NORTHAM
PLATINUM HOLDINGS LIMITED

The new Northam: continuing to create value for all stakeholders

Booysendal Platinum Proprietary Limited
Annual financial statements
30 June 2021

smart platinum mining

CONTENT

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 12 to 85, were approved by the directors of the company:

PA Dunne
Director

AH Coetzee
Director

Johannesburg
30 September 2021

COMPANY SECRETARY'S CONFIRMATION

I, P B Beale, being the group company secretary of Northam Platinum Limited, hereby certify in terms of Section 88(2) of the Companies Act, 71 of 2008, as amended (the Companies Act) that all returns and notices required of a company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

P B Beale
Company secretary
Northam Platinum Holdings Limited

Johannesburg
30 September 2021

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Independent Auditor's Report

To the Shareholders of Booysendal Platinum Proprietary Limited

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of Booysendal Platinum Proprietary Limited (the financial statements) set out on pages 12 to 85, which comprise the statement of financial position as at 30 June 2021, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Booysendal Platinum Proprietary Limited as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 86-page document titled "Booysendal Platinum Proprietary Limited Annual Financial Statements for the year ended 30 June 2021", which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

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Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Inc.
Director - Ebrahim Dhorat
Registered Auditor
Chartered Accountant (SA)
102 Rivonia Road, Sandton, 2146

30 September 2021

DIRECTORS' REPORT

The directors have pleasure in presenting their report on the activities and financial results of Booysendal Platinum Proprietary Limited (Booysendal or the company) for the year ended 30 June 2021.

Nature of business

The Booysendal operations are located in the southern compartment of the eastern limb of the Bushveld Complex, situated approximately 35 kilometres from the town of Mashishing (formerly Lydenburg), straddling the border of Limpopo and Mpumalanga provinces in South Africa. Booysendal is host to both the UG2 and Merensky reefs which outcrop over a strike length of approximately 14.5 kilometres and dip westwards at approximately 10º.

The operations comprise two mines; Booysendal North and Booysendal South, operating; six shallow, decline accessed, mechanised mining modules, together with two metallurgical plants extracting PGM and chromite concentrates with dedicated tailings storage facilities. Concentrate is sold to Zondereinde and all material is smelted and further processed at Zondereinde.

Booysendal North has two mining modules; North UG2 (BNU) and North Merensky (BNM1), together with surface supporting infrastructure including PGM and Chrome concentrators and a tailings storage facility. North UG2 module is operating at steady state of approximately 220 000 tonnes per month, whilst North Merensky module is ramping up from an initial 30 000 tonnes per month to a planned steady state of 55 000 tonnes per month.

Booysendal South has four mining modules in various stages of production ramp up to a combined steady state of approximately 325 000 tonnes per month, together with surface supporting infrastructure including PGM and Chrome concentrators and a tailings storage facility. The BS1, BS2 and BS4 modules exploit the UG2 reef, whilst the BSM1 module exploits the Merensky reef. The UG2 modules are scheduled to achieve steady state in F2023, whilst BSM1 is scheduled for F2025. The tailings storage facility is currently being reconfigured to enable capacity for life of South mine.

Mining licenses

Booysendal is a wholly owned subsidiary of Northam Platinum Limited (Northam). It holds two new order mining rights for the Booysendal mine (LP188MR and MP127MR), which cover an area of approximately 17 950 hectares over portions of the farms; Booysendal 43 JT, Buttonshope 51 JT, Der Brochen 7 JT, Draaikraal 48 JT, Hebron 5 JT, Hermansdal 3 JT, Kliprivier 73 JT, Pietersburg 44 JT, Uysedoorns 47 JT, Johannesberg 45 JT, Sheeprun 50 JT, Sheeprun 179 JT, Sterkfontein 52 JT, De Kafferskraal 53 JT, Hoogland 38 JT and Sterkfontein 749 JT. An application for renewal of mining right MP127MR, which expires in November 2021, is in process.

Surface rights for a portion of the farm Buttonshope 51 JT have been transferred to the Buttonshope Conservancy Trust.

Financial results

Full details of the financial results of the company are set out in the financial statements.

Stated capital

There were no changes to the stated capital during the year under review.

Dividends

Dividends of R Nil (30 June 2020: R Nil) were declared and paid during the year under review.

Directors' responsibility in relation to annual financial statements

The directors are required by the Companies Act, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in these annual financial statements. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the systems of internal financial control established by the company and place considerable importance on maintaining a strong control environment. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements to ensure:

- the reliability and integrity of financial and operating information;
- the compliance of established systems with policies, plans, procedures, laws and regulations;
- the safeguarding of the company's assets against unauthorised use or disposition;
- the economic, effective and efficient utilisation of resources; and
- the accomplishment of established objectives and goals for operations or programmes,

and that accordingly the financial records may be relied upon for preparing the financial statements and maintaining accountability for assets and liabilities.

However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The directors are of the opinion that the financial statements fairly present the financial position of the company and the results of its operations and cash flow information for the year then ended. The directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the company continues to adopt the going concern basis in preparing the annual financial statements.

Assessment of going concern

Mining operations have a finite life and their profitability is influenced by both internal and external factors. Internal factors include, *inter alia*, geological, technical and productivity aspects. External influences include economic factors such as commodity prices and exchange rates.

In addition, mining is a capital-intensive business with relatively long time horizons. Commodity prices follow shorter period cyclical patterns. Therefore, capital allocation planning requires consideration of both short and long-term technical planning as well as of the global economic outlook and cyclical commodity price variance. This manifests in conservative long-term price estimates and the incorporation of sensitivity analysis to increase confidence in financial viability even during depressed market conditions, as well as to moderate increasing estimate uncertainty over time.

To this end, the individual group operations undergo techno-economic studies on an annual basis in the form of Competent Person Reports and new projects follow economic feasibility studies on both a standalone and integrated basis. These include consideration of the operations' ability to respond to changing circumstances, as well as the financial reserves required to sustain operations through adverse conditions, such as commodity price down-cycles or periods of reduced production or sales demand.

This assists in managing its capital to ensure that it has the necessary reserves to sustain operations through adverse conditions, to maximise the return to shareholders through the optimisation of debt and equity balances and to ensure that all externally imposed capital requirements are complied with. This enables it to continue as a going concern.

The company derives revenue from sales to a limited number of large customers with whom we have long-standing relationships. In respect of PGMs, our buyers are predominantly industrial companies. This reduces our exposure to demand in the automotive sector. Our chrome product is sold through a single third party via a guaranteed offtake and security of supply agreement. This lowers down-side risk to sales volumes and sales revenue, even during depressed market conditions.

The annual financial statements have been prepared using appropriate accounting policies, supported by reasonable and prudent judgements and estimates. We continue to monitor factors impacting price forecasts, which inform detailed cash flow estimates.

Based on the latest available information, the board believes that the company will continue to have adequate financial resources and access to capital to settle its liabilities as and when they fall due, in order to continue operating for the foreseeable future.

Accordingly, the annual financial statements have been prepared on a going concern basis.

Events subsequent to year end

There have been no facts or circumstances of a material nature that have occurred between the accounting date and the date of this report that requires additional disclosure or adjustment to these financial statements, other than what has been disclosed.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the company will be held in the Board Room, 1st Floor, Building 4, Maxwell Office Park, Magwa Crescent West, Waterfall City, Jukskei View, 2090 on 29 October 2021 for the following purposes:

Considering and, if deemed fit, adopting, with or without modification, the ordinary and special resolutions set out below:

Ordinary resolutions

Ordinary resolution no. 1 – adoption of annual financial statements

"Resolved that the audited annual financial statements for the year ended 30 June 2021, including the reports of the directors, auditors and the audit and risk committee, be and are hereby adopted."

Ordinary resolution no. 2 – appointment of auditors

"Resolved that the appointment of Ernst & Young Inc., as the company's auditors for the ensuing year, be approved."

Ordinary resolution no. 3 – re-appointment of audit and risk committee

"Resolved that the re-appointment of the audit and risk committee of Northam Platinum Holdings Limited, the ultimate company's holding company, as the company's audit and risk committee."

Ordinary resolution no. 4 – placement of the authorised but unissued shares under the control of the directors

"Resolved that the authorised but unissued shares of the company be and are hereby placed under the control of the directors of the company in terms of and subject to the provisions of the Companies Act, No. 71 of 2008, as amended (the Companies Act)."

Ordinary resolution no. 5 – authorisation of a director or company secretary to sign necessary documents

"Resolved that any director of the company or the company secretary is authorised to sign all such documents and instruments and to do all such things as may be necessary for or incidental to the implementation of the resolutions passed at this meeting."

Special resolutions

Special resolution no.1 – financial assistance in terms of section 45 of the Companies Act

"Resolved that the board of directors of the company (board) be and are hereby authorised, by way of a general authority, to provide direct or indirect financial assistance in any form or amount to any company which is related or inter-related to the company (as defined in the Companies Act), on the terms and conditions that the board may determine from time to time."

Record dates

In terms of section 59(1)(a) and (b) of the Companies Act, the board of directors of the company has set the record date for the purpose of determining which shareholders are entitled to: receive notice of the meeting (being the date on which a shareholder must be registered in the company's share register in order to receive notice of the meeting) as Thursday; 30 September 2021 and participate in and vote at the meeting (being the date on which a shareholder must be registered in the company's share register in order to participate in and vote at the meeting) as Friday, 15 October 2021.

By order of the Board.

Northam Platinum Limited
Secretaries
per P B Beale

Johannesburg
30 September 2021

REPORT OF THE NORTHAM PLATINUM HOLDINGS LIMITED AUDIT AND RISK COMMITTEE TO THE DIRECTORS

Reappointment of the external auditors

The audit and risk committee (the committee) confirms the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and that it recommends their reappointment for the financial year ending 30 June 2022.

Annual financial statements

The committee chairperson has:

- reviewed and discussed the audited annual financial statements with the chief financial officer; and
- reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences.

The committee chairperson concurs with and accepts the external auditor's conclusions on the annual financial statements and has recommended the approval thereof to the board. The board has subsequently approved the annual financial statements, which will be open for discussion at the forthcoming annual general meeting.

Going concern

The directors report that they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

HH Hickey
Chairperson – audit and risk committee
Northam Platinum Limited

Johannesburg
30 September 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	30 June 2021 R000	30 June 2020 R000
Sales revenue	2	16 884 383	6 490 649
Cost of sales		(7 048 636)	(3 798 068)
Operating costs	3	(5 547 474)	(3 301 103)
Concentrates purchased		(1 193 386)	(238 578)
Depreciation and write-offs		(566 072)	(399 449)
Change in metal inventory		258 296	141 062
Gross profit		9 835 747	2 692 581
Investment income	4	5 052	5 934
Finance charges	5	(25 042)	(24 817)
Net foreign exchange transaction losses		(1 532)	(444)
Sundry income	6	7 009	5 228
Sundry expenditure	7	(24 440)	(66 199)
Profit before tax		9 796 794	2 612 283
Taxation	8	(2 754 356)	(683 514)
Profit and total comprehensive income for the year		7 042 438	1 928 769

STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 R000	30 June 2020 R000
ASSETS			
Non-current assets		17 059 040	16 192 929
Property, plant and equipment	9	10 562 674	9 651 268
Mining properties and mineral resources	10	6 352 452	6 398 637
Land and township development	11	51 702	57 263
Long-term receivables	12	9 388	5 779
Investments held by Northam Platinum Restoration Trust Fund	13	68 015	64 366
Environmental Guarantee Investments	14	14 809	15 616
Long-term prepayment	15	–	–
Current assets		10 498 390	1 760 297
Inventories	16	599 624	320 556
Loans to group companies	17	9 630 124	1 331 532
Trade and other receivables	18	142 681	104 744
Cash and cash equivalents	19	344	391
South African Revenue Service		125 617	3 074
Total assets		27 557 430	17 953 226
EQUITY AND LIABILITIES			
Capital and reserves		21 029 545	13 987 107
Stated capital	20	8 675 932	8 675 932
Non-distributable reserves	10	2 501 755	2 501 755
Retained earnings		9 851 858	2 809 420
Non-current liabilities		4 883 443	3 166 708
Deferred taxation	21	4 271 824	2 704 110
Long-term provisions	22	236 545	213 318
Long-term liabilities	23	6 949	6 813
Long-term loans	24	26 133	34 967
Lease liability	25	45 778	51 869
Share-based payment liability	26	296 214	155 631
Current liabilities		1 644 442	799 411
Current portion of long-term liabilities	23	550	525
Current portion of long-term loans	24	8 834	9 946
Current portion of lease liability	25	11 216	13 199
Current portion of share-based payment liability	26	210 423	51 681
Loans from group companies	27	–	262
Trade and other payables	28	1 292 755	631 628
Provisional pricing derivative	29	–	–
Short-term provisions	30	120 664	92 170
Total equity and liabilities		27 557 430	17 953 226

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Stated capital	Non distributable reserve	Retained earnings	Total
	R000	R000	R000	R000
Opening balance as at 1 July 2019	8 675 932	2 501 755	880 651	12 058 338
Profit and total comprehensive income for the year	–	–	1 928 769	1 928 769
Balance at 30 June 2020	8 675 932	2 501 755	2 809 420	13 987 107
Profit and total comprehensive income for the year	–	–	7 042 438	7 042 438
Balance at 30 June 2021	8 675 932	2 501 755	9 851 858	21 029 545
Note	20	10		

Non-distributable reserves

The non-distributable reserve represents the surplus that arose following the adoption of the revaluation model as at 31 December 2008 whereby mineral resources were reflected at fair value.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Notes	30 June 2021 R000	30 June 2020 R000
Cash flows from operating activities		9 712 865	3 038 228
Cash flows generated from operations	31	10 701 069	3 187 166
Movement to land and township development		5 561	(10 927)
Movement in working capital	32	315 420	(137 426)
Tax paid	33	(1 309 185)	(585)
Cash flows from investing activities		(1 390 429)	(1 132 125)
Purchase of property, plant and equipment		(1 392 804)	(1 129 701)
Disposal proceeds		–	123
Decrease in long-term prepayment		–	563
Investment revenue		5 217	5 934
Increase in investments held by the Northam Platinum Restoration Trust Fund		(3 649)	(4 326)
Increase in investments held by the Environmental Guarantee Investment		807	(4 718)
Cash flows from financing activities		(8 322 483)	(1 905 934)
Movement in loans from group companies		(8 298 854)	(1 863 918)
Movement in long-term loans		(9 946)	(9 647)
Payment of principle portion of lease liabilities		(13 681)	(6 980)
Finance charges		(2)	(25 389)
Movement in cash and cash equivalents		(47)	169
Cash and cash equivalents at the beginning of year		391	222
Cash and cash equivalents at the end of year	19	344	391

ACCOUNTING POLICIES

1. Basis of preparation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments and liabilities that are stated at fair value. Details of the accounting policies are set out below and are consistent with those applied in the previous financial year, except where otherwise indicated.

The financial statements are in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, No. 71 of 2008 (the Companies Act).

The annual financial statements are presented in South African rand, which is the presentation currency.

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 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 the notes to the financial statements.

1.1 New accounting policies adopted

The following standards, amendments or interpretations applicable to the company which became effective for the year beginning 1 July 2020 were adopted in the year-end results:

- Definition of a Business – Amendments to IFRS 3
- Definition of Material – Amendments to IAS 1 and IAS 8
- The Conceptual Framework for Financial Reporting

The nature and effect of the changes as a result of the adoption of these new accounting standards are described below.

The adoption of all other standards, amendments or interpretations, had no impact on the annual financial statements.

Definition of a Business – Amendments to IFRS 3

The International Accounting Standards Board (IASB) issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the company was not affected by these amendments on transition.

Definition of Material – Amendments to IAS 1 and IAS 8

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of material across the standards and to clarify certain aspects of the definition. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The definition of material in the Conceptual Framework and IFRS Practice Statement 2: Making Materiality Judgements were amended to align with the revised definition of material in IAS 1 and IAS 8.

The amendments must be applied prospectively. The amendment is effective for annual periods beginning on or after 1 January 2020.

Although the amendments to the definition of material did not have a significant impact on the company's financial statements, the introduction of the term obscuring information in the definition could potentially impact how materiality judgements are made in practice, by elevating the importance of how information is communicated and organised in the financial statements.

Conceptual Framework for Financial Reporting

The IASB has revised its Conceptual Framework. The primary purpose of the Conceptual Framework is to assist the IASB (and the Interpretations Committee) by identifying concepts that it will use when setting standards. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting, which is to provide information that is useful in making resource allocation decisions;
- reinstating prudence, defined as the exercise of caution when making judgements under conditions of uncertainty, as a component of neutrality;
- defining a reporting entity, which might be a legal entity or a portion of a legal entity;
- revising the definition of an asset as a present economic resource controlled by the entity as a result of past events;
- revising the definition of a liability as a present obligation of the entity to transfer an economic resource as a result of past events;
- removing the probability threshold for recognition, and adding guidance on derecognition;
- adding guidance on the information provided by different measurement bases, and explaining factors to consider when selecting a measurement basis; and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where the relevance or faithful representation of the financial statements would be enhanced.

The revised Conceptual Framework is effective for periods beginning on or after 1 January 2020.

This revision did not have a material impact on the company.

1.2 Standards, interpretations and amendments issued, but not yet effective

The following new standards, interpretations and amendments to standards are not effective and have not been early adopted, but will be adopted once these new standards, interpretations and amendments become effective:

Classification of Liabilities as Current or Non-current - Amendments to IAS 1

On 23 January 2020, the IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1 Presentation of Financial Statements.

The amendments affect requirements in IAS 1 for the presentation of liabilities. Specifically, they clarify a criterion for classifying a liability as non-current.

The amendment must be applied retrospectively, effective for annual periods beginning on or after 1 January 2023.

This amendment is not expected to have a material impact on the company.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively, effective for annual periods beginning on or after 1 January 2022 only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for first-time adopters.

This amendment is not expected to have a material impact on the company.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a ‘directly related cost approach’. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively for annual periods beginning on or after 1 January 2022, to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the company will not be affected by these amendments on transition.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12 Income Taxes which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a decommissioning asset and decommissioning liability (or lease asset or lease liability) give rise to taxable and deductible temporary differences that are not equal.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented and is effective for annual periods beginning on or after 1 January 2023.

This amendment is not expected to have a material impact on the company.

Booysendal notes the new standards, amendments and interpretations which have been issued but not yet effective and does not plan to early adopt any of the standards, amendments and interpretations. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.3 Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation/amortisation and accumulated impairments/reversal thereof. Cost includes pre-production expenditure incurred during the development of a mine and the present value of related future decommissioning costs.

Interest on borrowings relating to the financing of major capital projects under construction is capitalised during the construction phase as part of the cost of the project. Such borrowings costs are capitalised over the period during which the asset is being constructed and borrowings have been incurred. Capitalisation ceases when construction is interrupted for an extended period or when the asset is substantially complete. Other borrowing costs are expensed as incurred.

Shafts, mining and general infrastructure assets including metallurgical and refining plants

Mine development and infrastructure costs are capitalised to assets under construction and transferred when the mining venture reaches commercial production.

Items that are withdrawn from use, or have no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

Depreciation is first charged from the date on which the mining assets reaches commercial production levels. When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

Mining assets are depreciated on a units of production basis, based on reserves, which are revised annually.

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

Decommissioning asset

The decommissioning asset is depreciated on the units of production basis, based on reserves, 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. The decommissioning asset is included as part of the mining plant and equipment when considering depreciation, impairment and derecognition.

Foreign currency prepayment

Prepayment relating to the manufacturing costs in terms of the aerial ropeway manufacturer agreement was incurred with a foreign supplier. The prepayment was initially accounted for at cost using the spot rate at transaction date. The construction of the ropeway will take place over a period of time. These prepayments are capitalised to property, plant and equipment as and when construction of the aerial ropeway is completed.

General infrastructure, other assets including buildings

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.

Buildings are depreciated on a straight-line basis over the estimated useful life, which is generally the life of mine.

Land and assets under construction

Land and assets under construction are recorded at cost of acquisition less accumulated impairment losses and are not depreciated.

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 company. All other subsequent expenditure is recognised as an expense and included in profit or loss.

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.

Impairment

An impairment review of property, plant and equipment is carried out when there is an indication that these may be impaired by comparing the carrying amount thereof to its recoverable amount.

The company assesses, at each reporting date, whether there are indications that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The adjusted carrying amount is depreciated on a straight-line basis over the remaining useful life of property, plant and equipment.

Annual review of residual values, depreciation method and useful lives

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted prospectively, if appropriate, at each financial year-end.

Non-current assets held for sale

The company classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale and the sale is expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Exploration expenditure

Exploration and evaluation expenditure on greenfields sites, being those where the company does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a feasibility study has been completed, after which the expenditure is capitalised if the feasibility study demonstrates that future economic benefits are probable.

Exploration and evaluation expenditure on brownfields sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until management is able to demonstrate that future economic benefits are probable through the completion of a pre-feasibility study. Costs relating to development activities as well as mineral resources bought are capitalised to mine development asset.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost as and when incurred.

1.4 Mining properties and mineral resources

Mining properties and mineral resources comprising mineral rights 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 units of production basis based on reserves which are revised annually.

Mining properties and mineral resources acquired separately are measured on initial recognition at cost. Following initial recognition, these mining properties and mineral resources are carried at cost less any accumulated amortisation and any accumulated impairment losses.

1.5 Land and township development

The assets are recognised on the statement of financial position in accordance with IAS 2. We are comfortable that a buyer will always be found due to the housing requirements around our mines. Because these assets are normally held for a period of longer than 12 months, they are however deemed to be non-current assets. These assets are held at the lower of cost and net realisable value.

Net realisable value tests are performed at each reporting date and represent the current sales price of the houses, less estimated costs to complete production and bring the houses to sale. Where the time value of money is material, these future prices and costs to complete are discounted.

Land and township development, which is an initiative in order to assist the company's employees to acquire their own affordable housing, is initially recognised at cost. Cost is determined on the basis of land acquisition, development and housing construction cost. Land and township development is derecognised when the risks and rewards of ownership of the property transfers to the employees.

Booysendal's main business is not the development of properties but is obligated under South African mining legislation to offer certain of its employees house ownership as part of their benefits. To that end, it constructs houses which are sold to employees. The houses are mainly for employees but third parties can also acquire these properties. Therefore, the main aim of the disclosure of the land and township development activities provided is qualitative by nature, i.e. social and community advancement and employee benefits. The main business of the company is mining platinum group metals.

1.6 Financial instruments

Financial instruments recognised on the statement of financial position include investments (including investments held in trust funds), cash and cash equivalents, long-term receivables, trade and other receivables, trade and other payables, loans and borrowings and provisional pricing arrangements. These are recognised when the company becomes party to the contractual agreements. All financial instruments are initially recorded at fair value except for trade receivables that do not contain a significant financing component which are recognised at the transaction price.

Fair value

Where financial instruments are recognised at fair value, the instruments are measured at the amount for which an asset could be sold, or an amount paid to transfer a liability, in an orderly transaction in the principal or most advantageous market, at the measurement date under current market conditions regardless of whether this price is directly observable or estimated using a valuation technique. Fair values have been determined as follows: (i) where market prices are available, these have been used, and (ii) where there are no market prices available, fair values have been determined using valuation techniques incorporating observable market inputs or discounting expected cash flows at market rates.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the period of the instrument.

Effectively, this method determines the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, if appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

Financial assets

Financial assets are classified as either at amortised cost or fair value through profit or loss.

The classification of the financial asset is dependent on the purpose and characteristics of the particular financial asset and is determined at the date of initial recognition.

Investments classified as fair value through profit or loss

Investment held by Northam Platinum Restoration Trust Fund and the Environmental Guarantee Investment are classified as fair value through profit or loss.

After initial recognition, investments, which are classified as fair value through profit or loss, are re-measured at fair value with all gains or losses recognised directly in profit or loss.

Financial assets carried at amortised cost

Trade and other receivables, long-term receivables, loans to group companies and cash and cash equivalents are classified as at amortised cost. After initial recognition, receivables (except for provisional pricing 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.

Provisional pricing receivables/derivative

Financial assets with provisional pricing arrangements (provisional pricing receivables) are recognised as a separate category of trade and other receivables and are accounted for as fair value through profit or loss.

Provisional pricing receivables are recognised when the company has satisfied its performance obligation relating to delivery of the product and has an unconditional right to the consideration that is due. This will be recognised when only the passage of time is required before payment is made by the customer. All fair value adjustments relating to the movements in this balance are recognised within revenue from fair value adjustments.

A provisional pricing derivative (financial liability) is recognised when payment by the customer made on provisionally priced goods results in an effective overpayment due to fluctuations in market factors until final pricing is confirmed. All fair value adjustments relating to the movements in this balance are recognised within revenue from fair value adjustments.

Provisional pricing receivables are reallocated to trade and other receivables and provisional pricing derivatives are reallocated to trade and other payables at the end of the quotational period once the consideration relating to the sale is no longer variable. The finalised consideration receivable / refundable is therefore no longer subject to fair value fluctuations.

Impairment of financial instruments

The company assesses at each reporting date whether a financial asset or group of financial assets is impaired. Impairments are based on expected credit losses (ECL).

ECLs are an estimate of credit losses over the life of a financial instrument and are recognised as a loss allowance or provision. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. Impaired debts are derecognised when they are assessed as uncollectible.

For trade receivables due in less than 12 months, the company applies the simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The company considers historical credit loss experience, adjusted for forward-looking factors, that could indicate impairments taking into account the specific debtor and economic environment.

The general approach requires the assessment of financial assets to be split into 3 stages:

Stage 1: no significant deterioration in credit quality. This identifies financial assets as having a low credit risk, and the asset is considered to be performing as anticipated. At this stage, a 12 month expected credit loss assessment is required.

Stage 2: significant deterioration in credit quality of the financial asset but no indication of a credit loss event. This stage identifies assets as underperforming. Lifetime expected credit losses are required to be assessed.

Stage 3: clear and objective evidence of impairment is present. This stage identifies assets as non-performing financial instruments. Lifetime expected credit losses are required to be assessed.

Financial liabilities

Financial liabilities are recorded initially at the fair value of the consideration received, which is cost net of any issue costs associated with the 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 issue.

Borrowings and trade and other payables have been classified as financial liabilities.

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

Financial guarantee contracts

Financial guarantee contracts issued by the company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the amount of the expected credit losses and the amount recognised less cumulative amortisation. Amortisation is based on the total value of underlying liability still outstanding, as this better reflects the pattern of how the company provides the guarantee.

Derecognition of financial instruments

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; the company 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 company has transferred substantially all the risks and rewards of the asset or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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.

1.7 Inventories

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.

Metal on hand

Metal inventory is valued at the lower or the purchase price net realisable value and the average cost of production less net revenue from sales of by-products in the ratio of the contribution of these metals to gross sales revenue. Production costs are allocated to platinum, palladium, rhodium and gold (joint products) by dividing the mine output into total mine production costs, determined on a six-month average basis except for concentrates and ore purchased which are recognised at the cost in the month in which they are purchased.

The average cost of normal production includes total costs incurred on mining and refining, including depreciation, less net revenue from the sale of by-products, including chrome, allocated to main products based on units produced under normal production.

Costs incurred in the production process, are appropriately accumulated as stockpiles, metal in process and product inventories. Platinum, palladium, rhodium and gold (4E) are treated as main products and other platinum group and base metals produced as by-products, including chrome, which are not classified as inventory.

Stockpiles are measured by estimating the stockpiled tonnes, the number of contained 4E ounces based on assay data, and the estimated recovery percentage based on the expected processing method, but only if the stockpiles are considered material. Stockpile tonnages are also verified by periodic surveys.

In process and final inventories are carried at the lowest of average cost of normal production or purchase price and net realisable value.

Net realisable value tests are performed on a monthly basis and represent the expected sales price of the product based on prevailing spot metal prices at the reporting date, less estimated costs to complete production and bring the product to sale.

1.8 Provisions

Provisions are recognised when the company has a present obligation, whether legal or constructive, because of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised only when the reimbursement is virtually certain. The amount to be reimbursed is recognised as a separate asset.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

Decommissioning provision

Estimated long-term environmental obligations, comprising pollution control, rehabilitation and mine closure, are based on an independent assessment of the future commercial closure costs in compliance with current technology, environmental and regulatory requirements.

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 results 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 there is such an indication, the asset is tested for impairment by estimating its recoverable amount in accordance with the respective accounting policies.

Decommissioning liabilities are discounted over the period of the various mining rights.

Provision for restoration costs

Provision is made for the estimated cost to be incurred on long-term environmental obligations, comprising of 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.

Restoration liabilities are discounted over the period of the mining right, using an appropriate rate.

The Northam Platinum Restoration Trust Fund

The company may contribute 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 company's profit or loss in the period to which it relates.

The company controls the fund and therefore consolidates it.

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

1.9 Revenue recognition

Revenue from contracts with customers is recognised when control is transferred to the customer. Revenue is at the amount to which the entity expects to be entitled in exchange for those goods or services.

Precious and base metal sales

Revenue from platinum group metal (PGM) and base metal sales are generated from Northam, the ultimate holding company. Metals are sold based on a concentrate sale agreement whereby Northam purchases the metal based on a percentage of the average quoted price for the month of delivery.

No adjustments are accounted for relating to volume of product or price on PGM sales as all these inputs are finalised on delivery date, which is the date on which revenue is recognised.

Chrome sales

Revenue from chrome sales is recognised based on the initial assayed quantity of product; prevailing market prices and exchange rates. Revenue is accounted for when control has transferred to the customer on delivery and is based on the provisional pricing value which is the amount that reflects the best estimate of the consideration to which the company expects to be entitled in terms of the calculation of revenue to the end of the quotational period.

Payment on chrome sales is made based on the initial assayed quantity of product and related market inputs. Adjustments to the provisional pricing value occurs at the reporting date and on finalisation of the sales transaction. A provisional pricing derivative is recognised, when payment by the customer made on provisionally priced goods results in an effective overpayment due to fluctuations in market factors until final pricing is confirmed. A provisional pricing receivable is recognised when the initial payment by the customer on the provisionally priced goods resulted in an underpayment due to the fluctuations in market factors until final pricing is confirmed.

All fair value movements after the date of sale relating to provisionally priced amounts are recognised separately within revenue as revenue from fair value adjustments.

Sundry income (including treatment charges)

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

Investment revenue

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the company.

Dividends are recognised when the right to receive payment is established.

1.10 Borrowing costs

Borrowing costs are charged to finance charges.

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 intended use are complete. Other borrowing costs are recognised as an expense when incurred.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of the borrowing costs applicable to the borrowings of the company that are outstanding during the period.

1.11 Employee benefits

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. Accruals are made for accumulated leave and are measured at the amount that the company expects to pay when the leave is used.

Share incentive plan (including the lock-in mechanism shares)

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 three years with no performance criteria, and performance shares, which also 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 company initially measures the cost of cash-settled transactions with employees using a market value model to determine the fair value of the liability incurred.

For cash-settled share-based payment transactions, the liability needs to be re-measured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in the financial statements.

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.

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.

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' services terminate.

1.12 Leases

At the inception of the contract, the company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Company as lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises right-of-use liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The company recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of right-of-use liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within Property, plant and equipment.

Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of right-of-use liabilities is increased to reflect the unwinding of interest and reduced for the lease payments made (amortised cost using the effective interest rate method). In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset. A corresponding adjustment is made to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term and low-value leases

The company has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value assets. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Company as lessor

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

1.13 Taxation

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 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 as appropriate.

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 'initial recognition exception' applies; and in respect of 'outside' temporary differences relating to subsidiaries and associates.

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 'initial recognition exception' applies; and in respect of 'outside' temporary differences relating to subsidiaries and associates.

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 utilised.

Deferred income tax assets and liabilities are measured at the tax rates 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 as appropriate and not in profit or loss.

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

Dividends withholding tax

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

Uncertain tax positions

Judgements are required in respect of the application of existing tax laws in each jurisdiction and therefore the determination of the provision for income taxes.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax uncertainties based on the best estimate of whether additional taxes will be due.

Where the final tax outcome of any tax matters are different from the amounts that were initially reported, such differences will impact the income and deferred tax provisions in the period in which such determination is made.

In addition, future changes in tax laws in the jurisdictions in which the company operates could limit the ability of the company to obtain tax deductions in future periods.

1.14 Foreign currencies

The South African rand is the functional currency of the company.

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilites denominated in foreign currencies at year-end exchange rates are recognised in profit and loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as the date of the initial transaction.

2. Sales revenue

Sales revenue can be disaggregated into the following:

	30 June 2021	30 June 2020
	R000	R000
Revenue from contracts with customers	16 897 018	6 481 753
Revenue from fair value adjustments with regards to IFRS 9	(12 635)	8 896
	16 884 383	6 490 649

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

All revenue generated, except for revenue generated from the sale of chrome, is generated from Northam Platinum Limited, the holding company. PGMs are purchased based on a concentrate sales agreement whereby Northam Platinum Limited purchases the metal based on roughly 88% of the average quoted price for the month of delivery.

Sale of chrome

Contract terms for the company's sale of chrome allow for a price adjustment based on final assay results to determine the final metal content. These are referred to as provisional pricing arrangements, and are such that the selling price is based on prevailing spot prices on a specified future date after shipment to the customer (the quotational period (QP)). Adjustments to the sales price occur based on movements in quoted market prices as well as final assay results. The period between provisional invoicing and final invoicing can be between one to four months.

Revenue is recognised at the estimated fair value of the total consideration received or receivable when the concentrate is delivered, which is either when it passes to the buyers' trucks or delivered to the customers' premises.

Any subsequent adjustments relating to pricing adjustments are accounted for separately within revenue as fair value adjustments with regards to IFRS 9.

IFRS 15 states that if a contract is partially within the scope of this standard and partially in the scope of another standard, an entity will first apply the separation and measurement requirements of the other standard(s). Therefore, to the extent that provisional pricing features are considered to be in the scope of another standard, they will be outside the scope of IFRS 15 and entities will be required to account for these in accordance with IFRS 9.

Sales revenue comprises revenue from the following metals

	30 June 2021	30 June 2020
	R000	R000
Platinum	2 880 646	1 703 269
Palladium	3 449 859	1 833 018
Rhodium	9 134 862	2 184 801
Gold	65 031	57 199
Iridium	488 364	150 354
Ruthenium	272 926	120 326
Nickel	124 399	72 833
Copper	24 896	13 192
Chrome	443 400	355 657
	16 884 383	6 490 649

All revenue is generated in South Africa.

3. Operating costs

	30 June 2021 R000	30 June 2020 R000
On mine operations	3 487 488	2 350 782
Concentrator operations	759 298	604 720
Chrome processing	28 965	22 365
Selling and administration overheads	144 977	132 806
Royalty charges	770 833	30 845
Share-based payment expense	347 188	148 599
Employee profit share scheme	13 796	–
Rehabilitation	(5 071)	10 986
	5 547 474	3 301 103

The analysis of operating costs per the principal prime cost categories are as follows:

	30 June 2021 R000	30 June 2020 R000
Employee costs	1 611 642	1 136 532
Stores	1 578 535	1 071 865
Utilities	–	244 346
Utilities: Electricity cost	324 598	–
Utilities: Water cost	20 175	–
Sundries	378 075	315 039
Royalty charges	770 833	30 845
Share-based payment expenses (refer to note 26)	347 188	148 599
Employee profit share scheme	13 796	–
Ore material purchased from surface sources	–	6 805
Contractors	542 766	336 086
Rehabilitation (refer to note 22)	(5 071)	10 986
Development cost capitalised to property, plant and equipment	(35 063)	–
	5 547 474	3 301 103

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

The various components of operating costs as a percentage of total operating costs:

	30 June 2021	30 June 2020
	%	%
Employee costs	28.9	34.4
Stores	28.3	32.5
Utilities	–	7.4
Utilities: Electricity cost	5.8	–
Utilities: Water cost	0.4	–
Sundries	6.8	9.6
Royalty charges	13.8	0.9
Share-based payment expenses	6.2	4.5
Employee profit share scheme	0.2	–
Ore material purchased from surface sources	0.0	0.2
Contractors	9.7	10.2
Rehabilitation	(0.1)	0.3
	100.0	100.0

Details of utilities are provided for improved disclosure:

	30 June 2021	30 June 2020
	R000	R000
Utilities: Electricity cost	324 598	226 385
Utilities: Water cost	20 175	17 961
Utilities	344 773	244 346

4. Investment income

	30 June 2021	30 June 2020
	R000	R000
Interest received on cash and cash equivalents	54	297
Growth in Northam Platinum Restoration Trust Fund (refer note 13)	3 484	4 218
Deemed interest on the interest-free home loans	1 258	608
Interest received from SARS	112	293
Other	144	518
	5 052	5 934

Below is a reconciliation of interest recognised on the effective interest rate mentioned in comparison to investment income disclosed above:

	30 June 2021	30 June 2020
	R000	R000
Interest recognised on the effective interest rate method	5 052	5 934
Total investment income	5 052	5 934

5. Finance charges

	30 June 2021	30 June 2020
	R000	R000
Unwinding of rehabilitation liability (refer note 22)	(18 346)	(18 023)
Unwinding of Buttonshope liability (refer note 23)	(686)	–
Intercompany finance charges accrued to Northam Platinum Limited	–	(18 595)
Amounts capitalised in terms of IAS 23 Borrowing cost	–	18 595
Finance costs relating to lease liabilities (refer note 25)	(6 007)	(6 789)
Other	(3)	(5)
	(25 042)	(24 817)

6. Sundry income

	30 June 2021 R000	30 June 2020 R000
Sale of scrap	5 589	4 882
Rental income	–	–
Profit on disposal of property, plant and equipment	–	46
Environmental guarantee investment income (refer not 14)	742	300
Other	678	–
	7 009	5 228

7. Sundry expenditure

	30 June 2021 R000	30 June 2020 R000
Contribution to the Northam Booysendal Community Trust	(2 360)	(2 141)
Donations	(103)	(47)
Booysendal South care and maintenance	–	–
Land management	(8 146)	(6 855)
Contribution to the Buttonshope Conservancy Trust	(525)	(500)
Liability with regards to the Buttonshope Conservancy Trust contributions (refer to note 23)	–	(7 338)
Rent paid to the communities of Everest	–	–
Transition costs and standing time	(6 412)	(42 245)
Environmental guarantee costs (refer not 14)	(1 549)	(1 058)
Accommodation and housing expenses	(994)	(37)
Other sundry expenditure	(4 351)	(5 978)
	(24 440)	(66 199)

8. Taxation

	30 June 2021 R000	30 June 2020 R000
Normal tax		
Taxation relating to the current year	1 188 335	1 693
Prior year	(1 693)	(1 243)
Deferred tax		
Current year movement	1 567 714	683 064
Charge for the year	2 754 356	683 514

A reconciliation of the standard rate of South Africa tax compared with that charged in the statement of profit or loss and other comprehensive income is set out below:

	%	%
South African companies tax rate	28.0	28.0
Prior year	0.0	(1.8)
Exempt income received	0.0	–
Expenditure incurred which is not deductible	0.1	–
Effective tax rate	28.1	26.2

9. Property, plant and equipment

Property, plant and equipment balances are made up as follows:

	Shafts, mining development and infrastructure	Metallurgical and refining plants	Land and buildings	Other assets	Decommissioning and rehabilitation asset	Right-of-use assets	Assets under construction	Total
	R000	R000	R000	R000	R000	R000	R000	R000
Cost								
At 1 July 2019	7 409 385	2 095 483	119 455	170 299	52 626	–	289 672	10 136 920
Impact of adoption of IFRS 16 Leases	–	–	–	–	–	72 079	–	72 079
Reassessment of IFRS 16 Leases	–	–	–	–	–	(31)	–	(31)
Additions	–	–	–	–	–	–	1 129 397	1 129 397
Transfer from assets under construction	908 992	69 848	–	21 167	–	–	(1 000 007)	–
Disposals and write-offs	–	–	(77)	–	–	–	–	(77)
Recognition of decommissioning asset (refer note 22)	–	–	–	–	304	–	–	304
Borrowing costs capitalised	–	–	–	–	–	–	18 595	18 595
Closing cost as at 30 June 2020	8 318 377	2 165 331	119 378	191 466	52 930	72 048	437 657	11 357 187
Reassessment of IFRS 16 Leases	–	–	–	–	–	(400)	–	(400)
Additions	–	–	–	149	–	–	1 421 592	1 421 741
Transfer from assets under construction	1 067 526	115 799	–	22 775	–	–	(1 206 100)	–
Disposals and write-offs	–	–	–	–	–	–	–	–
Recognition of decommissioning asset (refer note 22)	–	–	–	–	9 952	–	–	9 952
Closing cost as at 30 June 2021	9 385 903	2 281 130	119 378	214 390	62 882	71 648	653 149	12 788 480

9. Property, plant and equipment continued

	Shafts, mining development and infrastructure R000	Metallurgical and refining plants R000	Land and buildings R000	Other assets R000	Decommissioning and rehabilitation asset R000	Right-of-use assets R000	Assets under construction R000	Total R000
Accumulated depreciation								
At 1 July 2019	(938 174)	(317 178)	(11 105)	(55 267)	(13 287)	–	–	(1 335 011)
Depreciation	(286 561)	(55 607)	(4 374)	(11 920)	(831)	(11 615)	–	(370 908)
Accumulated depreciation balance as at 30 June 2020	(1 224 735)	(372 785)	(15 479)	(67 187)	(14 118)	(11 615)	–	(1 705 919)
Depreciation	(409 002)	(80 725)	(4 410)	(13 555)	(1 534)	(10 661)	–	(519 887)
Accumulated depreciation balance as at 30 June 2021	(1 633 737)	(453 510)	(19 889)	(80 742)	(15 652)	(22 276)	–	(2 225 806)
Net carrying value at 30 June 2020	7 093 642	1 792 546	103 899	124 279	38 812	60 433	437 657	9 651 268
Net carrying value at 30 June 2021	7 752 166	1 827 620	99 489	133 648	47 230	49 372	653 149	10 562 674

A register containing the information required by regulations 25(3) of the Companies Regulations 2011 is available for inspection at the registered office of the company.

Significant judgements and estimates: Impairment of assets and assessment of cash generating units

The company assesses, at each reporting date, whether there are indications that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets then the recoverable amount is determined for the CGU. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment testing requires management to make significant judgements concerning the existence of impairment indicators, identification of CGUs and estimates of projected cash flows. Management's analysis of CGUs 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.

In assessing recoverable values, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining recoverable values, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly-traded companies or other available fair value indicators.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, 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.

The company bases its impairment calculation on approved budgets and forecast calculations. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year, over the life of the mine.

The determined recoverable value is most sensitive to commodity prices, the US dollar exchange rate and the discount rate. Other judgements made by management include: total capital expenditure, operating costs, production levels, inflation factors and life of mine.

The following key assumptions were made by management, which are based on management interpretation of market forecast and the future.

		30 June 2021	30 June 2020
Long-term real platinum prices	USD/oz	1 398	846
Long-term real palladium prices	USD/oz	2 249	1 817
Long-term real rhodium prices	USD/oz	17 991	7 267
Long-term real gold prices	USD/oz	1 529	1 544
Long-term real ruthenium prices	USD/oz	342	273
Long-term real iridium prices	USD/oz	5 397	1 453
Long-term real nickel prices	USD/t	16 192	9 027
Long-term real copper prices	USD/t	7 646	4 373
Long-term real chrome prices	USD/t	135	136
Long-term real exchange rate	ZAR/USD	R14.36	R15.47
Long-term real discount rate	%	10.00	12.00

All the above estimates are subject to risks and uncertainties including the achievement of mine plans, future commodity prices and exchange rates.

Management also estimated the recoverable amount of Mineral Resources (based on the in-situ 4E available ounces) outside the approved mine plans.
For those assets, the recoverable amount is calculated on a fair value less cost of disposal basis taking into account earlier binding sales agreements between market participants as well as the market capitalisation of platinum exploration companies relative to their resources base. Below is the value that has been attributable to the recoverable value of Mineral Resources:

		30 June 2021	30 June 2020
4E *in situ* available ounces value	USD/oz	11.93	4.33

As a result of increased market confidence, the market capitalisation of platinum exploration companies relative to their resources base has increased, resulting in an increased 4E in-situ available ounce valuation. Based on the impairment assessment performed by management, the recoverable values of all CGU's are higher than the carrying value and therefore no impairment required.

Impact of COVID-19 on impairment of assets and assessment of cash generating units

During the second half of F2020, COVID-19 resulted in production losses due to work stoppages followed by a phased restart of operations. By the end of F2020, operations at Booysendal and Eland had normalised, but only 80% of mining crews had been returned to production at Zondereinde.

These production losses negatively impacted our sales pipeline in the first quarter of the financial year, particularly in respect of Rhodium. This resulted in reduced cash flow and a lower basket price achieved than that indicated by production during the first half of the financial year. The sales volume impact normalised during the remainder of the financial year, whilst metal price appreciation throughout the year resulted in a positive revenue impact.

In light of the economic uncertainty related to the COVID-19 pandemic, management had developed and enacted a decisive, detailed and immediate action plan to protect the company and its employees. The action plan was focussed on cash preservation and a structured, steady return to normal operations. It included reducing and curtailing capital expenditure through the suspension or slowing down of a number of growth projects, including; the Booysendal South Merensky module, portions of number 3 shaft project at Zondereinde, as well as stoping ramp-up at Eland.

Due to the ongoing phased restart of Zondereinde, we expected to only achieve full production in the second half of this financial year.

By the end of December 2020, we had still not returned all employees to work at Zondereinde, having 90% of stoping crews active. All stoping crews only became active in March 2021. Despite this, we achieved production levels ahead of our trimmed targets due to significant improvements in crew productivity during the first half of the 2021 calendar year. Similar productivity gains were realised at Booysendal, both at the North mine, as well as in ramp-up of production from the South mine. Metal production from Eland mine has again been limited to that derived from processing of surface sources. Reduced availability of surface sources led to a negative impact on production at Eland.

Given greater certainty in metal markets, together with generally strong operational performance, we reinitiated all suspended or slowed growth capital projects in September 2020.

Looking forward and in light of the current third wave of COVID-19 infections, we maintain a cautious production outlook for the coming financial year. This is despite our solid operational performance. We have, accordingly, strengthened our debt position and retained our capacity to limit capital outflows related to our growth project pipeline should the need arise.

Appropriate sensitivity analysis has been performed and all key assumptions have been updated to take into account the ongoing impacts of the COVID-19 pandemic.

Despite the temporary pull back on growth capital expenditure, our growth strategy of developing low-cost, long-life operations remains firmly in place. This will benefit the company by improving our relative position on the sector cost curve.

Incorporating updated assumptions into the impairment assessment indicates that the recoverable value of all CGUs are still significantly higher than their carrying values and therefore no impairment is required.

Impact of COVID-19 on the recoverable amount of Mineral Resources (based on the in situ 4E available ounces) outside the approved mine plans

As part of the impairment assessment of the recoverable value of Mineral Resources, the impact of the COVID-19 pandemic was included in determining the valuation, as market information was used to evaluate the 4E in-situ ounce valuation.

Based on the valuation, taking into account market inputs, the recoverable value of all Mineral Resources was in excess of the carrying value and therefore there was no requirement for impairment.

10. Mining properties and mineral resources

	Mining properties R000	Mined mineral reserves R000	Unmined mineral reserves R000	Total R000
Cost				
At 1 July 2020	–	737 332	5 843 409	6 580 741
At 30 June 2021	–	737 332	5 843 409	6 580 741
Accumulated depreciation				
Opening balance as at 1 July 2020	–	(182 104)	–	(182 104)
Depreciation	–	(46 185)	–	(46 185)
At 30 June 2021	–	(228 289)	–	(228 289)
Net carrying value at 30 June 2021	–	509 043	5 843 409	6 352 452
Cost				
At 1 July 2019	–	737 332	5 843 409	6 580 741
At 30 June 2020	–	737 332	5 843 409	6 580 741
Accumulated depreciation				
Opening balance as at 1 July 2019	–	(153 563)	–	(153 563)
Depreciation	–	(28 541)	–	(28 541)
At 30 June 2020	–	(182 104)	–	(182 104)
Net carrying value at 30 June 2020	–	555 228	5 843 409	6 398 637

	30 June 2021 R000	30 June 2020 R000
Revaluation of mineral resources		
Original value of mineral resources	48 771	48 771
Revalued as at 31 December 2008	5 988 000	5 988 000
Revaluation of assets accounted for as:		
Non-distributable reserves	4 276 245	4 276 245
Deferred taxation at revaluation date	1 662 984	1 662 984
	5 939 229	5 939 229
Non-distributable reserve declared as a dividend in specie in prior years	(1 774 490)	(1 774 490)
Non-distributable reserve at year end	2 501 755	2 501 755

Mineral resources have been acquired in a number of transactions throughout the years:

Mvelaphanda unbundling transaction and the revalued mineral reserves included in the accounts of Micawber 278 Proprietary Limited	5 988 000	5 988 000
Acquisition of the additional De Brochen property	537 586	537 586
Acquisition of the Everest mining rights	55 155	55 155
	6 580 741	6 580 741

Significant judgements and estimates: Mineral Reserves and Mineral Resource estimates (life of mine)

The estimation of mineral reserves impacts depreciation and the recoverable value of assets.

Mineral Reserves are estimates of the amount of ore that can be economically and legally extracted from the company's mining properties. The company estimates its Mineral 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 require complex geological judgements to interpret the data. The estimation of recoverable Mineral 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 orebody. Changes in the Mineral Reserves estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, recognition of deferred tax assets (if any), and depreciation and amortisation charges. The company estimates and reports Mineral Reserves in line with the principles contained in the South African Code for Reporting of Mineral Resources and Mineral Reserves of 2007, revised in 2016 (SAMREC 2016).

Factors impacting the determination of Mineral Reserves and Mineral Resources estimates, include:

- the grade of Mineral Reserves, which may vary between estimations made and actual grade achieved
- commodity price estimations, which will be different to those actually achieved
- changes in discount rates and foreign exchange rate assumptions; and
- unforeseen changes in operating, mining, processing and refining costs.

Cognisance is also given to the mining licence tenure of the operations when the life of mine calculation is performed.

Refer to the Northam Holdings website, www.northam.co.za, for the detailed Mineral Resources and Mineral Reserves statement as at 30 June 2021.

Impact of COVID-19 on Mineral Reserve and Mineral Resource estimates (life of mine)

The impact of the COVID-19 pandemic does not affect the geological data informing the Mineral Reserves and Mineral Resources estimates.

Geological data takes into account the size, depth and shape of the ore body, and requires complex geological interpretation judgements, none of which are impacted by the COVID-19 pandemic.

The estimation of the recoverability of the Mineral Reserves takes into account market factors such as foreign exchange rates, commodity prices, future capital requirements, and production costs along with the geological assumptions and judgements discussed above.

These market related inputs take into consideration the impact of the COVID-19 pandemic on market valuation and hence the impact on assumptions used to value Mineral Reserves and Mineral Resources.

Based on the valuation performed the recoverable value of all Mineral Reserves and Mineral Resources are in excess of the carrying value and therefore no impairment is required as a result of the impact of the COVID-19 pandemic on market inputs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

11. Land and township development

	30 June 2021	30 June 2020
	R000	R000
Lydenburg extension 79 – Booysendal Platinum Proprietary Limited	45 656	51 218
Lydenburg extension 78 – Booysendal Platinum Proprietary Limited	6 046	6 045
	51 702	57 263

These properties have been acquired in order to assist the company's employees to acquire affordable housing.

12. Long-term receivables

	30 June 2021	30 June 2020
	R000	R000
Interest-free home loans	11 618	7 925
Current portion of interest-free home loans	(2 230)	(2 146)
	9 388	5 779

Long-term receivables comprise balances due by employees in respect of Booysendal's employee home ownership scheme under interest-free home loans provided to qualifying employees.

The interest-free home loans are non-interest bearing loans provided to qualifying employees. These loans provided to qualifying employees are solely based on a portion of the value of the property acquired by the employee and are repayable over a maximum of 20 years from grant date. The average remaining repayment period is between 10 and 20 years. Furthermore, these loans are secured by a second bond over the residential properties.

The table below summarises the payment terms of the company's long-term receivables:

	30 June 2021	30 June 2020
	R000	R000
Current portion	2 230	2 146
Due within one to five years	3 747	2 426
Due within five to ten years	3 092	1 979
More than ten years	2 549	1 374
	11 618	7 925

The interest-free home loans are not in default nor impaired. Monthly instalments relating to the interest-free home loans are deducted from employees' salaries on a monthly basis. Should an employee resign, the interest-free home loan needs to be settled in full.

All amounts in default have been impaired and therefore fully provided for.

Significant judgements and estimates – Long-term receivables and the Expected Credit Losses (ECL)

An assessment of the ECL relating to long-term receivables is undertaken in terms of the requirements of IFRS 9 Financial Instruments at every reporting period. The balance of outstanding receivables relating to the suspensive sale agreements are examined and the expected amounts which are considered to be unrecoverable based on the impairment policy of the company are provided for.

For all suspensive sale agreements, legal title to the houses remain with the company until full and final payment has been made. The houses therefore serve as security for these loans. In most instances the value of the security is more than the value of the outstanding loan balance relating to the suspensive sale agreements.

The following specific judgements and estimates are applied by management in determining the potential impairment:

Interest-free home loans

- No amounts relating to the current interest-free home loans have been provided for as they are neither in default nor impaired and with no historical impairment on these loans. There has been no significant deterioration in credit quality and the probability of default has been assessed as minimal.

- Should an employee resign, the interest-free home loan needs to be settled in full. For these employees, the outstanding amounts are provided for in full until the payment arrangement has been completed. These loans are secured by a second bond over the property and the probability of default has been assessed as minimal.

Impact of COVID-19 on Long-term receivables and the Expected Credit Losses (ECL)

The volatility of prevailing interest rates due to the COVID-19 pandemic, and the corresponding impact on the recoverability of long-term receivables should be considered as part of the determination of ECL.

Long-term receivables relate to balances due by employees in respect of Northam's home ownership programme under suspensive sale agreements and interest-free home loans to qualifying employees.

For suspensive sale agreements, the legal title for those properties remain with the company until full and final settlement occurs and therefore serves as security for these receivables until full payment has been received.

Interest-free home loan repayments are deducted from employees' salaries on a monthly basis and are secured with a second mortgage bond over the property. In the event of an employee resigning, any outstanding balance is required to be settled in full.

When considering the impact of the COVID-19 pandemic, the probability of the recoverability of these assets remains high.

All overdue amounts are provided for in terms of IFRS 9 Financial Instruments at the end of every reporting period and amounts recognised as receivables are those amounts still estimated to be recoverable. Therefore, consideration to the impact of the COVID-19 pandemic has been taken into account in the ECL model assessment, with additional anticipated losses due to the COVID-19 pandemic being provided for in line with the 3-stage assessment approach.

The impact of the COVID-19 pandemic has therefore been included in the assessment of all outstanding balances, however the impact has been assessed as negligible.

13. Investments held by Northam Platinum Restoration Trust Fund

The group contributed to a dedicated environmental restoration trust fund to provide for the estimated decommissioning and environmental restoration cost at the end of the operation's life:

The balance of the fund comprises:

	30 June 2021	30 June 2020
	R000	R000
Balance at the beginning of the year	64 366	60 040
Income earned during the year (refer note 4)	3 649	4 326
Balance at the end of the year	68 015	64 366

This investment, which mainly consists of cash, is separately administered and the group's right of access to these funds is restricted. The investment is managed by Stanlib Collective Investments (RF) Limited, and is made up of a fixed number of units which trades at specific values as noted below.

	30 June 2021	30 June 2020
	R000	R000
Stanlib Balanced Fund R	1 138	976
Stanlib Income Fund B2	46 265	42 778
Stanlib Institutional Money Market Fund B3	20 612	20 612
Balance at the end of the year	68 015	64 366

The Northam Platinum Restoration Trust Fund was established in 1996 to assist the group in making financial provision for the environmental rehabilitation of the mine, in terms of the Minerals and Petroleum Resources Development Act, No. 28 of 2002, upon cessation of its mining operations.

Contributions relating to rehabilitation will no longer be limited to contributions to the Northam Platinum Restoration Trust Fund. The group may make use of any approved financial vehicles in terms of regulations and legislation, also see note 14.

For details with regards to the rehabilitation and decommissioning liability provision, refer to note 22.

Below is the accrued interest relating to the investment held by Northam Platinum Restoration Trust Fund which was included in Trade and other receivables (refer to note 18).

	30 June 2021	30 June 2020
	R000	R000
Accrued interest relating to the Northam Platinum Restoration Trust Fund	647	812
	647	812

14. Environmental guarantee investments

The investment held with regards to the environmental guarantee investment was issued in terms of guarantees relating to the company's environmental liability. The investment as noted below has been provided as security for guarantees issued.

The balance of the fund comprises:

	30 June 2021	30 June 2020
	R000	R000
Opening balance	15 616	10 898
Contributions made during the year	–	5 476
Income earned during the year (net of fees)	742	300
Expenses and fees	(1 549)	(1 058)
	14 809	15 616

The assets, which mainly consist of cash, are separately administered and the company's right of access to these funds is restricted.

This investment is managed by Guardrisk Insurance Company Limited and Centriq Insurance Company Limited.

The future value of the environmental obligation could either be paid over to the Northam Platinum Restoration Trust Fund over the remaining life of the various operations, or through other financial provisions, insurance or financial products as approved by the Department of Mineral Resources and Energy in terms of The South African National Environmental Management Act, No.107 of 1998 (NEMA).

The environmental obligation will be financed, other than the amounts already covered by the investment held through the Northam Platinum Restoration Trust Fund, either by way of guarantees or other insurance products and not through cash contributions to the Northam Platinum Restoration Trust Fund, due to the uncertainty created by changes in legislation.

The group procures the issue of guarantees in respect of the unfunded decommissioning and restoration costs, not covered by the investment held through the Northam Platinum Restoration Trust Fund.

Below is a summary of the various environmental guarantees issued:

	30 June 2021	30 June 2020
	R000	R000
GR/G/20396/0311/0011	65 900	65 900
GR/G/20396/0315/0232	25 000	25 000
GR/G/20396/0417/0434	1 908	1 908
GR/G/20396/0517/0459	2 085	2 085
GR/G/02396/0618/0535	2 267	2 267
GR/G/02396/0618/0536	1 267	1 267
CQ/G/30381/0621/012	64 044	–
GR/G/20396/0421/0791	61 065	–
Total guarantees relating to Booysendal Platinum Proprietary Limited	223 536	98 427

15. Long-term prepayment

In terms of the aerial ropeway manufacturer agreement with Doppelmayr Transport Technology GmbH, a prepayment had to be made in terms of the manufacturing costs. These amounts will be transferred to property, plant and equipment as and when construction has been signed over by the contractor.

	30 June 2021	30 June 2020
	R000	R000
Opening balance	–	563
Amounts paid to Doppelmayr Transport Technology GmbH	–	759
Amounts transferred to property, plant and equipment	–	(1 322)
	–	–

All prepayments in terms of the agreement have come to an end, and the contracts have been concluded and completed.

16. Inventories

	30 June 2021	30 June 2020
	R000	R000
Metals on hand and in transit:		
Platinum	78 164	47 865
Palladium	98 041	56 692
Rhodium	262 277	75 448
Gold	1 641	1 822
Total metal inventories	440 123	181 827
Consumables at costs	159 501	138 729
Total inventories at the lower of cost and net realisable value	599 624	320 556

Below is a breakdown of inventory disclosed as own production and purchased material:

	Own production 30 June 2021	Purchased material 30 June 2021	Total metal inventories 30 June 2021
	R000	R000	R000
Platinum	77 258	906	78 164
Palladium	96 554	1 487	98 041
Rhodium	256 482	5 795	262 277
Gold	1 638	3	1 641
Total metal inventory	431 932	8 191	440 123

	Own production 30 June 2020	Purchased material 30 June 2020	Total metal inventories 30 June 2020
	R000	R000	R000
Platinum	47 865	-	47 865
Palladium	56 692	-	56 692
Rhodium	75 448	-	75 448
Gold	1 822	-	1 822
Total metal inventory	181 827	-	181 827

	Own production 30 June 2021	Purchased material 30 June 2021	Total metal inventories 30 June 2021
	R000	R000	R000
Change in metal inventory for the year	250 105	8 191	258 296

	Own production 30 June 2020	Purchased material 30 June 2020	Total metal inventories 30 June 2020
	R000	R000	R000
Change in metal inventory for the year	141 062	-	141 062

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Below is a breakdown of inventory disclosed as own production and purchased material:

	Own production 30 June 2021	Purchased material 30 June 2021	Total metal inventories 30 June 2021
	oz	oz	oz
Platinum	25 470	64	25 534
Palladium	13 064	41	13 105
Rhodium	4 483	22	4 505
Gold	328	1	329
4E	43 345	128	43 473

	Own production 30 June 2020	Purchased material 30 June 2020	Total metal inventories 30 June 2020
	oz	oz	oz
Platinum	9 542	-	9 542
Palladium	4 842	-	4 842
Rhodium	1 539	-	1 539
Gold	166	-	166
4E	16 089	-	16 089

Metal inventory quantities on hand is allocated as follows:

	30 June 2021	30 June 2020
	oz	oz
Ore stockpile inventory	15 988	13 356
Concentrate in process	27 485	2 733
4E	43 473	16 089

The cost of sales figure disclosed in the statement of profit or loss and other comprehensive income approximates the cost of inventory expensed.

Included in cost of sales are R Nil (30 June 2020: R Nil) relating to metal inventory that was written down to net realisable value. Consumables to the value of R Nil (30 June 2020: R 36.6 million) was written off during the year.

All inventory over and above pipeline material is considered excess inventory. No inventories are encumbered.

Significant estimates: Net realisable value and measurement of inventory

Work in progress metal inventory is valued at the lower of net realisable value and the average cost of production less net revenue from sales of by-products in the ratio of the contribution of these metals to gross sales revenue. Production costs are allocated to platinum, palladium, rhodium and gold (joint products) by dividing the mine output into total mine production costs, determined on a six-month average basis except for concentrates purchased which are recognised at the cost at which it is purchased. The quantity of ounces of joint products in work in progress is calculated based on the following factors: Theoretical inventory is calculated by adding the inputs to the previous physical inventory and then deducting the outputs for the inventory period. The inputs and outputs include estimates due to the delay in finalising analytical values. The estimates are subsequently trued up to the final metal accounting quantities when available. The theoretical inventory is then converted to a refined equivalent inventory by applying appropriate recoveries depending on where the material is within the production pipeline. The recoveries are based on actual results as determined by the inventory count and are in line with industry standards.

The nature of the production process inherently limits the ability to precisely measure recoverability levels. As a result, the metallurgical balancing process is constantly monitored and the variables used in the process are refined based on actual results over time.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained 4E ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method. Stockpile tonnages are also verified by independent third-party surveyors.

Non-current inventory is determined as inventory that will not be sold within the next 12 months.

Below is a summary of the commodity prices and exchange rate used to determine the net realisable value of inventories:

		30 June 2021	**30 June 2020**
Platinum	USD/oz	1 077	813
Palladium	USD/oz	2 623	1 894
Rhodium	USD/oz	20 275	8 145
Gold	USD/oz	1 776	1 752
Closing exchange rate at year end	ZAR/USD	R14.28	R17.33

Impact of COVID-19 on the valuation of inventory

The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The actual level of production may be used if it approximates normal capacity. The amount of fixed overheads allocated to each unit of production is not increased as a consequence of low production or an idle plant. Unallocated overheads are recognised as an expense in the period in which they are incurred.

The initial lockdown in the previous financial year resulted in periods of limited to no production, with fixed overhead costs still being incurred which should not be allocated to the cost of inventories. The valuation of inventory does not include these abnormal fixed overheads as a consequence of low production volumes. Concentrates purchased continue to be valued at the cost of acquisition.

Inventory is further required to be assessed at each reporting period for possible write downs due to net realisable values being lower than the costs allocated to inventory.

Net realisable value tests are performed on a monthly basis and represent the expected selling prices which are based on prevailing market prices, less estimated costs to complete production and to bring the product to sale. All net realisable value adjustments have been disclosed.

17. Loans to group companies

	30 June 2021	30 June 2020
	R000	R000
Amounts due by Northam Platinum Limited	9 630 124	1 331 532
	9 630 124	1 331 532

The amounts due by Northam Platinum Limited, the holding company, does not attract any interest and is payable on demand.

18. Trade and other receivables

	30 June 2021 R000	30 June 2020 R000
Trade receivables	17 194	6 504
Provisional pricing receivables	58 179	87 825
Prepayments and deposits	5 057	5 829
Accrued interest	647	812
South African Revenue Service – Mineral royalties	58 366	271
Current portion of interest-free home loans to employees	2 230	2 146
Other	1 008	1 357
	142 681	104 744

Trade and other receivables are non-interest bearing and generally on 30-day terms. As at 30 June 2021 there were no trade receivables that were impaired or fully provided for (2020: R Nil). There were no trade receivables that were past due and impaired.

Prepayments relates to amounts repaid on insurance as well as machinery and equipment.

The carrying value of trade and other receivables approximate the fair value, due to their short-term nature.

The company did not have exposure to foreign currency denominated balances as at 30 June 2021 (2020: R Nil).

Provisional pricing receivables are made up as follows:

	30 June 2021 R000	30 June 2020 R000
Chrome provisional receivables	58 179	87 825
Provisional pricing receivables	58 179	87 825

Chrome provisional receivables are settled within 45 days from date of delivery.

The table below summarises the maturity profile of the company's trade and other receivables:

	30 June 2021 R000	30 June 2020 R000
Current	28 559	51 853
30 – 60 days	50 717	50 362
60 – 90 days	80	2 504
More than 90 days*	63 325	25
	142 681	104 744

**Management considers this amount to be fully recoverable*

Provisional pricing receivables

Chrome sales allow for price adjustments based on the market price at the end of the relevant quotational period stipulated in the sales agreements. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after delivery to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the quotational period. The period between provisional invoicing and the end of the quotational period can be between one and four months.

Provisional pricing receivables are non-interest bearing, but are exposed to future commodity price movements over the quotational period and measured at fair value up until the date of settlement. Provisional pricing receivables are initially measured at the amount which the company expects to be entitled, being the estimate of the price expected to be received at the end of the quotational period.

The full value of the provisional invoice relating to chrome sales is received in cash a month after delivery, any negative movement in the chrome price could therefore result in amounts required to be refunded to the customer (refer note 28 and 29).

Significant estimate: Trade and other receivables and Expected Credit Losses (ECL)

The company applies the simplified approach in calculating ECLs and therefore recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The company considered historical loss experiences, adjusted for forward looking factors, that could indicate impairments taking into account the specific debtor and economic environment.

Chrome debtor balances are held with only a limited number of selected premium customers and are generally on 45-day terms with no historical defaults.

Trade receivables have been assessed for expected credit losses, and the effect is considered to be negligible due to the company's history of recovery of these balances; as well as the credit rating of the customers that these balances are held with.

The assessment of the correlation between historical observed recovery rates, forecast economic conditions and ECLs is an estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Impact of COVID-19 on Trade and other receivables and ECL

Increased uncertainty in financial market and the economy as a whole, has increased the risk of default on all financial assets, including trade and other receivables.

The company trades only with recognised, creditworthy third parties. It is the company'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 company's exposure to bad debts is not significant.

Sales are only made to customers with an appropriate credit history.

A detailed assessment was performed to confirm the recoverability of trade and other receivables at year end and all balances are considered recoverable.

19. Cash and cash equivalents

	30 June 2021	30 June 2020
	R000	R000
Cash at bank and on hand	344	391
	344	391

Cash at bank earns interest at floating rates based on daily bank deposit rates.

For the purpose of the statement of cash flows, cash and cash equivalents comprise only the above balances as the company had no bank overdraft.

The carrying value approximates fair value.

Also refer to note 35 for fair value and financial risk disclosure.

20. Stated capital

	30 June 2021	30 June 2020
	R000	R000
Authorised share capital		
1 000 ordinary shares of no par value		
Issued share capital and fully paid		
284 no par value shares issued	8 675 932	8 675 932

All issues shares have been issued to Northam Platinum Limited.

21. Deferred taxation

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

	30 June 2021	30 June 2020
	R000	R000
Deferred tax liability		
Revaluation of assets	(1 605 294)	(1 616 965)
Property, plant and equipment	(2 925 718)	(1 257 903)
Metal inventory	(19 300)	–
Restoration Trust Fund	(19 044)	(18 022)
	(4 569 356)	(2 892 890)
Deferred tax asset		
Employee benefits relating to leave provision	61 593	38 154
Decommissioning and environmental restoration provision	66 233	59 729
Share-based payment liability	141 858	58 047
Deferred income	9 791	12 576
Lease liability	15 958	18 219
Other	2 099	2 055
	297 532	188 780
Net deferred tax liability	(4 271 824)	(2 704 110)

The charge in the deferred tax balance is reconciled as follows

	30 June 2021	30 June 2020
Deferred tax liability at the beginning of the year	(2 704 110)	(2 021 046)
Charge for the year:	(1 567 714)	(683 064)
Metal inventory	(19 300)	1 338
Restoration Trust Fund	(1 022)	(1 211)
Revaluation of assets	11 671	46 019
Property, plant and equipment	(1 667 815)	(795 668)
Employee benefits relating to leave provision	23 439	11 560
Decommissioning and environmental restoration provision	6 504	8 208
Share-based payment liability	83 811	29 117
Deferred income	(2 785)	(2 701)
Lease liability	(2 261)	18 219
Other	44	2 055
	(4 271 824)	(2 704 110)

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22. Long-term provisions

	30 June 2021	30 June 2020
	R000	R000
Opening balance	213 318	184 005
Change in decommissioning estimate (refer to note 9)	9 952	304
Change in restoration estimate	(5 071)	10 986
Unwinding of discount (refer to note 5)	18 346	18 023
	236 545	213 318

Below is a breakdown of the rehabilitation provision:

Provision for decommissioning costs

Opening balance	120 789	109 740
Change in estimate (refer to note 9)	9 952	304
Unwinding of discount (refer to note 5)	10 388	10 745
	141 129	120 789

Provision for restoration costs

Opening balance	92 529	74 265
Change in estimate	(5 071)	10 986
Unwinding of discount (refer to note 5)	7 958	7 278
	95 416	92 529
Total rehabilitation provision	236 545	213 318

The future value of the environmental obligation could either be paid over to the Northam Platinum Restoration Trust Fund over the remaining life of the operation, or through other financial provisions, insurance or financial products as approved by the Department of Mineral Resources and Energy in terms of legislation.

The environmental obligation will be financed either by way of guarantees or other insurance products and not through cash contributions to the Northam Platinum Restoration Trust Fund, due to the uncertainty created by changes in legislation.

The company has procured the issue of guarantees in respect of the unfunded decommissioning and restoration costs, not covered by the investment held through the Northam Platinum Restoration Trust Fund.

Refer to note 13 and 14 for further details on the Northam Platinum Restoration Trust Fund as well as the various environmental guarantees taken out.

Significant judgements and estimates: Determination of the rehabilitation and decommissioning liabilities

Booysendal Platinum Proprietary Limited's mining activities are subject to extensive environmental laws and regulations. These laws and regulations are continually changing and are generally becoming more restrictive. Booysendal Platinum Proprietary Limited has incurred, and expects to incur in future, expenditure to comply with such laws and regulations, but cannot predict the full amount of such expenditure. Estimated future rehabilitation costs are based on current legal and regulatory requirements.

The South African National Environmental Management Act, No.107 of 1998 (NEMA), as well as the Mineral and Petroleum Resources Development Act No 28 of 2002 (MPRDA), which apply to all prospecting and mining operations, require that operations are carried out in accordance with generally accepted principles of sustainable development. It is a MPRDA requirement that an applicant for a mining right must make prescribed financial provision for the rehabilitation or management of negative environmental impacts, which must be reviewed annually.

In terms of NEMA, mining operations are required to make financial provision for decommissioning and restoration costs that will be incurred upon the cessation of mining activities.

The company makes full provision for the future commercial cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The restoration and decommissioning provision represents the present value of rehabilitation and decommissioning costs relating to mine sites, which is expected to be incurred in subsequent years. These provisions have been based on assessments prepared by an independent third party expert, SRK Consulting (South Africa) Proprietary Limited, with the Principal Scientist being James Lake Pr Sci Nat, Msc (Geochemistry).

The provision is based on the current best estimate for rehabilitation and decommissioning costs and is determined using commercial closure cost assessments and not the Department of Mineral Resources and Energy published rates. Management believes using commercial closure cost assessments more accurately reflects the potential future costs and therefore the liability. The commercial closure costs assessment is significantly more than what the liability would have been should the current published Department of Mineral Resources and Energy rates have been used.

Financial provision is not however required to be made for the decommissioning of certain structures, such as housing, which may have an alternative use.

The present value of the environmental restoration obligation was determined by applying a pre-tax discount rate of 8.6% (30 June 2020: 8.6%) and a long-term inflation rate of 6.0% (30 June 2020: 6.0%) over the remaining life of the various mines.

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial results. Furthermore, the timing of rehabilitation will likely depend on when the various operations cease to produce at economically-viable rates which will, in turn, depend on future commodity prices and exchange rates, which are inherently uncertain.

On 20 November 2015, NEMA Financial Provisioning Regulations, 2015 (2015 Regulations) were promulgated, resulting in significant changes from the requirements contained in the MPRDA.

The 2015 Regulations were immediately applicable to applicants for a prospecting right, mining permit, mining right, exploration right or production right (i.e. "new" applicants). In terms of the 2015 Regulations' transitional provisions, holders of a right or permit were able to elect to comply either within three months of their financial year-end or 15 months from promulgation of the 2015 Regulations. Due to an outcry from the minerals industry around the practical implications of complying within such a limited timeframe, holders of a right or permit were initially granted an extended transitional period of 39 months from the 2015 Regulations' date of promulgation to comply.

In 2019, the Department of Environment, Forestry and Fisheries published a second set of new draft financial provision Regulations (2019 Draft Regulations), which would result in a complete overhaul of the 2015 Regulations. The 2019 Draft Regulations have yet to be promulgated. The 2015 Regulations' transitional period was further extended for holders of a right or permit to 19 June 2022. It is anticipated that the proposed 2019 Draft Regulations will be published into law prior to this date.

The company will comply with the relevant financial provision Regulations when required to do so.

Impact of COVID-19 on determination of the rehabilitation and decommissioning liabilities

The provision for estimated future rehabilitation and decommissioning costs is reviewed annually, updated for current and expected future market conditions, including the impact of the COVID-19 pandemic, and discounted to a present value for disclosure in the financial statements. The provision is based on the current best estimate of future costs required. The assessment is subject to assumptions and inputs which are open to judgement and estimation.

Updates to the assessment, which incorporate the COVID-19 pandemic, included updates to the pre-tax discount rate as well as the long-term inflation rate, which has been updated accordingly taking into account market assumptions as at 30 June 2021.

23. Long-term liabilities

	30 June 2021	30 June 2020
	R000	R000
Buttonshope Conservancy Trust Liability	7 499	7 338
Current portion of Buttonshope Conservancy Trust Liability	(550)	(525)
	6 949	6 813

Booysendal Platinum Proprietary Limited will donate a fixed amount of R400 000 per annum, with effect from F2016, regardless of the operational performance with a fixed increase of R25 000 per annum. During the current year an amount of R525 000 was donated (30 June 2020: R500 000).

The long-term liabilitiy is made up as follows:

	30 June 2021	30 June 2020
	R000	R000
Opening balance	7 338	–
Liability raised during the current year	–	7 838
Unwinding of Buttonshope liability	686	–
Less amounts paid during the current year	(525)	(500)
	7 499	7 338

24. Long-term loans

	30 June 2021	30 June 2020
	R000	R000
Security of supply contribution	34 967	44 913
Current portion of security of supply contribution	(8 834)	(9 946)
	26 133	34 967

The security of supply contribution relates to amounts received to guarantee the supply of future product. These amounts will be recognised over the guaranteed supply period, which commenced during the 2017 financial year.

No further amounts will be received with regards to the security of supply contributions. Amounts previously received were once-off arrangements between the company and the customer.

Below is a reconciliation of the security of supply contribution liability:

	30 June 2021	30 June 2020
	R000	R000
Opening balance	44 913	54 859
Amounts recognised in operating cost as a credit to contractors' costs (refer note 3)	(9 946)	(9 946)
Closing balance security of supply contribution	34 967	44 913

25. Lease liability

	30 June 2021	30 June 2020
	R000	R000
Opening balance	65 068	72 079
Change in lease terms	(400)	(31)
Unwinding of interest	6 007	6 789
Payments made	(13 681)	(13 769)
Total lease liability	56 994	65 068
Current portion of lease liability	(11 216)	(13 199)
Non-current portion of lease liability	45 778	51 869

The following are the amounts recognised in profit or loss:

	30 June 2021	30 June 2020
	R000	R000
Depreciation expense for right-of-use assets (refer note 9)	10 661	11 615
Finance costs relating to lease liabilities (refer note 5)	6 007	6 789
Expenses relating to leases of low-value asset	4 175	10 760
	20 843	29 164

The lease liability relates to leases for accommodation and a notarial agreement of lease of land.

Leases relating to accommodation are generally between five and ten years, with options to renew for an additional five years.

The notarial agreement for lease of land relating to Booysendal Platinum Proprietary Limited is for life of mine and payable to the Bakoni Ba Phetla Communal Property Association.

Booysendal Platinum Proprietary Limited also has certain leases of assets with low value, relating to leases for information technology and office equipment. The company has applied the lease of low-value assets recognition exemptions for these assets under IFRS 16.

Refer to note 9 Property, plant and equipment for a reconciliation on the right-of-use assets.

The maturity analysis of the right-of-use liabilities are disclosed in note 35 Financial risk management objectives and policies.

Significant estimate: Estimating the incremental borrowing rate

The company cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure right-of-use liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the company would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The company estimates the IBR using observable inputs when available and considers certain contract and entity-specific judgements such as the lease term and company credit ratings.

26. Share-based payment liability

	30 June 2021 R000	30 June 2020 R000
Total share-based payment liability	506 637	207 312
Short-term share-based payment liability	(210 423)	(51 681)
Long-term share-based payment liability	296 214	155 631

The movement in the share-base payment liability is made up as follows:

	30 June 2021 R000	30 June 2020 R000
Opening balance	207 312	103 321
Share-based payment expense during the year (refer note 3)	347 188	148 599
Performance and retention shares cash settled during the year	(47 863)	(44 608)
Total share-based payment liability	506 637	207 312

The short-term portion is based on the shares which will be settled or expire in the next 12 months. All other share-based payment liabilities are disclosed as non-current due to the contractual terms as per the share incentive plan (SIP).

Share incentive plan (SIP)

The SIP was approved in 2011 when shareholders approved that the Northam share option scheme be discontinued and replaced by the SIP, as the scheme no longer served the primary purpose of attracting and retaining employees.

In order to avoid any future dilution, all shares will either be cash settled or equity settled through purchases in the open market. Currently all shares are treated as cash settled.

The social, ethics, human resources and transformation (SEHR&T) committee shall be entitled to determine that a participant shall receive the settlement amount in lieu of receiving the conditional shares (including BEE transaction conditional shares) on settlement.

The SEHR&T committee, which is charged with overseeing the group's remuneration policy, reviews the performance criteria annually and revises them as economic and operational circumstances dictate.

Refer to the Remuneration Report for further details of the SIP and the various elements associated with the SIP.

Below is an analysis of share incentives held:

Retention shares

	8 Nov 2016 Share award	2 Nov 2017 Share award	6 Nov 2018 Share award	8 Nov 2019 Share award	31 Oct 2020 Share award	Total
Balance 1 July 2020	–	101 700	174 000	107 055	–	382 755
Shares awarded during the year	–	–	–	–	73 860	73 860
Shares forfeited	–	–	(5 400)	(3 465)	(3 840)	(12 705)
Shares cash settled during the year	–	(101 700)	(7 500)	(5 315)	(670)	(115 185)
Balance at 30 June 2021	–	–	161 100	98 275	69 350	328 725
Balance 1 July 2019	109 300	139 800	225 800	–	–	474 900
Shares awarded during the year	–	–	–	120 155	–	120 155
Shares forfeited	(3 100)	(2 900)	(18 300)	(8 940)	–	(33 240)
Shares cash settled during the year	(106 200)	(35 200)	(33 500)	(4 160)	–	(179 060)
Balance at 30 June 2020	–	101 700	174 000	107 055	–	382 755

Performance shares

	8 Nov 2016 Share award	2 Nov 2017 Share award	6 Nov 2018 Share award	8 Nov 2019 Share award	31 Oct 2020 Share award	Total
Balance 1 July 2020	–	300 400	528 000	321 940	–	1 150 340
Shares awarded during the year	–	–	–	–	221 670	221 670
Shares forfeited/adjusted for performance conditions met during the year	–	(169 726)	(16 400)	(10 440)	(11 520)	(208 086)
Shares cash settled during the year	–	(130 674)	(22 800)	(15 970)	(2 010)	(171 454)
Balance at 30 June 2021	–	–	488 800	295 530	208 140	992 470
Balance 1 July 2019	323 200	413 000	684 700	–	–	1 420 900
Shares awarded during the year	–	–	–	361 350	–	361 350
Shares forfeited/adjusted for performance conditions met during the year	(9 200)	(8 500)	(55 600)	(26 920)	–	(100 220)
Shares cash settled during the year	(314 000)	(104 100)	(101 100)	(12 490)	–	(531 690)
Balance at 30 June 2020	–	300 400	528 000	321 940	–	1 150 340

The shares awarded in terms of the rules of the SIP comprise: retention shares, which vest after three years from grant date with no performance criteria, and performance shares, which vest after three years from grant date. The final number of performance shares that an employee will receive will be subject to certain performance criteria being met, which includes safety, production, unit cash cost and share performance.

The SEHR&T committee elects the settlement of all SIP awards of conditional shares in cash or with shares. Currently all shares are expected to be settled in cash and is therefore treated as cash settled.

All awards that had not yet vested but were cash-settled during the year under review relate to employees who retired or passed away.

The following table lists the inputs to the model used for the valuation of the share-based payment liability for the year ended 30 June 2021:

	6 Nov 2018	6 Nov 2018	8 Nov 2019	8 Nov 2019	31 Oct 2020	31 Oct 2020
	Retention shares	Performance shares	Retention shares	Performance shares	Retention shares	Performance shares
Dividend yield (%)	–	–	–	–	–	–
Forfeiture rate (%)	10.0	10.0	10.0	10.0	10.0	10.0
Expected life of share awards (years)	0.35	0.35	1.34	1.34	2.34	2.34
30-day VWAP (R/share)	R220.33	R220.33	R220.33	R220.33	R220.33	R220.33
Model used*	Market value	Market value	Market value	Market value	Market value	Market value
Valuation per share award (R/share)	R212.96	R212.96	R193.86	R193.86	R176.23	R176.23

**Given that the value of the shares will be paid out, and not just the growth in the price, an option valuation model is not appropriate, therefore the 30-day VWAP at year-end adjusted for dividends forfeited during the vesting period was used.*

The following table lists the inputs to the model used for the valuation of the share-based payment liability for the year ended 30 June 2020:

	2 Nov 2017	2 Nov 2017	6 Nov 2018	6 Nov 2018	8 Nov 2019	8 Nov 2019
	Retention shares	Performance shares	Retention shares	Performance shares	Retention shares	Performance shares
Dividend yield (%)	–	–	–	–	–	–
Forfeiture rate (%)	10.0	10.0	10.0	10.0	10.0	10.0
Expected life of share awards (years)	0.34	0.34	1.35	1.35	2.34	2.34
30-day VWAP (R/share)	R108.10	R108.10	R108.10	R108.10	R108.10	R108.10
Model used*	Market value	Market value	Market value	Market value	Market value	Market value
Valuation per share award (R/share)	R104.63	R104.63	R95.05	R95.05	R86.52	R86.52

**Given that the value of the shares will be paid out, and not just the growth in the price, an option valuation model is not appropriate, therefore the 30-day VWAP at year-end adjusted for dividends forfeited during the vesting period was used.*

The expected life is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the incentive shares is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

Vesting of BEE CPS will occur 30 business days after the date on which the BIP performance condition is fulfilled (which is expected to be 18 May 2025) or, in the event that vesting of the BEE CPS is accelerated in certain exceptional instances, as set out in the current rules in relation to conditional shares, including a change of control of Northam or an earlier date determined in accordance with the rules.

	30 June 2021	30 June 2020
	Number of awards	Number of awards
Opening balance	200 000	200 000
Incentive mechanism shares awarded during the year	200 000	–
Zambezi Platinum (RF) Limited lock-in incentive mechanism share awards	400 000	200 000

The implementation of the Zambezi BEE Transaction resulted in a number of significant benefits for the group including compliance with the required empowerment criteria in terms of the Mineral Petroleum Resources Development Act, No. 28 of 2002 and the Mining Charter, as well as a significant cash injection to fund both acquisitions and organic growth.

However, the Northam Guarantee to the holders of the Zambezi Preference Shares may have resulted in a dilution for Northam Shareholders, eroding shareholder value as a result.

Therefore, at the request of Shareholders, Northam introduced a management incentive plan on implementation of the Zambezi BEE Transaction in 2015.

This was to align the interest of Northam's management with Northam Shareholders and was linked to the Zambezi BEE Transaction. Maturity of the Zambezi BEE Transaction would have accelerated vesting.

The lock-in and incentive mechanism aligns the long-term interest of the participants with those of Northam Shareholders through equity participation. It forms part of the SIP and will reward management for the successful delivery and implementation of the Group's BEE Transaction.

Vesting was previously subject to the satisfaction of the performance condition that Zambezi fully settles the redemption amount; and fully settles or makes adequate provision for all its tax liabilities arising from settlement of the redemption amount, on the basis that no Northam Guarantee liability will arise and no member of the group will be required to give any direct or indirect financial assistance for the purpose of, or in connection with, the settlement of the redemption amount.

In terms of the incentive mechanism share awards, a maximum aggregate of five million shares could be awarded.

During the year under review, the social, ethics, human resources and transformation committee awarded incentive mechanism shares to key individuals within the Northam group. With the growth and changes within the group, the social, ethics, human resources and transformation committee believed that it is important to align these individual's interest with those of the Northam Shareholders. It is also believed that this incentive mechanism will be a retention mechanism during the next five years.

The following table lists the inputs to the model used for the lock-in and incentive mechanism incentive plan valuation:

	30 June 2021	30 June 2020
	BEE CPS shares	BEE CPS shares
Dividend yield (%)	–	–
Forfeiture rate (%)	–	–
Expected life of share awards (years)	3.88	4.88
Spot price (R/share)	R216.93	R116.20
Model used*	Market value	Market value
Valuation per share award (R/share)	R216.93	R116.20

**Given that the value of the shares will be paid out, and not just the growth in the price, an option valuation model is not appropriate, but the share price at year-end adjusted for dividends forfeited during the vesting period was used.*

All incentive mechanism share awards will vest on 17 May 2025, irrespective of the grant date.

27. Loans from group companies

	30 June 2021	30 June 2020
	R000	R000
Northam Platinum Limited	–	–
Northam Booysendal Community Trust	–	262
	–	262

Intercompany loans have no fixed terms of repayment and are therefore stated as current.

Northam reserves the right to charge interest at market related rates.

28. Trade and other payables

	30 June 2021	30 June 2020
	R000	R000
Trade payables	624 305	324 759
Accruals	118 906	76 022
Concentrate purchase accrual	251 545	59 586
Capital accruals	55 380	26 843
South African Revenue Service - Value added tax	81 421	54 809
Employee related accruals	153 682	84 619
Provisional pricing payable	7 478	4 929
Other	38	61
	1 292 755	631 628

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

The carrying value of trade and other payables approximate their fair value, due to their short-term nature.

Below are the uncovered foreign currency denominated balances as at 30 June included in trade and other payables above:

	30 June 2021	30 June 2020
€ (€000)	36	62
€ closing exchange rate*	R16.93	R19.46
Trade and other payables denominated in € (R000)	614	1 199

Rounded to the nearest cent

Refer to note 35 for the fair value and financial risk disclosure.

29. Provisional pricing derivative

	30 June 2021	30 June 2020
	R000	R000
Provisional pricing derivative	–	–
	–	–

Provisional pricing derivatives relate to amounts received in advance for chrome deliveries during the quotation period. Therefore any negative movement in the chrome price subsequent to payment being received will result in a payable to the customer as reflected above.

Subsequent to the quotational price the selling price is finalised and any amounts that is required to be refunded is accounted for as a provisional pricing payable (refer to note 28).

30. Short-term provisions

	30 June 2021	30 June 2020
	R000	R000
Opening balance	92 170	56 820
Amounts raised during the year	151 998	111 166
Amounts utilised by employees during the year	(123 504)	(75 816)
Short-term portion	120 664	92 170

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.

31. Cash flows generated from operations

	30 June 2021	30 June 2020
	R000	R000
Profit before taxation	9 796 794	2 612 283
Adjusted for:		
Finance charges (refer note 5)	25 042	24 817
Investment income (refer note 4)	(5 052)	(5 934)
Movement in share-based payment liabilities (refer to note 26)	299 325	103 991
Movement in long-term provisions charged to operating costs	(5 071)	18 628
Movement in long-term receivables	(3 609)	(1 372)
Movement in short-term provisions	28 494	35 350
Profit on disposal of property, plant and equipment	–	(46)
Depreciation (refer to note 9 and 10)	566 072	399 449
Other	(926)	–
	10 701 069	3 187 166

32. Movement in working capital

	30 June 2021	30 June 2020
	R000	R000
Movement in inventories	(279 068)	(109 440)
Movement in trade and other receivables	(37 937)	(775)
Movement in trade and other payables and provisional pricing derivatives	632 425	(27 211)
	315 420	(137 426)

33. Tax paid

	30 June 2021	30 June 2020
	R000	R000
Opening balance	(3 074)	(2 939)
Income tax charge	1 186 642	450
Closing balance	125 617	3 074
	1 309 185	585

34. Commitments

Capital and other commitments, including guarantees provided

	30 June 2021	30 June 2020
	R000	R000
Capital commitments		
Authorised but not contracted	964 797	664 123
Contracted	195 557	337 448
	1 160 354	1 001 571

These commitments will be funded from a combination of internal retentions and debt.

Below is a summary of the bank guarantees issued as well as guarantees issued to the Department of Mineral Resources and Energy:

	30 June 2021	30 June 2020
	R000	R000
Bank guarantees		
Eskom Holdings SOC Limited	87 932	87 932
	87 932	87 932
Other environmental guarantees		
Department of Mineral Resources and Energy (refer note 14)	223 536	98 427
	223 536	98 427

Other commitments

Booysendal has guaranteed the obligations of Northam in terms of a revolving credit facility and general banking facility for R5.0 billion (30 June 2020: R4.0 billion) entered into with Nedbank Limited. The guarantee is limited to the capital amount owing in terms of the facility, together with any unpaid interest and commitment fees. At the year-end no amounts were outstanding in terms of this facility (30 June 2020: R Nil).

Booysendal has also issued guarantees in respect of notes issued under Northam's R15.0 billion Domestic Medium-Term Note (DMTN) Programme. The guarantees are limited to the capital amount owing in terms of the notes in issue, together with any unpaid interest and commitment fees. At year-end, a capital amount of R7.8 billion (30 June 2020: R5.6 billion) was outstanding in terms of the notes issued under the DMTN Programme.

35. Financial risk management objectives and policies

The company's activities are exposed to a variety of financial risks, market risk (including foreign currency risk, interest rate risk and commodity price risks), credit risk and liquidity risks. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Financial risk management is carried out by the finance department. Policies are approved by the board of directors, which sets guidelines to identify, evaluate and manage financial risks in cooperation with the operating units. The board of directors reviews and agrees policies for managing each of these risks which are summarised below:

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

Market risk

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

Foreign currency risk

The company is exposed to foreign exchange risk primarily with respect to the Euro. Foreign exchange risks arises from future commercial transactions and are recognised both in financial assets and liabilities. To manage foreign exchange risks arising from future commercial transactions, the company, from time to time, may use forward exchange contracts within board-approval limits.

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

Please refer to note 18, trade and other receivables, note 19, cash and cash equivalents as well as note 28, trade and other payables for all balances denominated in foreign currency values included in the statement of financial position.

Below are the uncovered foreign currency denominated balances as at 30 June included in trade and other payables above:

	30 June 2021	30 June 2020
€ (€000)	36	1 199
€ closing exchange rate*	R16.93	R19.46
Trade and other payables denominated in € (R000)	614	23 342

Rounded to the nearest cent

The following table demonstrates the sensitivity to a possible change in exchange rates 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, with a debit to profit or loss being disclosed in brackets. There is no direct impact on the company's equity.

	30 June 2021	30 June 2020
	R000	R000
ZAR weakening by 10% to the €	(61)	(23)
ZAR strengthening by 10% to the €	61	23

The company did not enter into any foreign currency hedging contracts during the current or previous year.

The company has a policy of not hedging against foreign currency of commodity price fluctuations.

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 company's exposure to risk of changes in market interest rates relates primarily to the cash balance, and investments with floating 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 direct impact on the company's equity.

	30 June 2021	**30 June 2020**
	R000	R000
Investments held by Northam Platinum Restoration Trust Fund		
Increase of 1%	680	643
Decrease of 1%	(680)	(643)
Cash and cash equivalents		
Increase of 1%	3	4
Decrease of 1%	(3)	(4)

The company monitors its exposure to fluctuating interest rates. Cash and cash equivalents are invested with short-term maturity dates, which exposes the group to cash flow interest rate risks.

Commodity price risk

The company 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. PGMs are sold, with prices being fixed based on contractual terms relating to the month in which the product was sold.

At year-end the balances outstanding relating to provisional priced receivables amounted to:

	30 June 2021	30 June 2020
	R000	R000
Chrome receivable	58 179	87 825
Total provisional priced receivables (refer note 18)	58 179	87 825
Chrome payable (refer note 29)	–	–
Provisional pricing derivatives	–	–
Total provisional pricing exposure	58 179	87 825

Chrome provisional receivables are settled within 45 days from date of delivery.

For chrome receivables, there is a commodity price risk that is retained. The following is an indication of the effect that changes in the chrome prices would have on the profit before tax, based on the outstanding accounts receivable balance at year-end. There is no direct impact on the company's equity.

	30 June 2021	30 June 2020
	R000	R000
Weakening by 10% of the respective commodity prices	(5 818)	(8 783)
Strengthening by 10% of the respective commodity prices	5 818	8 783

The company did not enter into any commodity hedging contracts during the year under review.

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 company is exposed to credit risk from its operating activities with banks and financial institutions. The company trades only with recognised, creditworthy third parties. It is the 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 exposure to bad debts is not significant.

With respect to credit risk arising from other financial assets of the company, which comprise cash and cash equivalents, investments and loans, the company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

There is no material concentration of credit risk in cash and cash equivalents, trade and other receivables and loans. There are policies that limit the amount of credit exposure related to cash and cash equivalents to any single financial institution by only dealing with well-established financial institutions of high credit quality standing. The credit exposure to any one of the counterparties is managed by setting exposure limits which are approved by the board.

With regard to trade and other receivables, the sale of PGM's is made only to the holding company and chrome is sold to a single customer with an appropriate credit history. Trade receivables are presented in the statement of financial position net of any provision for impairment.

Credit risk relating to loans mainly consists of employee housing loans (refer note 12). These loans are secured by a second bond over residential properties. The maximum credit risk (before taking into account any collateral held) relating to the long-term receivables amount to R17.4 million (30 June 2020: R11.4 million).

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The group has undrawn general banking facilities (which includes both the revolving credit facility and the general banking facility) of R5.0 billion (30 June 2020: R4.0 billion).

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

They assist in monitoring the risk of 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 company.

Management regularly monitors rolling forecasts of the liquidity reserve comprising undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. Cash and cash equivalents are immediately available.

Prudent liquidity management enables the ongoing viability of our business including our ongoing growth strategy. It involves the management of sufficient cash and cash equivalents, as well as available funding through committed credit facilities.

It further provides flexibility to return value to Shareholders and the ability to manage other stakeholder expectations and effective liquidity risk management improves our credit ratings which leads to reduced borrowing costs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

The maturity profile of the company's financial liabilities for the year ended 30 June 2021 is set out below, into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date representing the undiscounted contractual cash flows:

	Payable on demand 30 June 2021	1 – 6 months 30 June 2021	More than 6 months 30 June 2021	More than a year 30 June 2021	Total 30 June 2021
	R000	R000	R000	R000	R000
Trade payables	–	624 305	–	–	624 305
Accruals	–	118 906	–	–	118 906
Concentrate purchase accrual	–	251 545	–	–	251 545
Capital accruals	–	55 380	–	–	55 380
South African Revenue Service - Value added tax	–	81 421	–	–	81 421
Employee related accruals	–	153 682	–	–	153 682
Provisional pricing payable	–	7 478	–	–	7 478
Other	–	38	–	–	38
Lease liability	948	4 737	6 060	112 167	123 912

The maturity profile of the company's financial liabilities for the year ended 30 June 2020 is set out below, into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date representing the undiscounted contractual cash flows:

	Payable on demand 30 June 2020	1 – 6 months 30 June 2020	More than 6 months 30 June 2020	More than a year 30 June 2020	Total 30 June 2020
	R000	R000	R000	R000	R000
Trade payables	–	324 759	–	–	324 759
Accruals	–	76 022	–	–	76 022
Concentrate purchase accrual	–	59 586	–	–	59 586
Capital accruals	–	26 843	–	–	26 843
South African Revenue Service - Value added tax	–	54 809	–	–	54 809
Employee related accruals	–	84 619	–	–	84 619
Provisional pricing payable	–	4 929	–	–	4 929
Other	–	61	–	–	61
Lease liability	–	7 113	6 679	124 242	138 034

Fair value

The fair value of financial instruments is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using other valuation techniques.

The fair values have been determined using available market information and appropriate valuation methodologies.

Management applies the established fair value hierarchy that categorises the inputs into valuation techniques used to measure fair value into three levels:

Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2 – a technique where all inputs that have an impact on the value are observable, either directly or indirectly.
Level 3 – a technique where all inputs that have an impact on the value are not observable.

The provisional pricing derivatives and receivables are also classified as level 2 as the balances are underlined by quoted commodity prices.

Investments held in the Northam Platinum Restoration Trust Fund, Environmental Guarantee Investment and Buttonshope Conservancy Trust are classified as level 1 as these balances are underlined by quoted (unadjusted) prices in active markets for identical assets.

There were no transfers of financial instruments between the various fair value levels during the period.

Capital management (including equity risk)

The primary objective of the company'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. In addition, capital management objectives include the company's ability to continue as a going concern, in order to provide returns for shareholders and benefits to other stakeholders while maintaining an optimal capital structure to reduce the cost of capital.

The company manages its capital structure (which consists of equity) and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the year under review.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS continued

Categories of financial instruments

The following table summarises the classification of financial instruments for the company for the year ended 30 June 2021:

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments	Total
	30 June 2021	30 June 2021	30 June 2021	30 June 2021	30 June 2021
	R000	R000	R000	R000	R000
Long-term receivables	–	9 388	–	–	9 388
Investment held by Northam Platinum Restoration Trust Fund	68 015	–	–	–	68 015
Environmental Guarantee Investment	14 809	–	–	–	14 809
Subsidiary loans receivable	–	9 630 124	–	–	9 630 124
Trade and other receivables	58 179	26 136	–	58 366	142 681
Cash and cash equivalents	–	344	–	–	344
Long-term loans	–	–	(34 967)	–	(34 967)
Trade and other payables	–	–	(1 211 334)	(81 421)	(1 292 755)
Provisional pricing derivatives	–	–	–	–	–

Categories of financial instruments

The following table summarises the classification of financial instruments for the company for the year ended 30 June 2020:

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Non-financial instruments	Total
	30 June 2020	30 June 2020	30 June 2020	30 June 2020	30 June 2020
	R000	R000	R000	R000	R000
Long-term receivables	–	5 779	–	–	5 779
Investment in the Northam Platinum Restoration Trust Fund	64 366	–	–	–	64 366
Environmental Guarantee Investment	15 616	–	–	–	15 616
Subsidiary loans receivable	–	1 331 532	–	–	1 331 532
Trade and other receivables	87 825	16 648	–	271	104 744
Cash and cash equivalents	–	391	–	–	391
Long-term loans	–	–	(44 913)	–	(44 913)
Loans from group companies	–	(262)	–	–	(262)
Trade and other payables	–	–	(576 819)	(54 809)	(631 628)
Provisional pricing derivatives	–	–	–	–	–

36. Related parties

Below is a summary of the key related party transactions:

Guarantees

Northam Platinum Limited currently has finance facilities available in the form of a revolving credit facility (RCF) of R4.0 billion (30 June 2020: R3.5 billion) and a general banking facility (GBF) to the value of R1.0 billion (30 June 2020: R500.0 million) with Nedbank Limited. Booysendal Platinum Proprietary Limited and Eland Platinum Proprietary Limited have both signed a letter of guarantee concerning these facilities.

In addition, as at 30 June 2021, Northam Platinum Limited had DMTNs in an aggregate amount of R7.8 billion (30 June 2020: R5.6 billion) in issue on the debt capital market. These Notes were issued under the R15.0 billion DMTN Programme. Booysendal Platinum Proprietary Limited is a guarantor for these issued Notes.

Subsequent to year-end an additional amount of R150.0 million was issued under the DMTN Programme.

Other related party transactions

SSG Holdings Proprietary Limited (SSG)

The group has a 33.7% (30 June 2020: 33.7%) interest in SSG Holdings Proprietary Limited, previously held through a wholly-owned subsidiary, Mining Technical Services Proprietary Limited. During the year under review, Mining Technical Services Proprietary Limited was placed in member's voluntary liquidation in terms of the Companies Act, No. 71 of 2008 (as amended). All assets and liabilities have been transferred by way of section 47 of the Income Tax Act, No. 58 of 1962 (as amended) to Northam Platinum Limited.

SSG Holdings Proprietary Limited provides security and facility services to the group.

Below is a summary of transactions between the company and SSG Holdings Proprietary Limited:

	30 June 2021	30 June 2020
	R000	R000
SSG Facilities Proprietary Limited	8 669	7 864
SSG Securities Solutions Proprietary Limited	35 241	24 564
Security and facilities services provided by SSG Holdings Proprietary Limited to the company during the year accounted for as part of operating costs	43 910	32 428
Amounts payable to SSG Holdings Proprietary Limited included as part of trade payables	4 418	4 369

The table below summarises the executive directors' remuneration which was paid by the holding company, Northam:

	30 June 2021	30 June 2020
	R000	R000
PA Dunne	43 718	36 122
AH Coetzee	16 053	12 324
LC van Schalkwyk	18 112	14 288

37. Events after the reporting period

There have been no events, other than what has been disclosed, subsequent to the year-end which require additional disclosure or adjustment to these financial statements.

ADMINISTRATION AND CONTACT INFORMATION

Booysendal Platinum Porprietary Limited Limited
Incorporated in the Republic of South Africa
Registration number: 2002/016771/07

Holding company
Northam Platinum Limited
Incorporated in the Republic of South Africa
Registration number 1977/003282/06
Debt issuer code: NHMI

Bond code: NHM007
Bond ISIN: ZAG000158593
Bond code: NHM009
Bond ISIN: ZAG000158866
Bond code: NHM011
Bond ISIN: ZAG000159237
Bond code: NHM012
Bond ISIN: ZAG000160136
Bond code: NHM014
Bond ISIN: ZAG000163650
Bond code: NHM015
Bond ISIN: ZAG000164922
Bond code: NHM016
Bond ISIN: ZAG000167750
Bond code: NHM018
Bond ISIN: ZAG000168097
Bond code: NHM019
Bond ISIN: ZAG000168105
Bond code: NHM020
Bond ISIN: ZAG000172594

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