rehabilitate the environment is recognised as an expense when incurred.

11.1.3 Environmental rehabilitation fund

The group makes annual contributions to a dedicated trust fund, the Northam Platinum Restoration Trust Fund ("the Fund"), to fund the expenditure on future decommissioning and restoration. Income earned by the fund is credited to the group's statement of comprehensive income in the period to which it relates.

In terms of IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds, the Fund is consolidated.

The assets of the Fund are separately administered and the group's right of access to these funds is restricted.

11.2 OTHER PROVISIONS

Provisions are recognised where the group has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

12. FOREIGN CURRENCIES

The functional and presentation currency of the group is the South African Rand. Transactions in foreign currencies are translated into South African Rand at the rates of exchange ruling at the transaction date. Monetary assets or liabilities denominated in foreign currencies are translated at rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Profits and losses arising on the translation of foreign currencies, whether realised or unrealised, are credited to or charged to profit or loss.

13. REVENUE RECOGNITION

Revenue is recognised to the extent it is probable that the economic benefits associated with the transaction will flow to the group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the amounts received or receivable net of value added tax, cash discounts and rebates.

13.1 METAL SALES

Revenue from the sale of metal is accounted for when the risks and rewards of ownership have passed and is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date. Adjustments, in respect of final assayed quantities and/or prices, arising between the date of recognition of the revenue and the date of settlement are recognised in the period in which the adjustment arises.

13.2 REVENUE FROM THE SALE OF TOWNSHIP LAND

Revenue from the sale of township land which is sold under suspensive sale agreements is recognised when the substantial risks and rewards of ownership have been assigned to the purchaser.

13.3 INTEREST REVENUE

Interest revenue is recognised as it accrues, using the effective interest rate method.

13.4 DIVIDENDS

Dividend revenue is recognised when the right to receive payment has been established.

13.5 SUNDRY INCOME

Sundry income is recognised when the right to receive payment has been established.

14. LEASED METAL

When metal is leased to fulfil marketing commitments, the equivalent cost of production is charged to cost of sales in profit or loss and is reflected in the statement of financial position as a liability. On the maturity of the lease the liability is credited to metal inventories.

The leasing transaction costs associated with the borrowed metal are charged to other costs in net sundry revenue on a time proportional basis.

15. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or development of qualifying assets that require a substantial period of time to prepare for their intended use are capitalised. Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are complete. Other borrowing costs are recognised as an expense when incurred.

In determining the amount of borrowing cost eligible for capitalisation during a period, any investment income earned on such funds is deducted from the borrowing costs incurred.

16. EMPLOYEE BENEFITS

16.1 SHORT-TERM EMPLOYEE BENEFITS

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that reporting period. Provision is made for accumulated leave.

16.2 EQUITY COMPENSATION PLANS

16.2.1 Share Option Scheme

Options granted to employees in terms of the rules of the Northam Share Option Scheme (the Scheme) are valued at the grant date using the Binomial Model. The value so determined is recognised as an expense within operating costs, together with a corresponding increase in the equity compensation reserve, evenly over the period between the grant date and the date on which the relevant employees become fully entitled to the award (vesting date).

The cumulative expense recognised for these options at each reporting date until the vesting date reflects the best estimate of the value attributable to the number of options that will ultimately vest.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share and diluted headline earnings per share.

Where employees exercise options in terms of the rules of the Scheme, shares are issued to them as beneficial owners. In exchange, employees pay in cash a consideration equal to the price specified in the option allocated to them. The nominal value of the shares is credited to share capital and the difference between the nominal value and the price of the cash consideration credited to share premium.

Options granted to an employee are forfeited in the event of the employee resigning or being dismissed.

The accumulated credit to the equity compensation reserve in respect of options that have lapsed or been forfeited after their vesting date is transferred to retained earnings.

16.2.2 Share Incentive Plan

Awards granted to employees in terms of the rules of the Northam Share Incentive Plan (the Plan) are measured at fair value based on market prices at the date of grant (measurement date).

The shares awarded in terms of the rules of the Plan comprise: retention shares, which vest after two years with no performance criteria, and performance shares, which vest after three years. The final number of performance shares that the relevant employee will receive will be subject to certain performance criteria being met.

The fair value so determined at the measurement date is recognised as an expense within operating costs, together with a corresponding increase in the equity compensation reserve, evenly over the period between the grant date and the date on which the relevant employees become fully entitled to the award (vesting date).

Vesting conditions, other than market conditions, are taken into account by adjusting the number of shares actually expected to vest at each reporting period. Where the performance criteria attached to the awards are not met, any cumulative expense previously recognised is reversed.

On vesting date, the estimated equity instruments shall be revised to equal the number of equity instruments that ultimately vest. No subsequent adjustment shall be made to the equity compensation reserve after vesting date.

16.2.3 Modification during the year

During the year both the Scheme and Plan was amended to provide employees with the option to either elect for settlement in shares or cash. The change was made to avoid the ongoing dilution of the BEE position and approval was granted by the JSE during March 2013.

Where the counterparty has the right to elect for settlement in either shares or cash, IFRS 2 regards the transaction as a compound transaction to which split accounting must be applied. The general principle is that the transaction must be analysed into a liability component (the counterparty's right to demand settlement in cash) and an equity component (the counterparty's right to demand settlement in shares).

Management considered the requirements and determined that based on historical information very few individuals, if any, have kept their Northam shares, and that the majority of the outstanding options, performance and retention shares will be settled in cash and should therefore be accounted for as a liability rather than an equity compensation reserve. Cash-settled options and shares are accounted for as a liability and until the liability is settled, the entity remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value being recognised in profit or loss for the period.

16.3 RETIREMENT BENEFITS

Eligible employees are members of various defined contribution schemes.

Employer contributions are recognised as an expense during the period in which the employees' services are rendered.

16.4 MEDICAL BENEFITS

Employer contributions in respect of current medical benefits are recognised as an expense during the period in which the employees' services are rendered.

16.5 POST-RETIREMENT MEDICAL COSTS

Eligible employees are members of a defined contribution scheme established to assist those employees to meet post-retirement medical costs.

Employer contributions are recognised as an expense during the period in which the employees' services are rendered. These contributions cease when the employees' service terminate.

16.6 TORO EMPLOYEE EMPOWERMENT TRUST

The Toro employee empowerment trust ("the Trust") was established for the benefit of eligible employees. Northam contributes 4% of its after tax profits to the Trust where after eligible employees will receive payment at the end of each 5 year cycle. The amount of this cash to be distributed is based on the valuation of the fund and Northam does not guarantee any values over and above what is included in the Trust and managed accordingly by the investment manager.

The Trust is a special purpose entity that is consolidated in terms of SIC-12 Consolidation – *Special Purpose Entities*.

Since the cash distribution is payable to employees after the end of the period in which the related services are rendered and it is not a post-employment benefit or a termination benefit, the Trust is accounted for as an "Other Long Term Employee Benefit" in terms of IAS 19. The benefits payable to employees are therefore measured using the Projected Unit Credit Method. All actuarial gains or losses as well as past service costs are recognised in profit or loss immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by the Trust and are not available to the creditors of the Group.

17. LEASES

17.1 GROUP AS LESSEE

A finance lease transfers substantially all the risks and rewards of ownership of an asset to the group.

Assets subject to finance leases are capitalised as property, plant and equipment at the lower of the fair value of the leased asset at inception of the lease or the present value of the minimum lease payments with the related lease obligation recognised at the same amount. Capitalised leased assets are depreciated over the estimated useful lives. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Finance lease payments are allocated between finance costs and the capital repayment so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases in respect of which the lessor retains substantially all the risks and rewards of ownership of an asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the period of the lease.

17.2 GROUP AS LESSOR

Leases in respect of which the group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Operating lease payments received such as those relating to mining properties are recognised as revenue in profit or loss on a straight-line basis over the period of the lease.

18. TAXATION

18.1 CURRENT TAX

The charge for current tax is based on the results for the year, as adjusted for by items that are exempt or disallowed, and is calculated using the enacted or substantially enacted tax rates, at the reporting date.

Where items are credited or charged directly to equity or other comprehensive income the tax effect is also recognised within equity or other comprehensive income.

18.2 DEFERRED TAX

Deferred tax is provided at enacted or substantially enacted tax rates, as more fully set out in accounting policy note 10.

18.3 DIVIDENDS WITHHOLDING TAX

During the 2012 financial year, secondary taxation on companies on dividends declared was accrued in the period in which the dividend was declared. Dividends withholding tax is a tax on shareholders receiving dividends and is applicable to all dividends declared on or after 1 April 2012.

The group withholds dividends tax on behalf of its shareholders at a rate of 15% on dividends declared. Amounts withheld are not recognised as part of the group's tax charge but rather as part of the dividend paid recognised directly in equity.

18.4 VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authorities, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item where applicable; and
- receivables and payables that are stated with the amount of value added tax included.

19. DIVIDENDS DECLARED

Dividends declared are charged to equity in the period in which the dividend is declared.