

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2013

		Group		Company	
		2013	2012	2013	2012
	Note	R000	R000	R000	R000
ASSETS					
Non-current assets		12 622 989	9 831 213	8 287 148	8 147 929
Property, plant and equipment	2	6 222 226	4 598 689	2 147 090	2 027 614
Mining properties and mineral resources	3	5 708 825	4 537 133	121 762	130 369
Interest in associates and joint ventures	5	495 498	505 415	122 442	47 533
Investments in subsidiaries	6			5 801 514	5 863 688
Unlisted investment	7	6	6	6	6
Land and township development	8	15 553	43 849	–	–
Long-term receivables	9	87 400	64 937	–	–
Investments held by Northam Platinum Restoration Trust Fund	10	40 948	35 689	33 913	31 231
Environmental Guarantee Investment	11	42 407	35 720	35 965	31 523
Buttonshepe Conservancy Trust	12	10 126	9 775	–	–
Long-term subsidiary loans	13			24 456	15 965
Current assets		1 734 675	1 232 339	5 534 946	3 647 671
Short-term subsidiary loans	13			4 119 639	2 640 498
Inventories	14	878 530	811 183	872 333	811 183
Trade and other receivables	15	547 920	303 268	333 959	155 877
Cash and cash equivalents	16	298 580	104 980	209 015	38 358
South African Revenue Service		9 645	12 908	–	1 755
Mineral resources classified as held for sale	3	–	1 180 300	–	–
Total assets		14 357 664	12 243 852	13 822 094	11 795 600

		Group		Company	
		2013	2012	2013	2012
Note		R000	R000	R000	R000
EQUITY AND LIABILITIES					
Stated capital/Share capital and share premium	17	8 599 655	8 597 648	8 599 655	8 597 648
Retained earnings		2 220 477	1 622 833	2 063 282	1 427 527
Equity compensation reserve	18	–	202 634	–	202 634
Share of other comprehensive income from associate		(14 013)	(9 868)	–	–
Equity attributable to owners of the parent		10 806 119	10 413 247	10 662 937	10 227 809
Non-controlling interests		9 516	–	–	–
Total equity		10 815 635	10 413 247	10 662 937	10 227 809
Non-current liabilities		1 997 826	648 600	1 909 754	575 857
Deferred tax liability	19	476 053	504 628	484 447	500 365
Long-term provisions	20	133 267	111 118	90 299	75 492
Long-term loans	21	47 564	32 854	–	–
Share-based payment liability	22	90 942	–	85 008	–
Domestic medium-term notes	23	1 250 000	–	1 250 000	–
Current liabilities		1 544 203	1 182 005	1 249 403	991 934
Current portion of long-term loans	21	3 801	2 430	–	–
Share-based payment liability	22	16 665	–	14 518	–
Revolving credit facilities	23	250 000	–	250 000	–
South African Revenue Service		156 963	101 900	52 848	–
Trade and other payables	24	1 012 104	981 209	826 650	895 468
Short-term provisions	25	104 670	96 466	104 670	96 466
Short-term subsidiary loans	13			717	–
Total equity and liabilities		14 357 664	12 243 852	13 822 094	11 795 600

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

		Group		Company	
		2013	2012	2013	2012
	Note	R000	R000	R000	R000
Revenue	27	4 510 475	3 802 662	4 579 424	4 394 469
Sales revenue	27	4 420 977	3 684 000	4 243 420	3 648 663
Cost of sales		3 813 301	3 345 311	3 745 036	3 320 299
Operating costs	28	2 826 094	2 632 926	2 759 433	2 607 914
Concentrates purchased		657 540	624 774	657 540	624 774
Refining and other costs		161 591	100 612	161 591	100 612
Depreciation and write-offs	29	234 690	190 287	232 930	190 287
Change in metal inventories		(66 614)	(203 288)	(66 458)	(203 288)
Operating profit		607 676	338 689	498 384	328 364
Share of earnings from associate/ dividends received	30	13 783	16 602	16 740	816
Investment revenue	31	33 434	53 951	174 311	34 124
Finance charges		(17 946)	—	(119 669)	—
Sundry expenditure	32	(28 254)	(36 885)	(70 666)	(654 483)
Sundry income	32	88 362	80 228	193 067	720 767
Profit before tax		697 055	452 585	692 167	429 588
Taxation	33	169 054	142 073	149 149	137 099
Profit for the year		528 001	310 512	543 018	292 489
Other comprehensive income					
Items that will be reclassified subsequently to profit or loss		(4 145)	(9 868)	—	—
Share of associate's exchange differences on translating foreign operations		(4 105)	(9 582)	—	—
Share of associate's fair value adjustment on available for sale financial assets		(40)	(286)	—	—
Total comprehensive income for the year		523 856	300 644	543 018	292 489

		Group		Company	
		2013	2012	2013	2012
	Note	R000	R000	R000	R000
Profit attributable to:					
Owners of the parent		504 907	310 512	543 018	292 489
Non-controlling interests		23 094	–	–	–
Profit for the year		528 001	310 512	543 018	292 489
Total comprehensive income attributable to:					
Owners of the parent		500 762	300 644	543 018	292 489
Non-controlling interests		23 094	–	–	–
Total comprehensive income for the year		523 856	300 644	543 018	292 489
		Cents	Cents	Cents	Cents
Earnings per share	34	132.0	81.2		
Fully diluted earnings per share	34	132.0	81.2		
Headlines earnings per share	34	136.5	80.9		
Fully diluted headline earnings per share	34	136.5	80.9		

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

GROUP

Balance at 1 July 2011

Share-based payments expense

Total comprehensive income for the year

Profit for the year

Other comprehensive income for the year

Transfer of equity compensation reserve to retained earnings

Dividends declared

Issue of new shares

Balance at 30 June 2012

Share-based payments expense

Transfer of equity compensation reserve to share-based payment liability

Transfer of equity compensation reserve to retained earnings

Non-controlling interest arising on a business combination

Total comprehensive income for the year

Profit for the year

Other comprehensive income for the year

Dividends declared[#]

Issue of new shares

Balance at 30 June 2013

Note

[#] Non-controlling interest's portion of dividends declared by entities within the Northam group.

* Share capital and share premium were converted to no par value shares and are now referred to as stated capital.

EQUITY COMPENSATION RESERVE

The equity compensation reserve represents the value of equity-settled share-based payments provided to employees as part of their remuneration. Refer to note 18 for further details.

OTHER COMPREHENSIVE INCOME FROM ASSOCIATE

The value of other comprehensive income from associate relates to the translation differences on foreign subsidiaries held by the associate, as well as the fair value adjustment on available for sale financial assets.

Share capital*	Share premium*	Equity compensation reserve	Retained earnings	Other comprehensive income from associate	Non-controlling interest	Total
R000	R000	R000	R000	R000	R000	R000
3 824	8 592 258	156 076	1 363 194	—	—	10 115 352
—	—	53 049	—	—	—	53 049
—	—	—	310 512	(9 868)	—	300 644
—	—	—	310 512	—	—	310 512
—	—	—	—	(9 868)	—	(9 868)
—	—	(6 491)	6 491	—	—	—
—	—	—	(57 364)	—	—	(57 364)
1	1 565	—	—	—	—	1 566
3 825	8 593 823	202 634	1 622 833	(9 868)	—	10 413 247
—	—	13 807	—	—	—	13 807
—	—	(123 704)	—	—	—	(123 704)
—	—	(92 737)	92 737	—	—	—
—	—	—	—	—	8 169	8 169
—	—	—	504 907	(4 145)	23 094	523 856
—	—	—	504 907	—	23 094	528 001
—	—	—	—	(4 145)	—	(4 145)
—	—	—	—	—	(21 747)	(21 747)
1	2 006	—	—	—	—	2 007
3 826	8 595 829	—	2 220 477	(14 013)	9 516	10 815 635
17	17	18				

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

	Share capital*	Share premium*	Equity compensa- tion reserve	Retained earnings	Total
	R000	R000	R000	R000	R000
COMPANY					
Balance at 1 July 2011	3 824	8 592 258	156 076	1 185 911	9 938 069
Share-based payments expense	—	—	53 049	—	53 049
Total comprehensive income for the year/profit for the year	—	—	—	292 489	292 489
Transfer of equity compensation reserve to retained earnings	—	—	(6 491)	6 491	—
Dividends declared	—	—	—	(57 364)	(57 364)
Issue of new shares	1	1 565	—	—	1 566
Balance at 30 June 2012	3 825	8 593 823	202 634	1 427 527	10 227 809
Share-based payments expense	—	—	13 807	—	13 807
Transfer of equity compensation reserve to share-based payment liability	—	—	(123 704)	—	(123 704)
Transfer of equity compensation reserve to retained earnings	—	—	(92 737)	92 737	—
Total comprehensive income for the year/profit for the year	—	—	—	543 018	543 018
Dividends declared	—	—	—	—	—
Issue of new shares	1	2 006	—	—	2 007
Balance at 30 June 2013	3 826	8 595 829	—	2 063 282	10 662 937
Note	17	17	18		

* Share capital and share premium were converted to no par value shares and are now referred to as stated capital.

EQUITY COMPENSATION RESERVE

The equity compensation reserve represents the value of equity-settled share-based payments provided to employees as part of their remuneration. Refer to note 18 for further details.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

		Group		Company	
		2013	2012	2013	2012
	Note	R000	R000	R000	R000
Cash flows from operating activities		524 200	437 662	428 377	496 690
Cash generated from operations	35	915 317	608 378	829 423	639 209
Interest received		29 290	50 723	17 468	30 896
Change in working capital	36	(281 104)	(90 367)	(308 050)	(41 430)
Taxation paid	37	(139 303)	(131 072)	(110 464)	(131 985)
Cash flows utilised in investing activities		(1 703 238)	(2 010 021)	(1 640 058)	(1 388 968)
Property, plant, equipment, mining properties and mineral reserves					
– additions to maintain operations		(363 914)	(331 070)	(347 871)	(328 312)
– additions to expand operations		(1 383 200)	(1 684 331)	–	–
– disposals proceeds		4 497	6 488	3 689	5 762
Land and township development					
– additions		(17 683)	(12 942)	–	–
– disposals proceeds		45 979	25 011	–	–
Investment in associate					
– cash distributed		16 740	816	16 740	816
Increase in subsidiary loans				(1 401 345)	(1 714 300)
Increase in investments held by Northam Platinum Restoration Trust Fund		(5 259)	(4 098)	(2 682)	(1 932)
Increase in investments held by Environmental Contingency Fund		(6 687)	(6 249)	(4 442)	(4 102)
Increase in investment held in Buttonshope Conservancy Trust		(351)	(9 775)	–	–
Acquisition of subsidiary net of cash acquired		6 416	–	(10 000)	–
Dividends received		224	6 129	105 853	653 100

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

		Group		Company	
		2013	2012	2013	2012
	Note	R000	R000	R000	R000
Cash flows generated from/ (utilised in) financing activities		1 372 638	(20 514)	1 382 338	(55 798)
Proceeds from issue of shares		2 007	1 566	2 007	1 566
Finance charges		(123 703)	–	(119 669)	–
Dividends paid		(21 747)	(57 364)	–	(57 364)
Increase in long-term loans		16 081	35 284	–	–
Revolving credit facilities utilised		250 000	–	250 000	–
Domestic medium-term notes issued		1 250 000	–	1 250 000	–
Increase/(decrease) in cash and cash equivalents		193 600	(1 592 873)	170 657	(948 076)
Cash and cash equivalents at beginning of year	16	104 980	1 697 853	38 358	986 434
Cash and cash equivalents at end of year	16	298 580	104 980	209 015	38 358

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

1. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the company and group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date.

However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of assets or liabilities affected in future.

These estimates and assumptions are continually evaluated, and are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances.

1.1 IMPAIRMENT OF ASSETS

The Group assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value. Management has assessed its cash generating units as being both Zondereinde and Booyssendal, which is the lowest level for which cash flows are largely independent of other assets.

Impairment testing requires management to make significant judgements concerning the existence of impairment indicators, identification of cash-generating units, remaining useful lives of assets and estimates of projected cash flows and fair value less costs to sell. Management's analysis of cash-generating units involves an assessment of a group of assets' ability to independently generate cash inflows and involves analysing the extent to which different products make use of the same assets. Management's judgement is also required when assessing whether a previously recognised impairment loss should be reversed.

The determined value in use of the cash-generating unit is most sensitive to the platinum price, the US dollar exchange rate and the discount rate.

In assessing the value in use, the following key estimates and judgments were made by management, which are based on management interpretation of market forecast and the future.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

1. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS CONTINUED

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
The main assumptions include:				
Long-term real platinum price – US\$ per ounce	1 750	1 595	1 750	1 595
Long-term real exchange rate – US\$ = R	9.10	7.50	9.10	7.50
Long-term real discount rate – %	9.76	10.00	9.76	10.00

Management estimated the residual amount of mineral assets that the group is not planning to develop. For those assets, the residual amount is calculated on a fair-value-less-cost-to-sell basis taking into account earlier binding sales agreements that did not occur.

1.2 PROVISIONS

The net present value of current decommissioning and restoration costs are based on the following assumptions:

Long-term inflation rate for South Africa – %	6.00	6.00	6.00	6.00
Long-term real discount rate – % (based on long bond yield rates)	8.00	8.00	8.00	8.00

The group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceed the carrying value, that portion of the increase is expensed.

1.3 USEFUL LIVES AND RESIDUAL VALUES OF PROPERTY, PLANT AND EQUIPMENT

The group estimates the useful life of its assets by taking into account the age of the asset, its physical condition and technical obsolescence as well as the life of the mine.

As residual values are the expected values at the end of an asset's useful life, a process of estimation is required to determine the residual values at year end.

1.4 LIFE OF MINE AND ESTIMATION OF RESERVES

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the group's mining properties. The group estimates its ore reserves and mineral resources, based on information compiled by appropriately qualified persons, relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets (if any), and depreciation and amortisation charges.

1.5 PRODUCTION START DATE FOR BOOYSENDAL

The group assesses the stage of a mine under construction to determine when the mine moves into the production phase. This being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of that mines construction project, such as the complexity of the project and its location. The group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from "pre-production development expenditure" to "property, plant and equipment".

Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared to the original construction cost estimate
- Completion of a reasonable period of testing of the mine plant and equipment
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation commences.

1.6 CAPITALISATION OF BORROWING COSTS

Northam obtained various forms of borrowings to fund the development of the Booyseendal mine. In assessing these borrowing costs incurred, an allocation is made to estimate the percentage of these costs that funds working capital at the Zondereinde mine. Only borrowing costs relating to qualifying assets (development of the Booyseendal mine) is capitalised.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

1. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS CONTINUED

1.7 TORO EMPLOYEE EMPOWERMENT TRUST

In applying the projected unit credit method, the following estimates were used:

	2013	2012
	%	%
– Discount rate	5.40	7.75
– Expected rate of return on assets	7.30	7.45

2. PROPERTY, PLANT AND EQUIPMENT

	Mining plant and equipment	Development costs	Decom- missioning asset	Motor vehicles	Total
	R000	R000	R000	R000	R000
GROUP – 30 JUNE 2013					
Property, plant and equipment:					
– at cost	3 656 756	4 016 435	95 430	19 230	7 787 851
– accumulated depreciation	(1 539 254)	–	(17 953)	(8 418)	(1 565 625)
Balance at end of year	2 117 502	4 016 435	77 477	10 812	6 222 226
Reconciliation of movement in property, plant and equipment:					
– balance at beginning of year	1 983 761	2 529 543	69 172	16 213	4 598 689
– additions to maintain operations	345 745	–	–	478	346 223
– present value of decommissioning asset capitalised (note 20)	–	–	10 658	–	10 658
– additions to expand operations	–	1 381 135	–	2 065	1 383 200
– borrowing costs capitalised	–	105 757	–	–	105 757
– acquisition of a subsidiary (note 4)	10 039	–	–	456	10 495
– disposals at cost	(117 989)	–	–	(7 782)	(125 771)
– accumulated depreciation on disposals during the year	117 989	–	–	2 777	120 766
– depreciation charged for the year	(189 043)	–	(2 353)	(3 395)	(194 791)
– write-off of assets	(33 000)	–	–	–	(33 000)
Balance at end of year	2 117 502	4 016 435	77 477	10 812	6 222 226

	Mining plant and equipment	Development costs	Decom- missioning asset	Motor vehicles	Total
	R000	R000	R000	R000	R000

GROUP – 30 JUNE 2012

Property, plant and equipment:

– at cost	3 418 961	2 529 543	84 772	24 013	6 057 289
– accumulated depreciation	(1 435 200)	–	(15 600)	(7 800)	(1 458 600)

Balance at end of year	1 983 761	2 529 543	69 172	16 213	4 598 689
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Reconciliation of movement in
property, plant and equipment:

– balance at beginning of year	1 842 148	845 577	72 500	19 294	2 779 519
– additions to maintain operations	319 832	–	–	4 800	324 632
– additions to expand operations	–	1 683 966	–	3 017	1 686 983
– present value of decommissioning asset capitalised (note 20)	–	–	(1 123)	–	(1 123)
– reclassification between categories	(12)	–	12	–	–
– disposals at cost	(5 613)	–	–	(9 047)	(14 660)
– accumulated depreciation on disposals during the year	4 471	–	–	2 135	6 606
– depreciation charged for the year	(177 065)	–	(2 217)	(3 986)	(183 268)
Balance at end of year	1 983 761	2 529 543	69 172	16 213	4 598 689

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

2. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	Mining plant and equipment and development cost	Decom- missioning asset	Motor vehicles	Total
	R000	R000	R000	R000
COMPANY – 30 JUNE 2013				
Property, plant and equipment:				
– at cost	3 644 818	52 628	9 743	3 707 189
– accumulated depreciation	(1 537 621)	(17 953)	(4 525)	(1 560 099)
Balance at end of year	2 107 197	34 675	5 218	2 147 090
Reconciliation of movement in property, plant and equipment:				
– balance at beginning of year	1 983 761	33 545	10 308	2 027 614
– additions to maintain operations	343 846	–	478	344 324
– present value of decommissioning asset capitalised (note 19)		3 483	–	3 483
– disposals at cost	(117 989)	–	(6 570)	(124 559)
– accumulated depreciation on disposals during the year	117 989	–	2 498	120 487
– depreciation charged for the year	(187 410)	(2 353)	(1 496)	(191 259)
– write-off of assets	(33 000)	–	–	(33 000)
Balance at end of year	2 107 197	34 675	5 218	2 147 090

	Mining plant and equipment and development cost	Decom- missioning asset	Motor vehicles	Total
	R000	R000	R000	R000

COMPANY – 30 JUNE 2012

Property, plant and equipment:

– at cost	3 418 961	49 145	15 835	3 483 941
– accumulated depreciation	(1 435 200)	(15 600)	(5 527)	(1 456 327)
Balance at end of year	1 983 761	33 545	10 308	2 027 614

Reconciliation of movement in property,
plant and equipment:

– balance at beginning of year	1 841 006	35 179	14 170	1 890 355
– additions to maintain operations	319 832	–	4 800	324 632
– present value of decommissioning asset capitalised (note 19)	–	571	–	571
– transfer between categories	(12)	12	–	–
– disposals at cost	(4 471)	–	(8 009)	(12 480)
– accumulated depreciation on disposals during the year	4 471	–	1 931	6 402
– depreciation charged for the year	(177 065)	(2 217)	(2 584)	(181 866)
Balance at end of year	1 983 761	33 545	10 308	2 027 614

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

3. MINING PROPERTIES AND MINERAL RESOURCES

	Mining properties	Mineral resources*	Total
	R000	R000	R000
GROUP – 30 JUNE 2013			
– at cost	282 374	5 571 003	5 853 377
– accumulated depreciation	(144 552)	–	(144 552)
Balance at end of year	137 822	5 571 003	5 708 825
Reconciliation of movement in mining properties and mineral resources			
– balance at beginning of year	146 430	4 390 703	4 537 133
– additions during the year	63	–	63
– reclassification from mineral resource held for sale	–	1 180 300	1 180 300
– depreciation charged for the year	(8 671)	–	(8 671)
Balance at end of year	137 822	5 571 003	5 708 825
GROUP – 30 JUNE 2012			
At cost	282 311	4 390 703	4 673 014
Accumulated depreciation	(135 881)	–	(135 881)
Balance at end of year	146 430	4 390 703	4 537 133
Reconciliation of movement in mining properties and mineral resources			
– balance at beginning of year	148 413	5 571 003	5 719 416
– reclassification to mineral resource held for sale	–	(1 180 300)	(1 180 300)
– additions to expand operations	6 438	–	6 438
– depreciation charged for the year	(8 421)	–	(8 421)
Balance at end of year	146 430	4 390 703	4 537 133

* The mineral resources relates to the mining titles that were acquired in respect of the Booyssendal mine.

MINERAL RESOURCE HELD FOR SALE

	Mineral resources	Total
	R000	R000
Balance at 1 July 2011	–	–
Carrying value of assets held for sale previously classified under mining properties and mineral resources	1 180 300	1 180 300
Balance at 30 June 2012	1 180 300	1 180 300
Carrying value of assets held for sale reclassified to mining properties and mineral resources	(1 180 300)	(1 180 300)
Balance at 30 June 2013	–	–

The aforementioned represented the agreement with Aquarius Platinum Limited and Aquarius Platinum (South Africa) Proprietary Limited to dispose of the mineral rights attached to the southern portion of Boosendal mine for an amount of R1.2 billion.

The agreement lapsed during the year and the mineral resource has subsequently been reclassified to mineral resources.

	Mining properties	Mineral resources	Total
	R000	R000	R000
COMPANY – 30 JUNE 2013			
– at cost	266 314	–	266 314
– accumulated depreciation	(144 552)	–	(144 552)
Balance at end of year	121 762	–	121 762
Reconciliation of movement in mining properties and mineral resources			
– balance at beginning of year	130 369	–	130 369
– additions during the year	64	–	64
– depreciation charged for the year	(8 671)	–	(8 671)
Balance at end of year	121 762	–	121 762
COMPANY – 30 JUNE 2012			
At cost	266 250	–	266 250
Accumulated depreciation	(135 881)	–	(135 881)
Balance at end of year	130 369	–	130 369
Reconciliation of movement in mining properties and mineral resources			
– balance at beginning of year	135 110	–	135 110
– additions during the year	3 680	–	3 680
– depreciation charged for the year	(8 421)	–	(8 421)
Balance at end of year	130 369	–	130 369

Certain mining properties have been secured by a notarial bond in favour of Northam Platinum Restoration Trust Fund to meet future decommissioning and restoration costs (see note 10). The bond was cancelled during the prior financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

4. BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

ACQUISITIONS IN 2013

Acquisition of Northam Chrome Producers Proprietary Limited

On 1 July 2012, the company acquired 70% of the voting shares in Northam Chrome Producers Proprietary Limited (NCP), an unlisted company based in the town of Northam, and specialising in chrome recovery, for a cash consideration of R10 million. The group acquired NCP in order to capture benefits from the chrome industry, a by-product to PGM mining.

ASSETS ACQUIRED AND LIABILITIES ASSUMED

The fair values of the identifiable assets and liabilities of NCP as at the date of acquisition were:

	Group	
	2013	2012
	R000	R000
ASSETS		
Property, plant and equipment	10 495	—
Cash and cash equivalents	16 416	—
Trade receivables	1 442	—
Inventories	689	—
	29 042	—
LIABILITIES		
Long-term provisions	166	—
Short-term provisions	18	—
Trade payables	6 619	—
Receiver of revenue	4 070	—
	10 873	—
Total identifiable net assets	18 169	—
Non-controlling interest	(8 169)	—
Non-controlling interest's portion of the identifiable net assets	(5 173)	—
Non-controlling interest's portion of pre-acquisition dividends declared during the financial year	(2 996)	—
Purchase consideration transferred	10 000	—

The non-controlling interest in NCP has been determined as the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

Subsequent to year end, the company acquired an additional 10% of the voting shares in NCP for a consideration of R10 million.

From the date of acquisition, NCP has contributed R129.8 million of revenue and R105.6 million to profit before tax for the group.

Trade receivables are considered fully recoverable.

No significant transaction costs were incurred with the acquisition of NCP.

5. INTEREST IN ASSOCIATES AND JOINT VENTURES

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Interest in associates and joint ventures comprises of a 7.5% interest in the Pandora joint venture (associate), a 50% interest in the Dwaalkop platinum project (joint venture), a 51% interest in the Kokerboom exploration project and a 20.3% interest in the issued share capital of Trans Hex Group Limited (associate). The percentage holdings remain unchanged from the prior year.				
Dwaalkop joint venture	300 679	300 679	—	—
Pandora joint venture/associate	120 915	136 915	44 933	47 533
Trans Hex Group Limited	73 904	67 821	77 509	—
	495 498	505 415	122 442	47 533

Details of the group's share of the comprehensive income and financial position are set out in Annexure 2, which forms part of these notes.

During the financial year the investment in Trans Hex Group Limited was transferred from Mvelaphanda Resources Proprietary Limited to Northam Platinum Limited.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

6. INVESTMENTS IN SUBSIDIARIES

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Dialstat Trading Proprietary Limited ⁽¹⁾			*	*
Khumama Platinum Proprietary Limited ⁽²⁾			5 566 000	5 566 000
Mvelaphanda Resources Proprietary Limited ⁽³⁾			225 514	297 688
Norplats Properties Proprietary Limited ⁽⁴⁾			*	*
Northam Chrome Producers Proprietary Limited ⁽⁵⁾			10 000	—
Windfall 38 Properties Proprietary Limited ⁽⁶⁾			*	*
Balance at end of year			5 801 514	5 863 688

⁽¹⁾ The company holds 120 ordinary shares representing a 100% equity interest in Dialstat Trading Proprietary Limited.

⁽²⁾ The company holds 405 ordinary shares representing a 100% equity interest in Khumama Platinum Proprietary Limited.

⁽³⁾ The company holds 217 881 101 ordinary shares representing a 100% equity interest in Mvelaphanda Resources Proprietary Limited.

⁽⁴⁾ The company holds 100 ordinary shares representing a 100% equity interest in Norplats Properties Proprietary Limited.

⁽⁵⁾ The company holds 70 ordinary shares representing a 70% equity interest in Northam Chrome Producers Proprietary Limited.

⁽⁶⁾ The company holds 100 ordinary shares representing a 100% equity interest in Windfall 38 Properties Proprietary Limited.

With the exception of NCP, all companies are wholly-owned.

All companies are incorporated in the Republic of South Africa.

* Represents investment of less than R1 000.

Details of the subsidiaries are contained in Annexure 3, which forms part of these notes.

7. UNLISTED INVESTMENTS

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Available for sale investment	6	6	6	6

The unlisted investment represents an equity investment in a mining industry service organisation, Rand Mutual Assurance Company Limited.

8. LAND AND TOWNSHIP DEVELOPMENT

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Balance at beginning of year	43 849	55 918	–	–
Construction in progress	28	435	–	–
Acquisitions and surrenders	17 655	12 507	–	–
Disposals	(45 979)	(25 011)	–	–
Balance at end of year	15 553	43 849	–	–

Township development comprising 411 residential erven (2012: 382 residential erven) with houses erected thereon in Northam, District of Thabazimbi, as well as 502 undeveloped erven (2012: 1 757 undeveloped erven) in Northam. These properties have been acquired in order to assist the group's employees to acquire affordable housing. The 411 erven are registered in the name of the company's subsidiary, Norplats Properties Proprietary Limited, whilst the 502 erven are registered in the name of Broad Brush Investments 2 Proprietary Limited, a wholly-owned subsidiary of Norplats Properties Proprietary Limited.

97 houses (2012: 140 houses) were sold in Mojuteng Township of Northam town during the year, totalling the number of houses sold to date at 336 (2012: 239).

Broad Brush Investments 2 Proprietary Limited sold 1 255 undeveloped erven to Rustenburg Platinum Mines Limited during the year for R23 million, inclusive of VAT. The undeveloped erven were sold with the intention of township development.

9. LONG-TERM RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Long-term receivables	92 961	68 042	–	–
Current portion of long-term receivables (note 15)	(5 561)	(3 105)	–	–
Non-current portion of long-term receivables	87 400	64 937	–	–

This comprises balances due by employees in respect of Northam's employee home ownership scheme under suspensive sale agreements. The loans to the employees bear interest at the South African prime interest rate, and are repayable over 15 years. In terms of the agreements, employees enjoy the full benefits of home ownership, and at such a time as the loan is paid off, the title to the houses will be transferred to the employees. As at 30 June 2013 there were no receivables (2012: R nil) which were impaired and fully provided for. The group has pledged the instalment sales agreements as security for the loan secured from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV (FMO) (note 21).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

10. INVESTMENTS HELD BY NORTHAM PLATINUM RESTORATION TRUST FUND

The company contributes to a dedicated environmental restoration trust fund to provide for the estimated decommissioning and environmental restoration costs at the end of the mine's life.

The balance of the fund comprises:

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Balance at beginning of year	35 689	31 591	31 231	29 299
Contributions made during the year	3 114	2 183	806	156
Interest earned during the year (note 31)	2 145	1 915	1 876	1 776
Balance at end of year	40 948	35 689	33 913	31 231

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

11. ENVIRONMENTAL GUARANTEE INVESTMENT

The balance of the fund comprises:

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Balance at beginning of year	35 720	29 471	31 523	27 421
Contributions made during the year	6 000	6 000	3 000	3 000
Management fees	(1 312)	(1 312)	(350)	(350)
Interest earned during the year (note 31)	1 999	1 561	1 792	1 452
Balance at end of year	42 407	35 720	35 965	31 523

The Environmental Guarantee Investment policy was issued in terms of the insurance guarantee for R96.9 million (2012: R89.9 million) relating to the group and R31.0 million (2012: R24.0 million) for the company.

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

12. BUTTONSHOPE CONSERVANCY TRUST

The balance of the fund comprises:

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Balance at beginning of year	9 775	–	–	–
Contributions received during the year	48	10 000	–	–
Interest earned during the year (note 31)	351	–	–	–
Less expenditure incurred during the year	(48)	(225)	–	–
Balance at end of year	10 126	9 775	–	–

The trust was established as a conservancy trust by Northam Platinum Limited (Northam), with the principal objective of engaging in the conservation, rehabilitation and/or protection of the natural environment, including flora, fauna and the biosphere as well as promoting the establishment of, and education and training programmes relating to, environmental awareness, greening, clean-up and/or sustainable development projects in respect of Portion 1 of the Farm Buttonshope 51, Registration Division JT, Mpumalanga Province, and which may involve the participation by local communities. The aforementioned property is owned by Micawber 278 Proprietary Limited (Micawber), an indirect subsidiary of Northam. An initial contribution of R10 million was required by Micawber in terms of the trust agreement, which was paid in the previous financial year.

Funds of R10.1 million (2012: R9.8 million) are invested with Standard Bank Limited in a call fund account.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

13. SUBSIDIARY LOANS

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Long-term subsidiary loans receivable				
Norplats Properties Proprietary Limited			24 456	15 965
The loan bears interest at 2.0% below South African prime interest rate and may only be repaid once the loan from FMO has been repaid by Norplats Properties Proprietary Limited (note 21).				
Short-term subsidiary loans receivable				
Broad Brush Investments 2 Proprietary Limited			–	13 066
Micawber 278 Proprietary Limited			4 091 830	2 583 789
Norplats Properties Proprietary Limited			12 384	27 948
Windfall 38 Properties Proprietary Limited			15 424	15 695
Dialstat Trading 133 Proprietary Limited			1	–
			4 119 639	2 640 498
Total subsidiary loans receivable			4 144 095	2 656 463
Short-term subsidiary loans payable				
Broad Brush Investments 2 Proprietary Limited			(717)	–
Total subsidiary loans payable			(717)	–

The loans to Broad Brush Investments 2, Dialstat Trading 133 and Norplats Properties Proprietary Limited are unsecured and interest-free, repayable on demand and, therefore, stated as current.

The loans to Micawber 278 and Windfall 38 Properties bear interest at 2.0% below the South African prime interest rate, repayable on demand and, therefore, stated as current.

Details of the subsidiaries are set out in Annexure 3, which forms part of these notes.

14. INVENTORIES

Inventory comprises:

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Metals on hand and in transit – at net realisable value	825 733	759 275	825 733	759 275
Chrome finished product – at cost	274	–	–	–
Consumable stores – at cost	52 523	51 908	46 600	51 908
Total inventories at the lower of cost and net realisable value	878 530	811 183	872 333	811 183

The cost-of-sales figure disclosed in the statement of comprehensive income approximates the cost of inventory expensed.

Included in cost of sales is R0.1 million (2012: R1.0 million) for consumable stores written-down to net realisable value and R72.7 million (2012: R127.4 million) recognised as an expense for metals on hand and in transit carried at net realisable value.

15. TRADE AND OTHER RECEIVABLES

Trade and other receivables comprise:

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Trade receivables	215 965	33 109	213 899	33 109
Prepayments	58 124	60 191	57 346	60 191
Receiver of revenue-value added tax	139 838	131 183	20 799	26 005
Current portion of long-term receivables (note 9)	5 561	3 105	–	–
Other	128 432	75 680	41 915	36 572
	547 920	303 268	333 959	155 877

Trade receivables are unsecured, non-interest-bearing and are generally on 30 day terms except for metal debtors who have payment terms of between 2-5 days. As at 30 June 2013, there were no receivables (2012: R nil), which were impaired and fully provided for.

The age analysis of trade receivables as at 30 June 2013 is set out in Annexure 1, which forms part of these notes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Cash at banks and on hand	132 501	84 530	42 936	17 908
Short-term deposits	166 079	20 450	166 079	20 450
	298 580	104 980	209 015	38 358

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and six months, depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates.

At 30 June, 2013 the group had R750 million (2012: R nil) of undrawn committed borrowing facilities.

Included in cash and cash equivalents is R4.3 million (2012: R3.5 million) that has been pledged to FMO by Norplats Properties Proprietary Limited (Norplats Props) as a debt service reserve account (the account) as security for servicing of the loan from FMO (note 21). In accordance with the FMO agreement, Norplats Props shall maintain at all times a balance in the account equal to not less than the sum of all payments of principal and interest on each loan which will be due and payable during the next relevant period. Norplats Props may withdraw amounts from the account only for the purpose of paying principal and interest under the agreement. Norplats Props shall not withdraw funds from the account for any other purpose without the written consent of FMO.

For the purpose of the statement of cash flows, cash and cash equivalents comprise only the above balances as the group has no bank overdrafts.

17. STATED CAPITAL/SHARE CAPITAL AND SHARE PREMIUM

	2013		2012	
	R000	Number of shares	R000	Number of shares
	Group and Company		Group and Company	
Authorised share capital	5 450	545 000 000	5 450	545 000 000
Issued share capital				
At 1 July 2011	3 824	382 416 190	3 824	382 416 190
Shares issued during the year for cash on the exercise of share options	1	80 800	1	80 800
At 1 July 2012	3 825	382 496 990	3 825	382 496 990
Shares issued during the year for cash on the exercise of share options	1	89 100		
	3 826	382 586 090		
Share premium				
At 1 July 2011	8 592 258		8 592 258	
Shares issued during the year for cash on the exercise of share options	1 565		1 565	
At 1 July 2012	8 593 823		8 593 823	
Shares issued during the year for cash on the exercise of share options	2 006			
	8 595 829			
Share capital and share premium	8 599 655	382 586 090	8 597 648	382 496 990
Transfer to stated capital	(8 599 655)			
Stated capital	8 599 655			

During the year share capital and share premium were converted to no par value shares and are now referred to as stated capital.

During the year 89 100 (2012: 80 800) shares were allotted and issued in terms of the rules of Northam Share Option Scheme at a value of R2.0 million (2012: R1.6 million). This resulted in the issued share capital increasing to 382 586 090 (2012: 382 496 990) shares.

Details of share capital and shares held by the directors are contained in the Directors' Report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

18. EQUITY COMPENSATION RESERVE

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Balance at beginning of year	202 634	156 076	202 634	156 076
Increase in equity compensation reserve	13 807	53 049	13 807	53 049
Transfer to retained earnings	(92 737)	(6 491)	(92 737)	(6 491)
Transfer to share-based payment liability (note 22)	(123 704)	–	(123 704)	–
Balance at end of year	–	202 634	–	202 634

The group has a Share Option Scheme (the Scheme) and Share Incentive Plan (the Plan) under which options to subscribe for the group's shares were granted to certain executives and senior employees.

Options were offered at the volume weighted average price at which Northam shares traded on the JSE up to the trading day immediately preceding the offer date. In terms of the rules of the Scheme, option holders may exercise 50% of their options two years after the offer date and 100% of their options three years after the offer date. Options not exercised within seven years of the offer date shall lapse. The Scheme has been discontinued owing to its dilutionary nature although share options issued before its discontinuance will be allowed to run their course. 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 an employee receives is subject to certain performance criteria being met.

During the year, the rules of both the Scheme and the Plan were amended to allow for a cash-settlement option. Consequently, both the Scheme and Plan are now accounted for as cash settled share-based payments based on the historical number of shares retained by employees. Details thereof can be found under note 22.

Refer to Annexure 5, which forms part of these notes, for further details on the equity settled and cash settled share-based payments.

19. DEFERRED TAX LIABILITY

The principal components of the deferred tax liability are as follows:

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Deferred tax liabilities				
Property, plant and equipment	547 872	534 336	559 675	534 336
Metal inventory	16 971	14 176	16 971	14 176
Section 24C allowance in respect of long-term receivables	3 746	4 263	–	–
	568 589	552 775	576 646	548 512
Deferred tax assets				
Employee benefits relating to leave pay and bonus provisions	(39 339)	(27 010)	(39 048)	(27 010)
Decommissioning and environmental restoration provisions	(25 330)	(21 137)	(25 284)	(21 137)
Share-based payment liability	(27 867)	–	(27 867)	–
	(92 536)	(48 147)	(92 199)	(48 147)
Net deferred tax liability	476 053	504 628	484 447	500 365
The charge in the deferred tax balance is reconciled as follows:				
Deferred tax liability at beginning of year	504 628	477 145	500 365	477 145
Charge for the year (per note 33)	(28 575)	27 483	(15 918)	23 220
Temporary differences in respect of property, plant and equipment	13 536	26 353	25 339	26 353
Depreciation component included in metals on hand and in transit	2 795	6 903	2 795	6 903
Section 24C allowance in respect of long-term receivables	(517)	4 263	–	–
Temporary difference in respect of employee benefits	(12 329)	(3 488)	(12 038)	(3 488)
Temporary difference in respect of decommissioning and environmental restoration provisions	(4 193)	(6 548)	(4 147)	(6 548)
Temporary difference in respect of share-based payment liabilities	(27 867)	–	(27 867)	–
Net deferred tax liability at end of year	476 053	504 628	484 447	500 365

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

The group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities, and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

A deferred tax asset has not been raised for items included in Micawber 278 Proprietary Limited as taxable profits will not be generated in the foreseeable future against which the deferred tax asset can be utilised. The amount of unrecognised deferred tax assets amounts to R8.7 million (2012: R nil).

20. LONG-TERM PROVISIONS

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Provision for decommissioning costs				
Balance at beginning of year	91 659	93 105	67 262	62 332
Change in estimate and capitalisation of decommissioning costs as part of the development of the Booyssendal mine (note 2)	9 600	(1 123)	3 483	571
Unwinding of discount (note 28)	4 394	(323)	4 394	4 359
Balance at end of year	105 653	91 659	75 139	67 262
Provision for restoration costs				
Balance at beginning of year	19 459	14 230	8 230	7 682
Restoration provision acquired under a business combination	167	—	—	—
Capitalisation of restoration cost as part of the development of the Booyssendal mine (note 2)	1 058	—	—	—
Change in estimate (note 28)	6 272	4 614	6 272	(67)
Unwinding of discount (note 28)	658	615	658	615
Balance at end of year	27 614	19 459	15 160	8 230
Total long-term provisions	133 267	111 118	90 299	75 492

In terms of, *inter alia*, the Mineral and Petroleum Resources Development Act No 28, of 2002, the company is required to make financial provision for its decommissioning and restoration costs that will be incurred upon the cessation of mining activities. The future value of environmental obligation will be paid over to Northam Platinum Restoration Trust Fund (note 10) over the remaining life of the Zondereinde mine which is currently estimated at 16 years, and over the remaining life of the Booyssendal mine which is currently estimated at over 25 years. Financial provision is not, however, required to be made for the decommissioning of certain structures, such as housing, which may have alternative use.

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Provisions before funding	133 267	111 118	90 299	75 492
Less: Northam Platinum Restoration Trust Fund (note 10)	(40 948)	(35 689)	(33 913)	(31 231)
Less: Environmental Guarantee Investment (note 11)	(42 407)	(35 720)	(35 965)	(31 523)
Net present value of unfunded environmental rehabilitation obligations	49 912	39 709	20 421	12 738
The future value of the environmental rehabilitation obligation will be paid over to the Northam Platinum Restoration Trust Fund (note 10) over the remaining life of the mines, which is currently estimated at 16 years for the Zondereinde mine and over 25 years for the Booyensendal mine. The present value of the environmental restoration obligation is determined by applying a pre-tax discount rate of 8.0% (2012: 8.0%) and a long-term inflation rate of 6.0% (2012: 6.0%) over the remaining life of the mines. The decommissioning and restoration costs are reviewed on an annual basis, and at the reporting date the net unfunded future obligations were as follows:				
Undiscounted decommissioning obligations	150 211	129 353	101 519	90 509
Undiscounted restoration obligations	40 051	28 953	20 444	11 074
Total decommissioning and restoration obligation	190 262	158 306	121 963	101 583
Less: Obligation not requiring financial provision	(43 057)	(38 855)	(43 057)	(38 855)
	147 205	119 451	78 906	62 728
Less: Funds held by Northam Platinum Restoration Trust Fund (note 10)	(40 948)	(35 689)	(33 913)	(31 231)
Less: Environmental Guarantee Investment (note 11)	(42 407)	(35 720)	(35 965)	(31 523)
Total unfunded future rehabilitation obligations	63 850	48 042	9 028	(26)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

20. LONG-TERM PROVISIONS CONTINUED

The group has procured the issue of an insurance guarantee for R96.9 million (2012: R89.9 million) in respect of the unfunded decommissioning and restoration costs, of which R31.0 million (2012: R24.0 million) relates to the company.

21. LONG-TERM LOANS

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV (FMO)	51 365	35 284	–	–
Current portion of long-term loans	(3 801)	(2 430)	–	–
Total long-term loans	47 564	32 854	–	–

The loan, which is repayable in equal bi-annual instalments over 15 years, bears interest at 3.5% above JIBAR, with the last payment due 30 September 2026.

The group has pledged the instalment sales agreement as security for the loan (note 9).

22. SHARE-BASED PAYMENT LIABILITY

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Share-based payment liability at modification date	123 704	–	123 704	–
Share-based payment liability reversal	(16 097)	–	(24 178)	–
Total share-based payment liability at year end	107 607	–	99 526	–
Short-term share based payment liability	16 665	–	14 518	–
Long-term share based payment liability	90 942	–	85 008	–

The group operates the Northam Share Option Scheme (the Scheme) as well as the Northam Share Incentive Plan (the Plan). The Scheme has been discontinued owing to its dilutionary nature although share options issued before its discontinuance will be allowed to run their course.

During the year, both the Scheme and Plan were 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.

The previous share Scheme and Plan were considered an equity settled share-based payment transactions. The fair value of these equity instruments were measured at the grant date and included in equity as an equity compensation reserve.

Where the counterparty has a right to elect for the 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 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.

Refer to Annexure 5, which forms part of these notes, for further details on the share-based payments.

23. UNSECURED LENDING

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Domestic medium-term notes	1 250 000	–	1 250 000	–

The group raised term debt through the issue of R1.25 billion, 3-year senior unsecured floating rate notes (notes) under its R2 billion Domestic Medium Term Note Programme dated 3 August 2012. The notes attract a coupon of 350 basis points above three-month JIBAR and interest payments are due quarterly. The notes will mature on 4 September 2015.

The issue is guaranteed by Northam's wholly owned subsidiaries, Micawber 278 Proprietary Limited and Khumama Platinum Proprietary Limited, who are the statutory entities in which the Booyendal mine development is housed.

Subsequent to year end, on 11 July 2013, the company raised an additional amount of R120 million in the domestic capital market through a tap issue which will also mature on 4 September 2015.

The interest rate for the tap issue notes was placed at a lower rate of JIBAR plus 330 basis points, which was accounted for in the issue price.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

23. UNSECURED LENDING CONTINUED

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Revolving credit facilities	250 000	—	250 000	—

The group entered into a facility agreement with Nedbank Limited in August 2011 regarding a R1.0 billion 5-year senior unsecured revolving credit facility (the facility). The facility is available to be utilised by way of periodic drawdown requests until the earlier of 1 month prior to final maturity and cancellation of the agreement. Interest is calculate at JIBAR plus 2.80% for each applicable interest period.

24. TRADE AND OTHER PAYABLES

Trade and other payables comprise:

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Trade payables	319 397	294 436	280 700	250 230
Accruals	364 577	427 397	362 147	427 397
Accrual for acquisition of participating interest in the Pandora joint venture	65 000	65 000	65 000	65 000
Receiver of revenue-value added tax	12 804	8 111	—	—
Other	250 326	186 265	118 803	152 841
	1 012 104	981 209	826 650	895 468

Trade payables are unsecured, non-interest bearing and are normally settled on 30-day terms.

The amount payable for the acquisition of the Pandora joint venture participating interest will be payable once the mineral reserves have been transferred.

25. SHORT-TERM PROVISIONS

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Provision for leave pay				
Balance at beginning of year	96 466	84 006	96 466	84 006
Additional amounts raised	120 938	111 817	120 938	111 817
Utilised	(112 734)	(99 357)	(112 734)	(99 357)
Balance at end of year	104 670	96 466	104 670	96 466

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the financial reporting date based on the basic cost of employment and available leave entitlement at that date.

26. TORO EMPLOYEE EMPOWERMENT TRUST

The company entered into an agreement with the representative unions at the Northam mine in terms of which the company has undertaken to contribute 4% of its after tax profits to the Toro Employee Empowerment Trust, providing Northam's Zondereinde mine unskilled and semi-skilled employees an opportunity to participate in the profits of the company. Eligible employees will receive payment at the end of each five year cycle, starting from September 2013.

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Assets at fair market value as at 1 July	96 863	85 466		
Expected return on assets	7 402	7 921	–	–
Employer contributions	24 006	10 823	–	–
Benefits paid	(1 415)	(1 683)	–	–
Actuarial gain/(loss)	314	(5 664)		
Assets at fair market value as at 30 June	127 170	96 863	–	–
Unrecognised due to Paragraph 58 limit*	(75 533)	(32 979)		
Defined benefit obligation as at 1 July	63 884	55 115	–	–
Service cost	19 067	21 780	–	–
Interest cost	6 379	6 676	–	–
Actuarial gain	(36 278)	(18 004)	–	–
Benefits paid	(1 415)	(1 683)	–	–
Defined benefit obligation as at 30 June	51 637	63 884	–	–
Asset/(liability) recognised on the statement of financial position	–	–	–	–

* The "Paragraph 58 limit" ensures the asset to be recognised on the company's balance sheet is subject to a maximum of the sum of any unrecognised actuarial losses, past-service costs and the present value of any economic benefits available to the company in the form of refunds or reductions in future contributions.

The company is not entitled to any refund from the fund and hence the economic benefit available to the company is nil.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

27. REVENUE

Total revenue comprises:

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Sales revenue	4 420 977	3 684 000	4 243 420	3 648 663
Investment income (note 31)	33 434	53 951	174 311	34 124
Sundry revenue (note 32)	56 064	64 711	161 693	711 682
	4 510 475	3 802 662	4 579 424	4 394 469

Sales revenue comprises the turnover of platinum group metals and related precious and base metals, net of value added tax, trade discounts and intra-group sales.

28. OPERATING COSTS

Operating costs comprise mining and concentrating costs, excluding depreciation, and consist of the following principal prime cost categories:

Labour (note 39)	1 289 703	1 197 619	1 275 927	1 197 619
Stores	701 268	690 620	701 268	690 620
Utilities	344 463	298 353	342 802	298 353
Sundries	479 336	441 427	428 112	416 415
Provision for decommissioning and restoration costs (note 20)	11 324	4 907	11 324	4 907
	2 826 094	2 632 926	2 759 433	2 607 914

The analysis of operating costs by principal activity is as follows:

Mining operations	2 117 255	1 988 417	2 117 255	1 988 417
Smelter operations	97 532	100 114	97 532	100 114
Base metal removal plant operations	64 053	85 099	64 053	85 099
Overheads	535 930	454 389	469 269	429 377
Provision for decommissioning and restoration costs (note 20)	11 324	4 907	11 324	4 907
	2 826 094	2 632 926	2 759 433	2 607 914

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Operating costs include the following:				
Directors' remuneration:				
– Non-executive fees	3 969	2 981	3 969	2 981
– Executive remuneration	12 679	15 982	12 679	15 982
Share-based payment expense (note 18)	13 807	53 049	13 807	53 049
Share-based payment liability reversal (note 22)	(16 097)	–	(24 178)	–
Operating lease payments:				
– Office equipment	1 813	813	771	727
– Premises	3 422	5 571	1 040	895
Details of directors' remuneration are contained in the Directors' Report on page 83.				
29. DEPRECIATION AND WRITE-OFFS				
Depreciation of mining properties, plant and equipment consists of the following:				
Mining property	8 671	8 421	8 671	8 421
Plant and equipment	189 043	177 065	187 410	177 065
Decommissioning asset	2 353	2 217	2 353	2 217
Vehicles	1 623	2 584	1 496	2 584
Write-off of assets	33 000	–	33 000	–
	234 690	190 287	232 930	190 287

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
30. SHARE OF EARNINGS FROM ASSOCIATES/ DIVIDENDS RECEIVED				
Share of earnings from associates/dividends received (refer Annexure 2)	13 783	16 602	16 740	816
31. INVESTMENT REVENUE				
Investment revenue consists of the following:				
Interest received on cash and cash equivalents	21 855	45 960	17 468	30 574
Interest received from subsidiary	—	—	153 175	322
Interest received on instalment sale agreement	7 084	4 515	—	—
Interest received in Northam Platinum Restoration Trust Fund (note 10)	2 145	1 915	1 876	1 776
Interest received in Environmental Guarantee Investment (note 11)	1 999	1 561	1 792	1 452
Interest received in Buttonshope Conservancy Trust (note 12)	351	—	—	—
	33 434	53 951	174 311	34 124
32. NET SUNDRY INCOME				
Net sundry income is arrived taking into account the following:				
Dividends received	224	6 129	105 853	653 100
Royalties received from chrome recovery plant	—	5 940	—	5 940
Treatment charges in respect of concentrates purchased	55 840	52 642	55 840	52 642
Sundry revenue (note 27)	56 064	64 711	161 693	711 682
Rent received	5 377	1 662	5 377	1 662
Sale of scrap	2 145	1 761	2 145	1 761
Insurance claim	4 318	2 072	4 318	2 072
Other income	2 168	10 022	1 244	3 590
Currency translation gain	18 290	—	18 290	—
Total sundry income	88 362	80 228	193 067	720 767

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Sundry expenditure				
Loss on sale of property, plant and equipment	(508)	(317)	(383)	(317)
Currency translation loss	–	(3 133)	–	(3 133)
Amortisation of participation interest of the Pandora joint venture	(2 600)	(2 600)	(2 600)	(2 600)
Dividends forfeited	–	554	–	554
Write-down on investment	–	(3 230)	(62 270)	(630 813)
Other expenditure	(25 146)	(28 159)	(5 413)	(18 174)
Total sundry expenditure	(28 254)	(36 885)	(70 666)	(654 483)
Net sundry income	60 108	43 343	122 401	66 284
33. TAXATION				
Current income tax				
Current income tax charge	197 346	114 120	163 704	110 298
Adjustment in respect of current income tax of previous year	283	471	1 363	3 581
	197 629	114 591	165 067	113 879
Deferred tax				
Relating to origination and reversal of temporary differences (note 19)	(28 575)	27 482	(15 918)	23 220
Income tax expense reported in profit or loss	169 054	142 073	149 149	137 099
Taxation comprises:				
Mining tax	131 883	85 702	131 883	85 702
Non-mining tax	65 300	23 675	31 662	19 853
Tax on share of earnings from associate – current year	159	919	159	919
Secondary tax on companies	–	3 824	–	3 824
Capital gains tax	4	–	–	–
Adjustment in respect of prior years	283	471	1 363	3 581
Temporary differences	(28 575)	27 482	(15 918)	23 220
	169 054	142 073	149 149	137 099

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

33. TAXATION CONTINUED

A reconciliation of the standard rate of South African tax compared with that charged in the statement of comprehensive income is set out below:

	Group		Company	
	2013	2012	2013	2012
	%	%	%	%
South African normal tax	28.0	28.0	28.0	28.0
Secondary tax on companies	–	0.8	–	0.9
Adjustments in respect of prior periods	–	0.1	0.2	0.8
Expenditure disallowed and other adjustments	0.3	2.5	(2.7)	2.2
Other	(4.0)	–	(4.0)	–
Effective tax rate	24.3	31.4	21.5	31.9

33.1 MINING TAX

The current rate of mining tax applicable to the company is 28% (2012: 28%).

33.2 NON-MINING TAX

Non-mining income is subject to a rate of 28% (2012: 28%).

33.3 DEFERRED TAX

Deferred tax is provided at the statutory rate of 28% for all temporary differences.

33.4 DIVIDENDS WITHHOLDING TAX AND SECONDARY TAX ON COMPANIES

With effect from 1 March 2012, dividends withholding tax replaced secondary tax on companies and is levied at 15% for local shareholders. Prior to 1 March 2012, secondary tax on companies was levied at a rate of 10% of net dividends declared.

33.5 CAPITAL GAINS TAX

With effect from 1 March 2012, the effective capital gains tax rate increased to 18.7%. Prior to 1 March 2012, capital gains tax at an effective rate of 14% was payable on any gains realised on the disposal of investments or mining properties.

33.6 TAX ON SHARE OF EARNINGS FROM ASSOCIATE

Mining and non-mining income is subject to a rate of 28% (2012: 28%).

34. EARNINGS AND DIVIDEND PER SHARE

Basic earnings per share amounts are calculated dividing profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of 382 560 902 (2012: 382 426 483) outstanding during the year. Headline earnings per share are based on headline earnings and are reconciled to profit attributable to shareholders as follows:

	Group	
	2013	2012
	R000	R000
Profit attributable to shareholders	504 907	310 512
(Profit)/loss on sale of property, plant and equipment	(1 769)	317
Write-off of smelter	33 000	–
Insurance claim	(4 318)	(2 072)
Profit on sale of associate's property, plant and equipment	(2 118)	–
Tax effect on above	(7 520)	491
Headline earnings	522 182	309 248

Fully diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

Fully diluted headline earnings per share are based on the headline earnings and the average number of potential diluted shares in issue.

Dividends per share (cents)	–	5
The number of potential diluted shares are calculated as follows:		
Average number of ordinary shares in issue during the year	382 560 902	382 426 483
Average number of Northam Share Option Scheme options and Incentive Scheme shares outstanding during the year*	–	–
Average number of potential diluted ordinary shares in issue	382 560 902	382 426 483

* The effect of the Northam Share Option and Incentive Schemes was not included as the options/incentive shares were antidilutive in the current and prior year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

35. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Profit before taxation	697 055	452 585	692 167	429 588
Adjusted for non-cash items:				
Loss on disposal of property, plant and equipment	508	317	383	317
Depreciation and write-off	234 690	90 287	232 930	190 287
Increase/(decrease) in long-term provisions	22 149	4 907	14 807	4 907
(Increase)/decrease in long-term receivables	(22 463)	(37 603)	—	—
Share based payment expense	(2 290)	53 049	(10 371)	53 049
Share of profit from associate	(13 783)	(16 602)	(16 740)	(816)
Amortisation of participation interest in the Pandora joint venture	2 600	2 600	2 600	2 600
Change in short-term provisions	8 204	12 460	8 204	12 460
Fair value adjustment of investment in associate/impairment of investment in subsidiary	215	3 230	62 270	630 813
Interest paid	17 946	—	119 669	—
Interest received	(29 290)	(50 723)	(170 643)	(30 896)
Dividend received	(224)	(6 129)	(105 853)	(653 100)
	915 317	608 378	829 423	639 209

36. CHANGE IN WORKING CAPITAL

Inventories	(67 347)	(206 536)	(61 150)	(206 536)
Trade and other receivables	(244 652)	107 353	(178 082)	165 679
Trade and other payables	30 895	8 816	(68 818)	(573)
	(281 104)	(90 367)	(308 050)	(41 430)

37. TAXATION PAID

Balance owing at beginning of year	88 992	105 473	(1 755)	16 351
Profit or loss charge	197 629	114 591	165 067	113 879
Balance owing at end of year	(147 318)	(88 992)	(52 848)	1 755
	139 303	131 072	110 464	131 985

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
38. COMMITMENTS				
Capital expenditure – Booyssendal mine				
– Authorised but not contracted	54 801	888 484	–	–
– Contracted	477 281	916 113	–	–
Capital expenditure – Zondereinde mine				
– Authorised but not contracted	223 071	494 138	223 071	494 138
– Contracted	127 085	152 232	127 085	152 232
Information technology – outsource service provider charges				
– Due within one year	9 710	9 777	9 710	9 777
– Due within two to five years	31 753	41 309	31 753	41 309
Operating lease rentals – office equipment				
– Due within one year	1 117	1 981	847	1 843
– Due within two to five years	915	2 829	915	2 518
Operating lease – premises				
– Due within one year	3 116	3 463	734	1 040
– Due within two to five years	11 098	11 215	–	734
– More than five years	11 900	13 976	–	–
Housing development				
– Authorised	4 000	30 483	4 000	–
Unutilised loan facility granted to subsidiary			–	504 537
Bank guarantees issued	73 210	66 340	49 240	66 340

These commitments will be funded from a combination of internal retentions and debt as more fully described in the financial review and Directors' Report.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
39. EMPLOYEE BENEFITS				
The aggregate earnings and benefits of employees, including directors, were:				
– Salaries, wages, share-based payments and other benefits	1 119 286	1 046 957	1 105 510	1 046 957
– Contributions to retirement benefit funds	94 050	84 212	94 050	84 212
– Contributions to health-care funds	52 361	55 627	52 361	55 627
– Employee empowerment scheme (note 26)	24 006	10 823	24 006	10 823
Total labour	1 289 703	1 197 619	1 275 927	1 197 619
– Fees paid to non-executive directors	3 969	2 981	3 969	2 981
	1 293 672	1 200 600	1 279 896	1 200 600

40. RELATED PARTIES

Details of transactions and period end balances with those entities identified as related parties are contained in Annexure 4 which forms part of these notes.

41. SEGMENTAL REPORTING

The group has two operating segments, the Zondereinde mine and the Booyssendal mine. The group's operating committee looks at the performance of the Zondereinde and Booyssendal mines when allocating resources and assessing the segmental performances.

Details of the financial position and net income of the two segments are set out in Annexure 6 which forms part of these notes.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the group's operations and to provide guarantees to support its operations. The group has various financial assets such as trade receivables, investments, long-term receivables, and cash and cash equivalents, which arise directly from its operations.

The group may enter into derivative transactions, being forward currency contracts or metal hedging contracts. The purpose is to manage the currency risks arising from the group's operations and its sources of finance.

The main risks arising from the group's financial instruments are interest-rate risk, liquidity risk, foreign-currency risk, commodity-price risk and credit risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below:

(a) Market risk

Market risk is the risk that fair value of future cashflows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest-rate risk, currency risk, commodity-price risk and other price risk, such as equity risk.

(b) Foreign currency risk

Foreign-currency risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rate. The group has transactional currency exposures. Such exposure arises from sales in currencies other than the unit's functional currency. The majority of the group's sales are denominated in currencies other than functional currency of the operating unit making the sale, whilst 96% of costs are denominated in the unit's functional currency, the South African Rand.

The following table demonstrates the sensitivity to a possible change in the US dollar exchange rate with all other variables held constant, of the group's profit before tax due to changes in the fair value of monetary assets and liabilities.

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Weakening by 10%	16 386	2 974	16 386	2 974
Strengthening by 10%	(16 386)	(2 974)	(16 386)	(2 974)
At year end the foreign currency value of items under their respective statement of financial position classifications were as follows:				
Accounts receivable – US\$	12 763	1 562	12 763	1 562
Cash and cash equivalents – US\$	4 122	2 093	4 122	2 093
Accounts payable – €	(389)	(296)	(389)	(296)
Exchange rates at year end:				
– ZAR/US\$	10.01	8.22	10.01	8.22
– ZAR/€	13.05	10.40	13.05	10.40

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

(c) Commodity price risk

The group is subject to commodity price risks as a result of the prices at which it sells its products being determined by reference to international commodity exchanges.

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
The following is an indication of the effect that changes in the commodity prices would have on the profit before tax:				
– Increase of 10%	21 390	1 284	21 390	1 284
– Decrease of 10%	(21 390)	(1 284)	(21 390)	(1 284)

The group did not enter into any hedging contracts during the year.

(d) Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities with banks and financial institutions. The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. The significant concentration of credit risk within the group is disclosed in Annexure 6.

With respect to credit risk arising from other financial assets of the group, which comprise cash and cash equivalents, available for sale investments and loans, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as per Annexure 1, which forms part of these notes.

(e) Interest-rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market interest rate. The group's exposure to risk of changes in market interest rates relates primarily to the group's cash balances with floating interest rates and the long-term loan.

As part of the process of managing the group's interest rate risk, all borrowing and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the group's profit before tax (through the impact on floating rate borrowings and cash and cash equivalents). There is no impact on the group's equity.

	Group		Company	
	2013	2012	2013	2012
	R000	R000	R000	R000
Cash and cash equivalents				
Increase of 1%	2 986	1 050	2 090	384
Decrease of 1%	(2 986)	(1 050)	(2 090)	(384)
Floating rate borrowings				
Increase of 1%	(15 514)	(353)	(15 000)	–
Decrease of 1%	15 514	353	15 000	–

(f) Fair value

The fair value of financial instruments is defined as the amount at which the instrument could be exchanged in an arms-length transaction between willing parties, other than in a forced liquidation sale.

Management is of the opinion that the book value of financial instruments approximates fair value for group purposes. At a company level, the book value of financial instruments approximates fair value with the exception of inter-group loans, for which the fair value is R4.2 billion.

The fair value is based on the net present value of the expected resources attributable to the realisation of the asset or the extinguishing of the liability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES CONTINUED

(g) Liquidity risk

The group's treasury operations are managed by a reputable treasury management institution.

They assist the group in monitoring its risk to a shortage of funds by only depositing its surplus cash funds with major banks of high credit standing. They consider and monitor the maturity and returns of all financial investments. Management performs regular projected cash flow forecasts for the group.

In addition to the loan secured from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV (FMO) (note 21) by Norplats Properties Proprietary Limited in the previous financial year, the group has the following unsecured loans at financial reporting date: Funding in the debt capital market through the issue of R1.25 billion 3 year senior unsecured floating rate notes (the notes) under its R2 billion Domestic Medium Term Note Programme dated 3 August 2012. The notes attract a coupon of 350 basis points above three month JIBAR and interest payments are due quarterly. The notes will mature on 4 September 2015. The group had entered into a facility agreement with Nedbank Limited in August 2011 regarding a R1.0 billion 5 year senior unsecured revolving credit facility (the facility). The facility is available to be utilised by way of periodic drawdown requests until the earlier of 1 month prior to final maturity and cancellation of the agreement. Interest is calculated at JIBAR plus 2.80% for each applicable interest period. At year end R250 million of the facility was unutilised.

Subsequent to year end, on 11 July 2013, the company raised an additional amount of R120 million in the domestic capital market through a tap issue which will also mature on 4 September 2015.

The interest rate for the tap issue notes was placed at a lower rate of JIBAR plus 330 basis points, which was accounted for in the issue price.

All trade accounts payable are due within 30 days. The maturity profile of the group's financial liabilities is set out in Annexure 1, which forms part of these notes.

(h) Capital management

Capital comprises the equity attributable to the shareholders of Northam.

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to share holders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2013 and 30 June 2012.

The group monitors capital by assessing interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents to assess whether additional capital is required. No formal objectives have been set for a specific ratio/headroom to be met in this regard.

(i) Categories of financial instruments

The various categories of financial instruments are set out in Annexure 1, which forms part of these notes.

(j) Fair value hierarchy

Details of the group's fair value hierarchy are set out below:

As at 30 June 2013 the group held the following financial instruments measured at fair value:

The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2 – other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013 CONTINUED

	Group at 30 June 2013			Total
	Level 1	Level 2	Level 3	
	R'000	R'000	R'000	R'000
Assets measured at fair value				
Available for sale investments	6	—	—	6
Investments held by Northam Platinum Restoration Trust Fund	40 948	—	—	40 948
Environmental Guarantee Investment	42 407	—	—	42 407
Buttonshope Conservancy Trust	10 126	—	—	10 126

	at 30 June 2012			
Assets measured at fair value				
Available for sale investments	6	—	—	6
Investments held by Northam Platinum Restoration Trust Fund	35 689	—	—	35 689
Environmental Guarantee Investment	35 720	—	—	35 720
Buttonshope Conservancy Trust	9 775	—	—	9 775

	Company at 30 June 2013			Total
	Level 1	Level 2	Level 3	
	R'000	R'000	R'000	R'000
Assets measured at fair value				
Available for sale investments	6	—	—	6
Investments held by Northam Platinum Restoration Trust Fund	33 913	—	—	33 913
Environmental Guarantee Investment	35 965	—	—	35 965

	at 30 June 2012			
Assets measured at fair value				
Available for sale investments	6	—	—	6
Investments held by Northam Platinum Restoration Trust Fund	31 231	—	—	31 231
Environmental Guarantee Investment	31 523	—	—	31 523

43. EVENTS AFTER THE REPORTING DATE

Please refer to events after the reporting date included on page 87 of the Directors' Report.

44. MAJOR SHAREHOLDERS AND SHAREHOLDER SPREAD

Please refer to major shareholders and shareholder spread at 30 June 2013 on page 85 of the Directors' Report.