ANNUAL FINANCIAL STATEMENTS

◄ **A deepening project is underway at Zondereinde**

Zondereinde is located on the northern end of the western limb of the Bushveld Complex

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 30 June 2016

Opinion

We have audited the consolidated and separate financial statements of Northam Platinum Limited and its subsidiaries (the group) set out on pages 147 to 236 which comprise the statement of financial position as at 30 June 2016, and the statement of 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 accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and the company as at 30 June 2016, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 consolidated financial statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Federation of Accountants' Code of Ethics for Professional Accountants (IFAC code) and other independence requirements that are relevant to our audit of the consolidated financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IRBA Code, IFAC Code and other ethical requirements applicable to performing an audit of the group.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements taken as a whole, and informing our opinion thereon, and do not represent separate opinions on each of the matters described.
For each matter below, our description of how our audit addressed the matter is provided in that context.

Impairment of non-financial assets	How audit addressed this key audit matter
Platinum group metal prices have been under pressure during the year and the rand price for the basket of metals declined during the year. The platinum sector has also experienced rising costs in most aspects of the business. As a result, there is continuous focus on the appropriateness of the assumptions used in life of mine planning. The group determines the recoverable amount of non-financial assets at the higher of fair value less costs of disposal and value in use. The recoverable amount is determined for value in use using the discounted cash flow model approach for the reserves included in the life of mine plan, and a fair value less cost of disposal measure using comparable transaction approach and listed entity market capitalisation per platinum ounce for early stage platinum companies approach to estimate the recoverable value for *in situ* resources not included in the life of mine plan. As detailed in note 2.1 and 2.4 of the note to the financial statements the assessment of the group's life of mine plans and any related impairment to the carrying value of mining assets requires significant estimation by management on key assumptions, which include future metal prices, exchange rates, ore reserves and production volumes, production cost and capital expenditure, inflation rates and discount rates.	Our audit procedures included critically assessing management's assumptions used in their life of mine plans, including challenging those assumptions by comparing them to historical data and applicable data available in the market to consider whether the assumptions fell within an acceptable range. In challenging these assumptions, we paid particular attention to the discount rate, future metal prices, future exchange rates and expected inflation by involving our internal valuation specialists to the extent necessary. We assessed the historical accuracy of management's forecasts, and compared current performance to forecasts. We critically evaluated future assumptions around production, resultant revenue, capital expenditure and cost forecasts. We also tested the mathematical accuracy of the models. We challenged management's sensitivity assessments and performed our own sensitivity calculations in respect of the key assumptions.

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

The assessment of the recoverable amount of the Cash Generating Units ("CGUs") required significant audit effort in the current year as it involves the evaluation of significant judgements about the future mine planning, capital expenditure and costs of mining in each of the CGUs as well as various assumptions that impact future cash flow forecasts.	We also considered the disclosures made by management on the key assumptions.
Physical quantities of inventory	**How audit addressed this key audit matter**
As discussed in note 2.12 in the notes to the financial statements the group and company account for the four main platinum group metals, being platinum, palladium, rhodium and gold ("4E") as joint products inventory. Metal inventory is held in a wide variety of forms across the mining and refining processes, and is only physically separated at the very end of the refining process. Therefore, physical quantities of metal inventory are determined by sampling and assays of the material in process, the historical head grade achieved per mine, various recovery factors at different stages in the process, and determination of the split of metals in such material. The volume of material can vary quite significantly from time to time, and the impact of head grade changes can be material and as such the quantum of metal inventory requires a significant amount of estimation and management judgement in its determination. As a result, this was a key area of audit focus in the current year.	Our audit procedures included attendance at year-end physical inventory counts to observe how management and the specialists involved quantified the material. We considered the competence of the metallurgists and surveyors, the results of their reports, and sought to understand and corroborate the reasons for significant or unusual movements in inventory quantities. We also considered the various conversion factors to estimate material measured to contained metal in relation to historical achievements and our experience with the entity.

Other information

The directors are responsible for the other information. The other information comprises the information included in the integrated report which includes the directors' report, the chairman of the audit and risk committee's letter and the company secretary's certificate as required by the Companies Act of South Africa. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group'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 group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 group's and 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 group'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 consolidated 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 group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In terms of the IRBA rule published in Government Gazette Number 39475 dated 04 December 2015, and subsequent guidance, we report that Ernst & Young Inc., and its predecessor firm, has been the auditor of Northam Platinum Limited for 32 years.

Ernst & Young Inc.
Director: Mike Herbst
Chartered Accountant (SA)
102 Rivonia, Sandton,
Johannesburg, South Africa
30 September 2016

DIRECTORS' REPORT

The directors have pleasure in presenting the annual financial statements of the Northam Platinum Limited group and company for the year ended 30 June 2016.

FINANCIAL RESULTS AND DIVIDEND

The company and group financial results are included in this report. These annual financial statements have been prepared using appropriate accounting policies, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the IFRIC Interpretations, the SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee, financial pronouncements as issued by the Financial Reporting Standards Council and the Companies Act 71 of 2008, the JSE Listing Requirements and include amounts based on judgements and estimates made by management.

The statements of financial position, statements of profit or loss and other comprehensive income, statements of cash flow and statements of changes in equity and notes to the annual financial statements reflect the financial results and position of the company and the group as at 30 June 2016.

Given the current difficult conditions in the industry and the potential cash requirements of the group's operations including the development of Booysendal South the board has resolved not to declare a dividend for the 30 June 2016 year (2015: R Nil). This will however be assessed and considered going forward taking into account the cash flow requirements of the group.

NATURE OF BUSINESS AND OPERATIONS

Northam Platinum Limited, a public company incorporated in South Africa, is a leading supplier of platinum group metals (PGMs). Northam is listed on the JSE Limited, trading under the share code NHM, ISIN code ZAE000030912 and for the DMTN programme, under the debt issuer code NHMI with the bond codes NHM002 and NHM003, ISIN code ZAG000099524 and ZAG0001290032 respectively.

Booysendal mine

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

The Booysendal North UG2 mine is a shallow, mechanised room and pillar underground operation. The North shaft complex comprises four declines, three on reef and one in the reef footwall, which are accessed by a reverse decline system.

Surface metallurgical infrastructure includes a UG2 concentrator and a dense media separation plant. Concentrate is sold to Zondereinde and all material is smelted and further processed at Zondereinde.

The Booysendal UG2 North mine reached steady state output of 160 000oz/month in the first half of the financial year under review. This UG2 mine only exploits 5% of the orebody and management is currently working on brownfields expansion projects on the UG2 reef and additional, small modular mines which access the Merensky reef in order to grow production from the existing capital footprint in the Booysendal lease area.

Zondereinde mine

Zondereinde mine is located on the upper end of the western limb of the South African Bushveld Complex. Operational since 1993, the mine was established and continues to operate at steady state levels and remains cash generative and profitable producing some 290 000 ounces annually.

Underground mining activities focused on Merensky and UG2 reefs. The average depth of mining is at around 1 750m, which makes Zondereinde the deepest platinum mine in the world. Hydropowered equipment is used for stoping and development. Surface infrastructure includes separate concentrators for Merensky and UG2 ore, a base metals recovery plant and a smelter, with a new 20 MW furnace currently being constructed. Marketing and sales activities are performed in-house to customers across the globe.

MINING LICENCES

Booysendal mine

Booysendal Platinum Proprietary Limited is a wholly-owned subsidiary of Northam, and holds two new order mining rights for the Booysendal mine which covers an area of approximately 17 950 hectares on 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, Johannesburg 45 JT, Sheeprun 50 JT, Sheeprun 179 JT, Sheeprun 47 JT, portions of Johannesburg 50 JT, Sterkfontein 52 JT, De Kafferskraal 53 JT, Hoogland 28 JT and Sterkfontein 749 JT.

Zondereinde mine

Northam holds two new order mining rights in respect of the Zondereinde mine covering an area of approximately 7 625 hectares on the farms Aapieskraal 377 KQ, Amandelbult 383 KQ, Elandsfontein 386 KQ, Grootkuil 376 KQ, Kopje Alleen 422 KQ, Middeldrift 379 KQ, Vrugbaar 381 KQ, Vrugbaar 387 KQ, Witvley 423 KQ and Zondereinde 384 KQ.

ASSOCIATES AND JOINT VENTURES

The group has an interest in the following entities and joint ventures:

Dwaalkop joint venture

The Dwaalkop joint venture is a joint venture between Mvelaphanda Resources Proprietary Limited, a wholly owned subsidiary of Northam owning 50% and Western Platinum Proprietary Limited owning the other 50% of the joint venture which is managed by Lonmin plc.

The carrying value of the group's investment remained unchanged at R136.2 million after an impairment charge of R164.5 million in the previous financial year. Exploration costs regarding the Dwaalkop joint venture of R0.3 million (2015: R0.2 million) was incurred, which was charged to sundry expenditure.

Pandora joint venture

Anglo American Platinum Limited, Eastern Platinum Limited, and Northam Platinum Limited participate in the Pandora JV in the ratio 42.5:50:7.5 respectively. In terms of the joint venture agreement, Anglo American Platinum Limited contributed certain mineral rights to the venture, while Eastern Platinum Limited contributed certain surface infrastructure. The venture has an operating mine in the Western Limb of the Bushveld Complex.

Pandora has a September year end. The equity accounting is based on reviewed results for the 12 months ended 30 June 2016.

Operational difficulties at the Pandora mine have adversely affected performance. This resulted in a loss of which Northam's share amounted to R12.7 million (2015: loss of R10.7 million). The carrying value of the investment at year end amounted to R45.6 million after an impairment charge of R20.5 million (2015: R40.5 million). Management is currently assessing various options to potentially exit its stake in the Pandora joint venture.

Trans Hex Group Limited

Trans Hex Group Limited is a diamond producing and marketing company. The group held a 20.3% interest in Trans Hex Group Limited which was sold during the year under review. Northam incurred a loss of R2.7 million on the sale of these shares, after accounting for the group's share of losses amounting to R23.9 million (2015 profit of R35.0 million).

SSG Holdings Proprietary Limited

During the year under review, the group acquired a 20% share in SSG Holdings Proprietary Limited for R10.0 million through one of its subsidiaries, Mining Technical Services Proprietary Limited. SSG Holdings Proprietary Limited is a newly established company providing various services including security and facility services. The acquisition became with effective from 29 February 2016.

SSG Holdings Proprietary Limited provides security services to both the Zondereinde and Booysendal mining complexes.

Subsequent to year an additional 10% of the issued share capital of SSG Holdings Proprietary Limited was acquired.

DIRECTORS' REPORT CONTINUED

STATED CAPITAL

There were no changes during the current financial year, to the authorised or issued stated capital of the company. The authorised share capital of the company as at 30 June 2016 amounted to 2 000 000 000 shares (2015: 2 000 000 000 shares) at no par value. The issued share capital of the company remained unchanged at 509 781 212 shares.

In terms of the Northam BEE transaction 112 195 122 shares were allotted and issued to Zambezi Platinum (RF) Limited. These shares are treated as treasury shares.

No shares were allotted and issued to participants of the Northam share option scheme or the Northam share incentive plan during the current year (2015: no shares).

REPURCHASE OF ISSUED SHARES

At the annual general meeting (AGM) held on 11 November 2015 shareholders approved a special resolution granting a general authority for the repurchase of ordinary shares by the company (or any one of its wholly owned subsidiaries), subject to the JSE listings requirements and the provisions of the Companies Act. No shares were repurchased in the current or prior year. This general authority is valid until the company's next AGM or for 15 months from the date of the aforementioned resolution (being 11 February 2017) whichever period is the shorter. Approval to renew this general authority will be sought at the AGM to be held on Wednesday, 9 November 2016. The text of the necessary special resolution, as well as the reasons therefor and the effects thereof, appear in the notice of AGM which forms part of the abridged annual report.

BORROWING POWERS

In terms of the Memorandum of Incorporation (MOI) the directors may borrow for purposes of the company, such sums as they deem fit.

In November 2011 the company entered into a five-year revolving credit facility agreement with Nedbank Limited for an amount of R1.0 billion. An additional R400 million revolving credit facility was arranged during FY2014, which was available until March 2015. There were no drawings from this facility during the year with limited drawings in the previous year which was fully repaid by 30 June 2015.

There have been no drawings from this facility between the reporting date and the date of this report.

On 3 September 2012 the company announced that it had raised R1.25 billion through the issue of senior unsecured floating rate notes, in terms of the company's R2.0 billion domestic medium term note (DMTN) programme dated 3 August 2012. On 11 July 2013, the company announced that a further R120.0 million had been raised in the domestic capital market through the DMTN programme. These funds were used for the development of the Booysendal mine, the deepening project at the Zondereinde mine and other operational and working capital requirements of the group.

The DMTN of R1.37 billion was fully repaid on the due date of 4 September 2015.

During the year under review Northam issued R175.0 million five-year senior unsecured fixed rate notes. The notes bear a fixed coupon of 13.50% per annum, payable semi-annually, and will be redeemed on 12 May 2021. The proceeds will further strengthen Northam's statement of financial position and be applied to the development of the company's project pipeline.

Furthermore, on 9 June 2016, the Industrial Development Corporation of South Africa Limited subscribed for R250.0 million three-year senior unsecured floating rate notes under the DMTN programme. The notes will attract a floating coupon rate of 3 month JIBAR plus 390 bps and will mature on 9 June 2019.

These notes were issued under the DMTN programme dated 3 August 2012, as noted above.

A wholly owned subsidiary, Norplats Properties Proprietary Limited has arranged a loan facility of R40.0 million (2015: R91.0 million) with the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV to fund the sale of houses to employees in terms of the group's affordable housing initiative. During the current financial year, a portion of the facility was cancelled as management are looking at alternative ways to fund the group's housing initiative.

Details of the above mentioned outstanding borrowings including interest rates and terms and conditions are included in the notes to the annual financial statements.

FINANCIAL ASSISTANCE

Under the Companies Act, 2008 inter group loans; guarantees and other financial assistance require approval of shareholders by a special resolution.

According to section 45 of the Act, the board may not authorise a company to provide any financial assistance to a related or inter related company (which includes a loan by a holding company to a subsidiary) unless the particular provision of financial assistance is pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for a specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category.

In addition, before authorising any such financial assistance, the board must be satisfied that: immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and the terms upon which the financial assistance is proposed to be given are fair and reasonable to the company.

At the date of this report Northam had granted the following financial assistance to its subsidiaries:

	Approved facility at 30 June 2016	Additional amount to be advanced in the coming year	New loan facility to be granted	Balance at 30 June 2016
	R'000	R'000	R'000	R'000
Booysendal Platinum Proprietary Limited	4 970 000	(1 500 000)	3 470 000	2 262 163
Booysendal Platinum Proprietary Limited loan advanced by Khumama Platinum Proprietary Limited	3 400 000	–	3 400 000	2 355 843
Norplats Properties Proprietary Limited – fixed term loan	34 300	–	34 300	24 456
Norplats Properties Proprietary Limited – general loan	44 000	10 000	54 000	37 724
Windfall 38 Properties Proprietary Limited	15 800	–	15 800	14 590
Mvelaphanda Resources Proprietary Limited	42 000	–	42 000	1 047
Mining Technical Services Proprietary Limited	20 000	–	20 000	15 002
Khumama Platinum Proprietary Limited	1	–	1	1
Total loan facilities	8 526 101	(1 490 000)	7 036 101	4 710 826

Below are the various guarantees summarised together with the additional guarantees which will be tabled at the forthcoming annual general meeting:

	Current guarantee	Additional amount to be guaranteed in the coming year	Total guarantee to be granted
	R'000	R'000	R'000
Northam Platinum Limited guarantee to Zambezi Platinum (RF) Limited	7 535 944	–	7 535 944
Booysendal Platinum Proprietary Limited guarantee to Northam Platinum Limited	3 000 000	500 000	3 500 000
Khumama Platinum Proprietary Limited guarantee to Northam Platinum Limited	3 000 000	500 000	3 500 000
Northam Platinum Limited subordination agreement to Mvelaphanda Resources Proprietary Limited	41 680	15 000	56 680
Total guarantee	13 577 624	1 015 000	14 592 624

Zambezi Platinum (RF) Limited

The redemption of the BEE Preference Shares issued by Zambezi Platinum (RF) Limited has been secured by Northam Platinum Limited in terms of a financial guarantee, in terms of which Northam Platinum Limited will be responsible for the payment of all amounts which Zambezi Platinum (RF) Limited has contracted but failed to pay in terms of the BEE Preference Share terms.

Should a liability arise under the Northam Guarantee, Northam Platinum Limited may settle this liability by capitalising Zambezi Platinum (RF) Limited with cash and/or Northam shares before the redemption amount becomes due or making payment directly to the preference shareholders. The manner of settlement is however not contractually specified.

Included in the financial statements of Northam Platinum Limited is a guarantee of R7.5 billion which will stay unchanged during FY2017.

DIRECTORS' REPORT CONTINUED

Booysendal Platinum Proprietary Limited

Northam Platinum Limited currently has finance facilities available in the form of a revolving credit facility of R1.0 billion with Nedbank Limited, and has issued R425.0 million on the debt capital market. Booysendal and its intermediate holding company, Khumama Platinum Proprietary Limited have signed a letter of guarantee with regards to both these facilities. Management has renegotiated the Nedbank revolving credit facility which will increase the facility to R1.5 billion over a five-year period.

There is currently also an interest free loan between Northam Platinum Limited and Booysendal which is being settled as and when cash is available. The intercompany loan is planned for settlement in full by FY2020.

Khumama Platinum Proprietary Limited

With the acquisition of the Booysendal mineral rights, the statutory entity Booysendal Platinum Proprietary Limited together with its holding company Khumama Platinum Proprietary Limited were also acquired. A loan was issued to Booysendal Platinum Proprietary Limited by Khumama Platinum Proprietary Limited amounting to R2.4 billion. This loan is interest free and has no fixed terms of repayment and has remained unchanged for several years.

In addition to the above, Khumama Platinum Proprietary Limited is also a party to the guarantees that have been issued in terms of the Nedbank Limited revolving credit facility as well as the DMTN facility.

Norplats Properties Proprietary Limited – fixed term loan

In terms of the agreement with the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV (FMO), Northam Platinum Limited is required to fund 30% of house sales values and debt consolidation amounts, and as such this fixed-term intercompany loan may not be repaid until such time as the loan from the FMO has been repaid in full. A fixed term loan facility of R34.3 million, of which R24.4 million has been utilised, repayable in September 2026, was granted by Northam Platinum Limited to Norplats Properties Proprietary Limited, at an interest rate of 2.0% below prime.

It is proposed that the Norplats Properties Proprietary Limited facility be renewed to ensure compliance with the terms of agreement with FMO.

Norplats Properties Proprietary Limited – general loan

Norplats Properties Proprietary Limited is the company which holds and operates the Zondereinde mine's employee home ownership project (Mojuteng project) in the town of Northam. In order for Northam Platinum Limited to comply with its homeowner strategy, it is proposed that this general loan facility be increased by R10.0 million to R54.0 million. R37.7 million was utilised as at year end.

Windfall 38 Properties Proprietary Limited

Northam acquired Windfall 38 Properties Proprietary Limited in FY2010. In the same year Windfall 38 Properties Proprietary Limited purchased certain freehold property for the purposes of the Booysendal mine, at a cost of R12.9 million. The consideration was funded by a loan from Northam Platinum Limited. During the 2012 financial year further freehold was purchased at an additional cost of R2.1 million. The loan from Northam Platinum Limited therefore amounts to R14.8 million, with no further acquisitions anticipated.

The fixed-term loan agreement with Northam incurs an interest rate of 2.0% below prime. A long-term lease agreement with Booysendal Platinum Limited over the agricultural land was also entered into. All amounts received in terms of the long-term lease agreement are used as repayments on the outstanding loan balance.

Mvelaphanda Resources Proprietary Limited

On 25 September 2014 Northam Platinum Limited provided a guarantee to ensure that Mvelaphanda Resources Proprietary Limited would meet its financial obligations as and when they fall due as the company's liabilities exceeded its assets. The guarantee will remain in full force and effect as long as the liabilities (including contingent liabilities) exceed its assets, fairly valued, and will lapse forthwith upon the date that the assets, so valued, exceed its liabilities.

Mining Technical Services Proprietary Limited

The facility of R20.0 million is proposed to remain in force. During the current year Mining Technical Services Proprietary Limited acquired a 20% investment in SSG Holdings Proprietary Limited to facilitate the company's growth projects. The loan is interest free and has no fixed terms of repayment.

It is also important to note that Northam Platinum Limited has issued a letter of support (non-binding) stating that Northam Platinum Limited will not demand repayment of the intercompany loan within the next 12 months and will continue to provide the company with sufficient funds for it to meet its obligations as and when they fall due.

Solvency and liquidity test

Taking into account the twelve-month cash flow forecasts (including the letter of support/guarantees issued), the board has assessed that the various statutory entities will continue as going concerns for the foreseeable future.

The company therefore believes that it has satisfied the solvency and liquidity test, as contemplated in section 45 of the Companies Act and detailed in section 4 of the Act, and determined that post such assistance the company was solvent and liquid and the terms under which this assistance was provided were fair and reasonable to the company.

DEMATERIALISATION OF SHARES (SHARE TRANSACTIONS TOTALLY ELECTRONIC) STRATE

Shareholders who have not already dematerialised their shares (certificated shareholders) are once again urged to do so as soon as possible (unless it is their explicit intention not to do so) in order to enable them to trade in such shares. It is most important for certificated shareholders to note that their shares may not be traded on the JSE unless the shares have been dematerialised.

DIRECTORATE

The composition of the board of directors, as well as of board appointed committees, and details of the election and re-appointment of directors is reflected in this integrated report. At the date of this report the board comprised the following directors;

Director	Position	First appointed	Standing for re-election and election	Elected or re-elected at the last AGM
PL Zim	Non-executive chairman	25 April 2007	√	–
R Havenstein	Lead independent director	1 July 2003	–	–
PA Dunne	Chief executive officer	1 March 2014	N/A	N/A
AZ Khumalo	Chief financial officer	1 July 2010	N/A	N/A
CK Chabedi	Independent non-executive director	22 June 2009	√	–
HH Hickey	Independent non-executive director	1 January 2016	√	Newly appointed
TE Kgosi	Independent non-executive director	1 November 2004	–	√
AR Martin	Independent non-executive director	22 June 2009	Retiring	–
KB Mosehla	Non-executive director	19 August 2015	–	√
TI Mvusi	Independent non-executive director	1 January 2016	√	Newly appointed

Ms PB Beale is the company secretary.

On 18 August 2015 Mr R Havenstein took over from Mr AR Martin as lead independent director.

Mr ME Beckett retired as a director on 11 November 2015, Mr KB Mosehla was appointed as a non-executive director on 19 August 2015 and Ms HH Hickey and Mr TI Mvusi were appointed as independent non-executive directors, effective 1 January 2016. Ms Hickey is also a member of the audit and risk committee.

In addition, in terms of Section 94 of the Companies Act, shareholders are required to appoint the company's audit and risk committee.
The members of the committee, who are available for re-election, are Mr Havenstein, Ms Kgosi and Ms Hickey, all of whom are independent non-executive directors. Accordingly, at the forthcoming AGM members will be requested to consider resolutions providing for the appointment of the aforementioned members of the audit and risk committee. Mr AR Martin will retire after the financial year end.

DIRECTORS' REPORT CONTINUED

DIRECTORS' FEES

In terms of the MOI the fees for services as directors are determined by the company and approved at the AGM.

It is proposed to increase certain fees of non-executive directors by an average of 6.0% per annum in line with market norms.

At the forthcoming AGM members will accordingly be requested to consider a special resolution providing for the increase in the fees for the year ending 30 June 2017 as set out below:

	Proposed fee 2017 AGM (per annum)	Approved fee at the previous AGM (per annum)
	R	R
Board member		
Board chairman*	149 100	135 500
Lead independent director	106 600	100 500
Board members	67 100	63 300
Board meeting attendance fees per meeting	43 400	40 900
Audit and risk committee member		
Committee chairman*	66 800	60 700
Committee members	32 300	30 400
Committee meeting attendance fees per meeting	21 000	19 800
Health, safety and environmental committee		
Committee chairman*	53 400	48 500
Committee members	25 300	23 800
Committee meeting attendance fees per meeting	16 900	15 900
Nomination committee		
Committee chairman*	53 400	48 500
Committee members*	26 200	23 800
Committee meeting attendance fees per meeting	16 900	15 900
Social, ethics and human resources committee		
Committee chairman	54 800	51 700
Committee members	25 300	23 800
Committee meeting attendance fees per meeting	16 900	15 900
Other board appointed committees		
Committee chairman	51 400	48 500
Committee members	25 300	23 800
Committee meeting attendance fees per meeting	16 900	15 900
Ad hoc fees per hour	3 360	3 170

** The SE&HR committee commissioned an independent firm to conduct a benchmarking exercise on Northam's non-executive directors' fees against a peer group of JSE listed mining companies. The results have indicated that the majority of the directors are paid within acceptable ranges to the median; however, some of the directors' fees lag the market considerably. In an attempt to ensure internal parity, fees for these directors is proposed to be adjusted by 10.0%.*

DIRECTORS' REMUNERATION

The directors' remuneration for the year ended 30 June 2016 is as follows:

	Fees	Re-muneration package	Performance bonus	Benefits	Gain on share based payments	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Executive						
PA Dunne	–	6 165	4 353	834	–	11 352
AZ Khumalo	–	3 006	2 436	441	3 707	9 590
Non-executive						
PL Zim	412	–	–	–	–	412
R Havenstein	717	–	–	–	–	717
CK Chabedi	496	–	–	–	–	496
HH Hickey	209	–	–	–	–	209
TE Kgosi	609	–	–	–	–	609
AR Martin	565	–	–	–	–	565
KB Mosehla	357	–	–	–	–	357
TI Mvusi	154	–	–	–	–	154
ME Beckett	247	–	–	–	–	247
	3 766	**9 171**	**6 789**	**1 275**	**3 707**	**24 708**

The directors' remuneration for the year ended 30 June 2015 is as follows:

	Fees	Re-muneration package	Performance bonus	Benefits	Gain on share based payments	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Executive						
PA Dunne	–	5 700	2 184	763	–	8 647
AZ Khumalo	–	2 708	1 686	347	4 740	9 481
Non-executive						
PL Zim	318	–	–	–	–	318
R Havenstein	744	–	–	–	–	744
CK Chabedi	413	–	–	–	–	413
TE Kgosi	579	–	–	–	–	579
AR Martin	557	–	–	–	–	557
ME Beckett	616	–	–	–	–	616
JAK Cochrane	276	–	–	–	–	276
	3 503	**8 408**	**3 870**	**1 110**	**4 740**	**21 631**

DIRECTORS' REPORT CONTINUED

An analysis of the non-executive fees in respect of the board and board committee services for the 30 June 2016 financial year is as follows:

	Board	Audit and risk committee	Health, safety and environ-mental committee	Investment committee	Social, ethics and human resources committee	Nominations committee	*Ad hoc* fees	Total
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
PL Zim	340	–	–	–	–	72	–	412
R Havenstein	300	129	112	80	3	93	–	717
CK Chabedi	268	–	87	56	85	–	–	496
HH Hickey	154	55	–	–	–	–	–	209
TE Kgosi	268	129	–	–	113	72	27	609
AR Martin	273	160	–	56	–	76	–	565
KB Mosehla	219	–	–	53	85	–	–	357
TI Mvusi	154	–	–	–	–	–	–	154
ME Beckett	108	72	42	–	25	–	–	247
	2 084	**545**	**241**	**245**	**311**	**313**	**27**	**3 766**

An analysis of the non-executive fees in respect of the board and board committee services for the year ended 30 June 2015 is as follows:

	Board	Audit and risk committee	Health, safety and environ-mental committee	Investment committee	Social, ethics and human resources committee	*Ad hoc* fees	Total
	R'000	R'000	R'000	R'000	R'000		R'000
PL Zim	318	–	–	–	–	–	318
R Havenstein	288	121	105	105	125	–	744
CK Chabedi	250	–	81	82	–	–	413
TE Kgosi	250	121	–	–	152	56	579
AR Martin	323	149	–	81	–	4	557
ME Beckett	288	121	81	–	126	–	616
JAK Cochrane	200	–	–	76	–	–	276
	1 917	**512**	**267**	**344**	**403**	**60**	**3 503**

SERVICE CONTRACTS

Mr PA Dunne, the chief executive officer, has a service contract with the company which is subject to a notice period of 1 year. Mr AZ Khumalo, the chief financial officer, has a service contract with the company which is subject to a notice period of three months.

DIRECTORS' INTEREST

According to information available to the company after reasonable enquiry, the interests of the directors and their families in the shares of the company at 30 June 2016 were as follows:

	Direct beneficial holding	Indirect beneficial holding	Total
AZ Khumalo	7 500	–	7 500
KB Mosehla	–	64 000	64 000
KB Mosehla*	–	5 116 974	5 116 974
CK Chabedi*	–	204 000	204 000
TE Kgosi*	–	635 000	635 000
PL Zim*	–	17 547 097	17 547 097
	7 500	**23 567 071**	**23 574 571**

As 30 June 2015 the interest of the directors and their families were as follows:

	Direct beneficial holding	Indirect beneficial holding	Total
ME Beckett	30 000	–	30 000
CK Chabedi*	–	204 000	204 000
TE Kgosi*	–	635 000	635 000
PL Zim*	–	17 547 097	17 547 097
	30 000	**18 386 097**	**18 416 097**

** Pursuant to the Northam BEE transaction, Mr Chabedi, Ms Kgosi, Mr Mosehla and Mr Zim acquired beneficial interests in the ordinary share capital of Zambezi Platinum (RF) Limited. This resulted in them and their associates acquiring an effective interest in Northam shares.*

At 30 June 2016, Mr Khumalo also owned 500 Zambezi Platinum (RF) Limited preference shares.

The SENS announcements for the aforementioned directors' dealings in securities are available on the Northam website at www.northam.co.za.

There have been no changes in these holdings from 30 June 2016 to the date of this integrated report.

ANALYSIS OF SHAREHOLDERS AT 30 JUNE 2016

Shareholding range	Number of shareholders	Total of shareholding	Percentage holding (%)
1 – 5 000	4 542	3 548 249	0.70
5 001 – 10 100	222	1 654 921	0.32
10 001 – 50 000	338	8 182 853	1.61
50 001 – 100 000	132	9 335 494	1.83
100 001 – 1 000 000	224	66 746 393	13.09
1 00 001 and more	68	420 313 302	82.45
	5 526	**509 781 212**	**100.00**

Geographical analysis of shareholders	Total shareholding	Percentage holding (%)
Australasia	147 906	0.03
Europe and United Kingdom	9 219 206	1.81
North America	28 352 569	5.56
Far East	129 056	0.03
South Africa	458 435 325	89.93
Rest of Africa	1 363 486	0.27
Other	12 133 664	2.37
	509 781 212	**100.00**

DIRECTORS' REPORT CONTINUED

Major shareholders at 30 June 2016	Number of shares	Percentage holding (%)
Owner		
Zambezi Platinum (RF) Limited	159 905 453	31.37
Fund manager		
Coronation Asset Management	151 283 082	29.68
Public Investment Corporation	36 943 174	7.25
Sanlam Investment Management	29 874 306	5.86
Foord Asset Management	27 168 473	5.33
Clients of Allan Gray	25 542 896	5.01

Shareholder spread at 30 June 2016	Number of shareholders	Percentage holding (%)
Public	5 520	68.54
Zambezi Platinum (RF) Limited	1	31.37
Directors	5	0.09
	5 526	**100.0**

NORTHAM SHARE OPTION SCHEME (THE SCHEME)

The scheme was established on 4 January 1995 with the objective of attracting and retaining employees with appropriate levels of ability and expertise who make a significant contribution to the operations of the company.

The scheme was discontinued in 2011 owing to its dilutionary nature, although share options issued before its discontinuance will be allowed to run their course until 2017.

Options were offered at the volume weighted average price at which Northam shares traded on the JSE on the trading day immediately preceding the offer date. Options not exercised within seven years of the offer date shall lapse.

In March 2013 the JSE approved a change to the rules of the scheme in terms of which option holders may elect, at the time of exercising their option, to receive either the shares over which an option has been granted or a cash payment equivalent to the difference between the volume weighted average price at which Northam shares traded on the day preceding the exercise date and the exercise price.

A summary of the options held at 30 June 2016 is as follows:

Earliest and latest exercise date	Price per share in R	Total number of options
27 November 2010 and 26 November 2015	32.38	70 000
5 November 2011 and 4 November 2016	36.95	380 000
1 July 2012 and 30 June 2017	45.59	125 000
12 October 2012 and 11 October 2017	46.57	2 050 000
Claw back rights options	40.00	102 916
Number of options held at 30 June 2015		2 727 916
Number of options forfeited during the year		(337 740)
Number of options exercised during the year – cash settled options		(249 409)
Number of options held at 30 June 2016		**2 140 767**

A summary of the options held at 30 June 2015 is as follows:

Earliest and latest exercise date	Price per share in R	Total number of options
22 October 2009 and 21 October 2014	48.00	1 165 000
27 November 2010 and 26 November 2015	32.38	160 000
5 November 2011 and 4 November 2016	36.95	517 500
1 July 2012 and 30 June 2017	45.59	125 000
12 October 2012 and 11 October 2017	46.57	2 575 000
Claw back rights options	40.00	178 085
Number of options held at 30 June 2015		4 720 585
Number of options forfeited during the year		(1 236 648)
Number of options exercised during the year – cash settled options		(756 021)
Number of options held at 30 June 2015		**2 727 916**

At 30 June 2016 the outstanding options were exercisable as follows:

Earliest and latest exercise date	Price per share in R	Total number of options	Options vested at 30 June 2016	Options vested at 30 June 2016 at claw back offer price of R40.00
5 November 2011 and 4 November 2016	36.95	275 390	265 000	10 390
12 October 2012 and 11 October 2017	46.57	1 865 377	1 795 000	70 377
		2 140 767	**2 060 000**	**80 767**

At 30 June 2015 the outstanding options were exercisable as follows:

Earliest and latest exercise date	Price per share in R	Total number of options	Options vested at 30 June 2015	Options vested at 30 June 2015 at claw back offer price of R40.00
27 November 2010 and 26 November 2015	32.38	72 744	70 000	2 744
5 November 2011 and 4 November 2016	36.95	394 898	380 000	14 898
1 July 2012 and 30 June 2017	45.59	129 901	125 000	4 901
12 October 2012 and 11 October 2017	46.57	2 130 373	2 050 000	80 373
		2 727 916	**2 625 000**	**102 916**

Full details of the cash settled options exercised during the year are set out in the annual financial statements and are summarised as follows:

Grant date	Number of options exercised including claw back shares	Exercise price R	Total gain paid to participants R'000
5 November 2009	119 508	58.52	1 380
12 October 2010	129 901	48.50	393
	249 409		**1 773**

DIRECTORS' REPORT CONTINUED

NORTHAM SHARE INCENTIVE PLAN (SIP)

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

The SIP is a full share-type plan which incorporates a combination of a conditional share plan (CSP) and a forfeitable share plan (FSP).

The key features that are common to both the CSP and the FSP are as follows:

- All senior officials and executives, including executive directors, in job grade D1 and above are eligible;
- Non-executive directors are not eligible to participate;
- Employees will not be required to pay for shares granted to them;
- In the event of a change of control of the company, all awards will vest;
- In the event of a variation in share capital such as a capitalisation issue, subdivision of shares, consolidation of shares, liquidation etc., employees will continue to participate in the SIP. The committee may make such adjustment to awards or take such other action to place employees in no worse a position than they were prior to the happening of the relevant event, and to ensure that the fair value of awards immediately after the event is materially the same as the fair value thereof immediately before the event;
- The issue of shares as consideration for an acquisition or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to awards;
- Where necessary, the auditors of the company will confirm to the company and JSE that the adjustments are calculated on a non-prejudicial basis;
- Any adjustments made will be reported in the company's annual financial statements in the year during which the adjustment is made.

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

Key features of the CSP and FSP are as follows:

CSP

- Shares will be awarded or granted to employees once a year;
- The number of conditional shares awarded, and the extent to which they will be subject to performance conditions, will primarily be based on the employee's annual salary, grade, performance, retention requirements and market benchmarks or some combination thereof;
- Both the retention shares and the performance shares will vest after three years; and
- Performance conditions will be set by the SE&HR committee before an award is made, and will be based on appropriate company performance measures at the time.

FSP

- Shares, which have no performance conditions attached, can only be awarded or granted in exceptional circumstances, approved by the SE&HR committee, for purposes of attracting key new employees;
- The number of forfeitable shares to be made to an employee will primarily be based on the employee's annual salary, grade, performance and retention or attraction requirements;
- The forfeitable shares will be delivered to the employees, free of charge, subsequent to the award date, with them enjoying all shareholder rights from inception;
- Awards will, however, be subject to restrictions that will prevent the forfeitable shares from being disposed of, ceded, transferred or otherwise encumbered before vesting; and
- Vesting of the forfeitable shares will only be subject to the particular employee remaining in the employ of a group company for predetermined vesting period. No company performance conditions will apply.

In March 2013 the JSE approved a change to the rules of the SIP in terms of which, upon the vesting of any awards, participants may elect to receive either the shares that have vested or a cash amount equal to the volume weighted average price on the day preceding the settlement date.

The SE&HR 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.

No shares were allocated under the FSP during the year under review, whilst the details of the shares allocated under the CSP are set out below.

Grant date	Details	Total number of shares	Retention shares	Performance shares
Balance at 30 June 2015		5 690 000	1 345 200	4 344 800
11 November 2015	Shares awarded	3 527 900	890 300	2 637 600
	Shares forfeited	(587 200)	(178 000)	(409 200)
	Shares cash settled	(2 141 300)	(645 500)	(1 495 800)
Balance as at 30 June 2016		**6 489 400**	**1 412 000**	**5 077 400**

Grant date	Details	Total number of shares	Retention shares	Performance shares
Balance at 30 June 2014		4 883 000	1 466 000	3 417 000
4 November 2014	Shares awarded	2 971 000	750 500	2 220 500
	Shares forfeited	(483 680)	(63 900)	(419 780)
	Shares cash settled	(1 680 320)	(807 400)	(872 920)
Balance as at 30 June 2015		**5 690 000**	**1 345 200**	**4 344 800**

At 30 June 2016 the following awards were outstanding:

Grant date	Details	Total number of shares	Shares to be settled in FY2017	Shares to be settled thereafter
15 November 2013	Performance shares	897 000	897 000	–
4 November 2014	Retention shares	600 200	–	600 200
4 November 2014	Performance shares	1 775 100	–	1 775 100
11 November 2015	Retention shares	811 800	–	811 800
11 November 2015	Performance shares	2 405 300	–	2 405 300
Balance as at 30 June 2016		**6 489 400**	**897 000**	**5 592 400**

At 30 June 2015 the following awards were outstanding:

Grant date	Details	Total number of shares	Shares to be settled in FY2016	Shares to be settled thereafter
6 November 2012	Performance shares	1 129 000	1 129 000	–
15 November 2013	Retention shares	627 000	627 000	–
15 November 2013	Performance shares	1 091 000	–	1 091 000
4 November 2014	Retention shares	718 200	–	718 200
4 November 2014	Performance shares	2 124 800	–	2 124 800
Balance as at 30 June 2016		**5 690 000**	**1 756 000**	**3 934 000**

Full details of the shares granted during the year are set out in the annual financial statements.

DIRECTORS' REPORT CONTINUED

SPECIAL RESOLUTIONS

Special resolutions relating to directors' remuneration, and financial assistance were approved at the AGM in November 2015.

GOING CONCERN

The board believes that the company and group have adequate financial resources to continue operating for the foreseeable future and, accordingly, the financial statements have been prepared on a going concern basis.

EVENTS AFTER THE REPORTING DATE

Subsequent to year end, the group renegotiated a five year R1.5 billion revolving credit facility with Nedbank Limited to replace the existing R1.0 billion facility which will mature in November 2016. The group further increased its investment in SSG Holdings Proprietary Limited by 10% and now holds a total share of 30%. Apart from these events there have been no other events subsequent to the period end which require additional disclosure or adjustment to the financial results.

REPORT OF THE AUDIT AND RISK COMMITTEE

The independent audit and risk committee (the committee) is pleased to present its report for the financial year ended 30 June 2016.

The committee has discharged its responsibilities mandated by the board, which also allows it to execute its statutory duties in compliance with the Companies Act 71 of 2008, as well as the King III principles applicable to audit committees. The committee's terms of reference, which can be found on the company's website www.northam.co.za are aligned with the above legislation, regulations and principles.

The committee comprised four independent non-executive directors during the year under review namely, Mr AR Martin (chairman), Mr R Havenstein, Mrs TE Kgosi and Ms HH Hickey who replaced Mr ME Beckett, who retired on 11 November 2015.

The committee met on five occasions during the year under review and all members were present at each of these scheduled meetings. Key members of management attend meetings of the committee by invitation. During the year, closed sessions were also held for committee members only, as well as with internal audit, external audit and management.

The committee and its chairman's performance are assessed internally on an annual basis.

REPONSIBILITIES OF THE COMMITTEE

The areas of responsibilities of the committee include the following:

- The appointment and evaluation of external auditors and their terms of engagement;
- The appointment and evaluation of the internal auditors and their mandate;
- The approval of remuneration of external and internal auditors;
- Ensuring the independence of external and internal auditors;
- Ensuring that the appointment of both the external and internal auditors is made in compliance with the provisions of the Companies Act;
- The approval of non-audit work which may be performed by the external auditors which includes tax compliance services, assurance related work in respect of any corporate actions and opinions not related to any prohibited services;
- Approving the internal audit plan;
- Approving the external audit plan without infringing on the auditors' independence;
- Reviewing interim and preliminary results of the company;
- Reviewing and recommendation to the board for approval the interim report and preliminary announcement of results, the annual financial statements and the annual integrated report;
- Ensuring that the risks of the company are adequately assessed and monitored by management through a risk register, and ensuring that such risks are properly mitigated;
- Ensuring that internal controls of the company are implemented, effective and monitored;
- Ensuring a cordial working relationship between management and internal auditors; and
- To deal appropriately with any concerns or complaints raised by any of the company's stakeholders relating to accounting policies or practices and internal audit, content or auditing of the company's financial statements, internal financial controls or any related matter.

ANNUAL CONFIRMATIONS

Appropriateness of the expertise and experience of the chief financial officer

In terms of the JSE listings requirements, the audit and risk committee has satisfied itself as to the appropriateness of the expertise and experience of the chief financial officer.

Independence and reappointment of external auditors

The committee confirms the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and that it recommends their re-appointment for the financial year ending 30 June 2017.

Going concern statement including solvency and liquidity

Based on the solvency and liquidity tests performed the committee report that it has a reasonable expectation that the company/group has adequate resources to continue in operational existence for the foreseeable future, and that the company/group is therefore a going concern.

Effectiveness of internal controls

Using the company's combined assurance model and the related assurance obtained from the various assurance providers in the three lines of defence as basis, the committee recommended to the board that it issues a statement as to the adequacy of the company's internal control environment.

REPORT OF THE AUDIT AND RISK COMMITTEE CONTINUED

Annual financial statements and the integrated report

The committee has:

- Reviewed and discussed the audited annual financial statements included in the annual integrated report with the external auditors, the chief executive officer and the chief financial officer;
- Reviewed the external auditor's management letter and management's response thereto; and
- Reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences; and received and considered reports from the internal auditors.

The committee concurs with and accepts the external auditor's conclusions on the annual financial statements and has recommended the approval thereof to the board. The committee recommended the annual financial statements as well as the 2016 integrated report to the board for approval. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming AGM.

AR Martin
Chairman – audit and risk committee

Johannesburg
23 September 2016

APPROVAL OF ANNUAL FINANCIAL STATEMENTS AND COMPANY SECRETARY'S CONFIRMATION

In approving the annual financial statements, the directors hereby confirm:

- That they are responsible for the preparation, integrity and fair presentation of the annual financial statements of Northam and its subsidiaries. The auditors are responsible for auditing and reporting on whether the financial statements are fairly presented.
- The directors are of the opinion, based on the information and explanations given by management 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. However, any system of internal financial control can only provide reasonable and not absolute, assurance against material misstatement or loss.
- The annual financial statements presented on pages 147 to 236 have been prepared in accordance with International Financial Reporting Standards. They conform and adhere to applicable accounting standards and are presented after applying accounting policies supported by reasonable and prudent judgements and estimates made by management, which have been consistently applied.
- Adequate accounting records and an effective system of internal controls and risk management have been maintained during the entire financial year.
- They have reviewed the additional information included in the annual report and are responsible for both the accuracy and consistency with the annual financial statements.
- The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the group.
- The annual financial statements have been audited by the independent auditors, Ernst & Young Inc. who were given unrestricted access to all financial records and related data including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The unmodified audit report of Ernst & Young Inc. is presented on pages 125 to 127.
- A corporate governance report appears on pages 102 to 106 and includes information regarding the group's compliance with the King lll Code.

The annual financial statements were approved by the board of directors on 23 September 2016 and are signed on its behalf by:

P L Zim	**P A Dunne**	**A R Martin**
Chairman	Chief executive	Chairman – audit and risk committee

Johannesburg
23 September 2016

COMPANY SECRETARY'S CONFIRMATION

I, PB Beale, in my capacity as company secretary of Northam, hereby certify in terms of section 88(2) of the Companies Act that all returns and notices required of a public company in terms of the Act have, in respect of the year under review, been lodged with the Companies and Intellectual Property Commission and that all such returns are true, correct and up to date.

PB Beale
Company secretary

Johannesburg
23 September 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2016

		Group		Company	
		2016	2015	2016	2015
	Note	R'000	R'000	R'000	R'000
Revenue	32	6 404 641	6 173 618	6 019 284	4 629 208
Sales revenue	33	6 097 070	6 035 535	5 740 467	4 230 121
Cost of sales		(5 713 722)	(5 439 722)	(5 680 282)	(3 980 584)
Operating costs	34	(5 007 233)	(4 342 571)	(3 430 234)	(3 114 831)
Concentrates purchased		(350 514)	(602 395)	(2 194 494)	(963 011)
Refining and other costs		(133 186)	(199 470)	(133 186)	(83 408)
Depreciation and write-offs		(403 545)	(339 949)	(187 966)	(165 091)
Change in metal inventories		180 756	44 663	265 598	345 757
Operating profit		383 348	595 813	60 185	249 537
Share of (losses)/earnings from associate and joint venture		(32 253)	28 769	–	–
Investment revenue	35	265 258	72 043	109 480	220 904
Finance charges excluding preference share dividends	36	(39 634)	(145 170)	(33 515)	(140 342)
Sundry expenditure	37	(92 122)	(1 587 264)	(37 089)	(9 244 535)
Sundry income	38	180 928	268 250	282 545	377 490
Profit/(loss) before preference share dividends		665 525	(767 559)	381 606	(8 536 946)
Amortisation of liquidity fees paid on preference shares	24	(18 088)	–	–	–
Preference share dividends	24	(918 806)	(100 767)	–	–
(Loss)/profit before tax		(271 369)	(868 326)	381 606	(8 536 946)
Taxation	39	(236 894)	(165 619)	(108 988)	(115 244)
(Loss)/profit for the year		(508 263)	(1 033 945)	272 618	(8 652 190)
Other comprehensive income					
Items that will be subsequently reclassified to profit and loss		19 822	(4 482)	–	–
Share of associate's exchange differences on translating foreign operations and foreign currency translation		(3 947)	(4 482)	–	–
Reclassification of other comprehensive income from associate to profit or loss		23 769	–	–	–
Total comprehensive income for the year		(488 441)	(1 038 427)	272 618	(8 652 190)
(Loss)/profit attributable to:					
Owners of the parent		(508 263)	(1 035 649)	272 618	(8 652 190)
Non-controlling interests		–	1 704	–	–
(Loss)/profit for the year		(508 263)	(1 033 945)	272 618	(8 652 190)
Total comprehensive income attributable to:					
Owners of the parent		(488 441)	(1 040 131)	272 618	(8 652 190)
Non-controlling interests		–	1 704	–	–
Total comprehensive income attributable for the year		(488 441)	(1 038 427)	272 618	(8 652 190)

		Cents	Cents
Loss per share	40	(145.3)	(264.3)
Fully diluted loss per share	40	(145.3)	(264.3)
Headline loss per share	40	(140.9)	(202.9)
Fully diluted headline loss per share	40	(140.9)	(202.9)

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

		Group		Company	
		2016	2015	2016	2015
	Note	R'000	R'000	R'000	R'000
ASSETS					
Non-current assets		14 110 084	13 367 048	13 299 712	12 988 803
Property, plant and equipment	5	7 853 993	7 065 352	2 790 278	2 419 013
Mining properties and mineral resources	6	5 614 094	5 636 478	101 518	109 362
Interest in associates and joint ventures	7	192 164	275 847	36 845	116 961
Investment in subsidiaries	8	–	–	10 236 000	10 236 000
Unlisted investment	9	6	6	6	6
Land and township development	10	51 341	10 000	18 218	–
Long term receivables	11	89 717	94 503	–	–
Investments held by Northam Platinum Restoration Trust Fund	12	93 647	49 092	43 204	38 868
Environmental Guarantee Investment	13	60 345	52 122	49 187	44 137
Buttonshope Conservancy Trust	14	10 445	11 037	–	–
Deferred tax asset	21	144 332	172 611	–	–
Long term subsidiary loan	15	–	–	24 456	24 456
Current assets		4 867 779	5 784 288	5 613 269	6 074 996
Short term subsidiary loan	15	–	–	2 330 527	4 201 563
Inventories	16	1 330 270	1 126 550	1 308 256	1 045 353
Trade and other receivables	17	375 204	498 854	274 353	281 497
Cash and cash equivalents	18	3 105 080	4 138 189	1 654 417	534 959
Tax receivable		57 225	20 695	45 716	11 624
Total assets		18 977 863	19 151 336	18 912 981	19 063 799
EQUITY AND LIABILITES					
Stated capital	19	13 778 114	13 778 114	13 778 114	13 778 114
Treasury shares	19	(6 556 123)	(6 556 123)	–	–
Retained earnings		631 545	1 139 808	(6 077 117)	(6 349 735)
Equity settled share based payment reserve	20	874 448	874 448	1 173 756	1 173 756
Share of other comprehensive income from associate		–	(19 822)	–	–
Total equity		8 727 984	9 216 425	8 874 753	8 602 135
Non-current liabilities		9 072 179	7 310 753	8 981 473	8 235 923
Deferred tax liability	21	590 637	521 452	594 935	527 234
Long term provisions	22	272 820	187 217	139 316	114 509
Long term loans	23	275 513	39 963	239 350	–
Long term share based payment liability	26	84 373	69 466	52 641	58 236
Financial guarantee liability	25	–	–	7 535 944	7 535 944
Domestic medium term debt notes	27	419 287	–	419 287	–
Preference share liability	24	7 429 549	6 492 655	–	–
Current liabilities		1 177 700	2 624 158	1 056 755	2 225 741
Current portion of long term loans	23	13 201	3 801	9 400	–
Short term share based payment liability	26	56 704	61 019	44 197	49 974
Domestic medium term debt notes	27	–	1 370 000	–	1 370 000
Tax payable		104 072	102 072	–	–
Trade and other payables	29	877 935	959 996	885 358	685 303
Short term provisions	30	125 788	127 270	117 800	120 464
Total equity and liabilities		18 977 863	19 151 336	18 912 981	19 063 799

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

	Stated capital	Equity settled share-based payment reserve	Retained earnings	Other comprehensive income from associate	Non-controlling interests	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000
GROUP						
Balance at 1 July 2014	9 178 688	–	2 223 135	(15 340)	5 389	11 391 872
Acquisition of non-controlling interest	–	–	(46 815)	–	(3 185)	(50 000)
Total comprehensive income for the year	–	–	(1 033 945)	(4 482)	1 704	(1 036 723)
Loss for the year	–	–	(1 033 945)	–	1 704	(1 032 241)
Other comprehensive income for the year	–	–	–	(4 482)	–	(4 482)
Dividends declared #	–	–	(2 567)	–	(3 908)	(6 475)
Issue of new shares	4 599 426	–	–	–	–	4 599 426
Treasury shares	(6 556 123)	–	–	–	–	(6 556 123)
Share based payment reserve	–	874 448	–	–	–	874 448
Balance at 1 July 2015	7 221 991	874 448	1 139 808	(19 822)	–	9 216 425
Total comprehensive income for the year	–	–	(508 263)	19 822	–	(488 441)
Loss for the year	–	–	(508 263)	–	–	(508 263)
Other comprehensive income for the year	–	–	–	19 822	–	19 822
Balance at 30 June 2016	7 221 991	874 448	631 545	–	–	8 727 984
Note	19	20				

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

R7 221 991

Stated capital balance at 30 June 2016

R631 545

Retained earnings at 30 June 2016

R8 727 984

Total equity at 30 June 2016

	Stated capital	Equity settled share-based payment reserve	Retained earnings	Total Equity
	R'000	R'000	R'000	R'000
COMPANY				
Balance at 1 July 2014	9 178 688	–	2 302 455	11 481 143
Total comprehensive income for the year	–	–	(8 652 190)	(8 652 190)
Share based payment reserve	–	1 173 756	–	1 173 756
Issue of new shares	4 599 426	–	–	4 599 426
Balance at 1 July 2015	13 778 114	1 173 756	(6 349 735)	8 602 135
Total comprehensive income for the year	–	–	272 618	272 618
Balance at 30 June 2016	13 778 114	1 173 756	(6 077 117)	8 874 753
Note	19	20		

R13 778 114

Stated capital balance at 30 June 2016

R272 618

Total comprehensive income as at 30 June 2016

R8 874 753

Total equity at 30 June 2016

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

		Group		Company	
		2016	2015	2016	2015
	Note	R'000	R'000	R'000	R'000
Cash flows from operating activities		839 081	340 950	346 378	(117 395)
Cash generated from operations	41	952 650	745 187	386 199	283 498
Interest received		265 258	72 043	109 480	220 904
Movement in land and township development		(41 341)	–	(18 218)	–
Change in working capital	42	(162 131)	(221 248)	(55 704)	(499 955)
Taxation paid	43	(175 355)	(255 032)	(75 379)	(121 842)
Cash flows utilised in investing activities		(1 126 793)	(1 101 462)	1 508 558	(4 448 845)
Property, plant and equipment and mining properties and mineral reserves					
Additions to maintain operations		(369 636)	(322 980)	(259 818)	(286 245)
Additions to expand operations		(804 344)	(779 068)	(294 297)	–
Disposal proceeds		4 235	1 551	2 785	1 402
Movement in land and township development		–	(203)	–	–
Investment in associate cash distributions received		24	12 918	–	–
Additional investment made in associate	7	(20 601)	(9 623)	(10 601)	(9 623)
Proceeds on sale of investment in Trans Hex Group Limited		81 815	–	81 815	–
Movement in subsidiary loan		–	–	1 871 036	387 411
Increase in investments held by Northam Platinum Restoration Trust Fund		(10 655)	(2 624)	(4 336)	(2 077)
Increase in investments held by Environmental Guarantee Investments		(8 223)	(1 098)	(5 050)	(1 856)
Movement in investment held in Buttonshope Conservancy Trust		592	(335)	–	–
Additional investment in subsidiary		–	–	–	(4 650 000)
Dividends received		–	–	127 024	112 143
Cash flows generated from financing activities		(745 397)	4 232 645	(735 478)	4 466 557
Proceeds from issue of shares		–	4 600 000	–	4 600 000
Transaction costs		–	(574)	–	(574)
Liquidity fees paid		–	(163 903)	–	–
Acquisition of non-controlling interest		–	(50 000)	–	–
Finance charges		(39 634)	(145 170)	(33 515)	(132 869)
Dividends paid		–	(3 908)	–	–
Movement in long term loans		244 950	(3 800)	248 750	–
Domestic medium term debt notes issued		419 287	–	419 287	–
Domestic medium term debt notes repaid		(1 370 000)	–	(1 370 000)	–
(Decrease)/increase in cash and cash equivalents		(1 033 109)	3 472 133	1 119 458	(99 683)
Cash and cash equivalents at the beginning of the year		4 138 189	666 056	534 959	634 642
Cash and cash equivalent at the end of the year	18	3 105 080	4 138 189	1 654 417	534 959

ACCOUNTING POLICES

for the year ended 30 June 2016

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments to the extent required or permitted under Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as set out in the relevant accounting policies.

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

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

1.1 NEW ACCOUNTING POLICIES ADOPTED

There have been no amendments, standards or interpretations impacting the group which became effective for the year beginning 1 July 2015.

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

Standard or Interpretation	Impact	Effective date
IFRS 9 Financial instruments	Except for certain trade receivables, initial measurement of a financial asset remains at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. Measurement at cost is no longer allowed. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9. The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to debt instruments accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, contract assets under IFRS 15 and lease receivables.	1 January 2018

ACCOUNTING POLICES CONTINUED

for the year ended 30 June 2016

Standard or Interpretation	Impact	Effective date
	Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL. For trade receivables, a simplified approach may be applied whereby the lifetime ECL are always recognised. The application of IFRS 9 may change the measurement and presentation of many financial instruments, depending on their contractual cash flows and the business model under which they are held. The impairment requirements will generally result in earlier recognition of credit losses. The new hedging model may lead to more economic hedging strategies meeting the requirements for hedge accounting. The impact of IFRS 9 on Northam is being assessed.	
IFRS 15 Revenue from Contracts with Customers	IFRS 15 is more prescriptive than the current IFRS requirements for revenue recognition and provides more application guidance. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each of the model's five steps to contacts with customers. The disclosure requirements are also more extensive. The standard will affect entities across all industries. Adoption will be a significant undertaking for most entities with potential changes to their current accounting, systems and processes. Therefore, a successful implementation will require an assessment of and a plan for managing the change. A preliminary assessment of what the impact of the new standard will be on Northam is currently being conducted.	1 January 2018
IFRS 16 Leases	The new standard requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The standard includes two recognition exemptions for leases – lessees of "low-value" assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The entity has not yet considered the implication of adopting IFRS 16.	1 January 2019
IAS 1 Disclosure Initiative – Amendments to IAS 1	The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify: • The materiality requirements in IAS 1 • That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated • That entities have flexibility as to the order in which they present the notes to financial statements • That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.	1 January 2016

Standard or Interpretation	Impact	Effective date
	Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The impact of the materiality and subtotal amendments are still to be assessed. The other amendments will have no impact as these principles are applied already.	
IAS 7 Disclosure Initiative – Amendments to IAS 7	The amendment requires the entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The group is still assessing the impact of this amendment on the group.	1 January 2017
IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary differences. The amendments also provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amounts. Management is currently assessing the impact of the amendment with regards to the guidance on how an entity should determine future taxable profits and the circumstances in which taxable profits may include the recovery of some assets for more than their carrying amount.	1 January 2017
IAS 27 Equity Method in Separate Financial Statements – Amendments to IAS 27	The amendments to IAS 27 allow an entity to use the equity method as described in IAS 28 to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. Therefore, an entity must account for these investments either: • At cost • In accordance with IFRS 9 (or IAS 39); or • Using the equity method The entity must apply the same accounting for each category of investment. This approach might be applied in the future, if the entity considered that the equity accounting measure might provide useful information to the users of the financial statements.	1 January 2016

ACCOUNTING POLICES CONTINUED

for the year ended 30 June 2016

Improvements to International Financial Reporting Standards

The IASB's annual improvements process deals with non-urgent, but necessary, clarifications and amendments to IFRS.

Following is a summary of the amendments (other than those affecting only the standards' Basis for Conclusions) from the 2012-2014 annual improvements cycle. The changes summarised below are effective for annual reporting periods beginning on or after 1 January 2016. Earlier application is permitted and must be disclosed.

Standard or Interpretation	Impact
IAS 34 Interim Financial Reporting	Disclosure of information 'elsewhere in the interim financial report' • The amendment clarifies that the required interim disclosures must be either in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). • The other information within the interim financial report must be available to users on the same terms and at the same time as the interim financial statements. • The amendment must be applied retrospectively. Management will consider the impact of the amendment with the next interim financial statements.

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

1.2 CONSOLIDATION

The consolidated financial statements include the results, financial position and cash flows of Northam, its subsidiaries, joint ventures and associates. A subsidiary is an entity that is controlled due to the company being exposed or having rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

Non-controlling interests represent the portion of profit or loss and net assets not held by the group and are presented separately in profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders equity. Changes in the group's ownership interest in a subsidiary that do not result in the group losing control of the subsidiary are equity transactions.

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

1.3 ASSOCIATES AND JOINT ARRANGEMENTS

An associate is an entity in which the group has significant influence. The group's investment in its associates is accounted for using the equity method of accounting.

The group also has an interest in a joint arrangement which is classified as a joint venture in terms of IFRS 11 Joint arrangements. The group's investment in this joint venture is accounted for using the equity method of accounting.

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

The share of profit of associates or joint venture is shown on the face of the statement of profit or loss and other comprehensive income in profit or loss. This is the profit attributable to equity holders of the associate or joint venture and is therefore profit after tax and non-controlling interests.

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

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

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

1.4 BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

ACCOUNTING POLICES CONTINUED

for the year ended 30 June 2016

1.5 PROPERTY, PLANT AND EQUIPMENT

Mining assets

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

Mine development costs

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

Mining plant and equipment

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

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

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

Decommissioning asset

The decommissioning asset is depreciated on units of production basis, based on resources which are revised annually.

The decommissioning asset is recognised and subsequent changes in the assumptions which impact the asset are 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.

Intangible assets comprising mining properties

Mining properties, 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 straight-line basis over the estimated economic life of the mine, or on a units of production based on resources which are revised annually, whichever is more appropriate.

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

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

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

Other assets

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.

Land

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

Impairment

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

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

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

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

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

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

An impairment calculation used during a previous financial year can be re-used if:

- the assets and liabilities making up the unit have not changed significantly;
- the recoverable amount is significantly greater than the carrying amount; and
- an analysis of events indicates that the chances of the difference being eliminated are remote.

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.

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.

Subsequent expenditure

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

ACCOUNTING POLICES CONTINUED

for the year ended 30 June 2016

Exploration expenditure

The group expenses all exploration and evaluation expenditures until it is concluded that a future economic benefit is more likely than not of being realised, i.e. probable.

Exploration and evaluation expenditure on greenfields sites, being those where the group 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 feasibility study, after which the expenditure is capitalised as a mine development cost.

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 following a mine planning exercise equivalent to a feasibility study.

1.6 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 shortage of houses at 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 product, less estimated costs to complete production and bring the product 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 group's employees to acquire their own affordable housing, is initially recognised at cost, being the fair value of the consideration given and including acquisition charges. 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.

Northam's main business is not the development of properties. In terms of South African mining legislation it is required to provide certain home ownership benefits. To that end it constructs houses which are sold to employees on favourable terms.

The houses are mainly for employees but third parties may 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 group is mining platinum group metals.

1.7 FINANCIAL INSTRUMENTS

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

Investments

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

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

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

After initial recognition, investments at amortised cost 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 investments are derecognised or impaired, as well as through the amortisation process. Interest income on these investments is recognised in profit or loss.

Derivative instruments

In the ordinary course of its operations, the group is exposed to fluctuations in metal prices, exchange rates and changes in interest rates. The group does not speculate, acquire, hold or issue derivative instruments for trading purposes, and does not apply hedge accounting.

Derivatives are initially and subsequently measured at fair value and associated transaction costs are charged to profit or loss when incurred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include trade and other receivables, long term receivables and cash and cash equivalents. After initial recognition 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.

Cash and cash equivalents

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

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

Trade and other payables

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

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

ACCOUNTING POLICES CONTINUED

for the year ended 30 June 2016

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.

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

Accrued dividends on preference shares are recognised as finances charges.

Impairment of financial instruments

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

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

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

Derecognition of financial instruments

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

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

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

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 best estimate of the expenditure required to settle the present obligation at the reporting date 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.

1.8 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

Stocks of the three major platinum group elements and gold (3PGEs + Au), either in refined or in process form, are valued at the lower of cost of production (including the value of any purchased concentrate) or net realisable value. Production costs include an appropriate portion of overhead expenses. Cost is determined on the three month weighted average basis.

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, 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 (3PGE + Au) are treated as main products and other platinum group and base metals produced as by-products.

Stockpiles are measured by estimating the stockpiled tonnes, the number of contained 3PGE + Au 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 verified by periodic surveys.

In process and final inventories are carried at the lowest of average cost of normal production 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.

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

ACCOUNTING POLICES CONTINUED

for the year ended 30 June 2016

1.9 PROVISIONS

Decommissioning provision

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

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

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

Environmental restoration provision

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

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money. The increase in the restoration provision due to the passage of time is recognised as a finance cost in profit or loss. In assessing the future liability, no account is taken of the potential proceeds from the sale of assets and metals from the plant clean-up.

The future liability is reviewed regularly and adjusted as appropriate for new facts and changes in legislation. The cost of ongoing programmes to prevent and control pollution and rehabilitate the environment is recognised as an expense when incurred.

Environmental rehabilitation fund

The group 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 group's profit or loss in the period to which it relates.

The group controls the trust and therefore consolidates it.

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

Other provisions

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

1.10 FOREIGN CURRENCIES

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

1.11 REVENUE RECOGNITION

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

Metal sales

Revenue from the sale of metal is accounted for when the risks and rewards of ownership have passed and is recorded at the invoiced amounts with an adjustment for provisional pricing at each reporting date relating to metals where final assays are not yet available. Adjustments, in respect of final assayed quantities and/ or prices, arising between the date of recognition of the revenue and the date of settlement are recognised in the period in which the adjustment arises.

Income from the sale of township land

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

Interest revenue

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

Dividends

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

Sundry income

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

1.12 BORROWING COSTS

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

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

ACCOUNTING POLICES CONTINUED

for the year ended 30 June 2016

1.13 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 group expects to pay when the leave is used.

Equity compensation plans

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

The cumulative expense recognised for these options at each reporting date until the vesting date reflects the best estimate of the value attributable to the number of options that will ultimately vest. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share and diluted headline earnings per share.

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

Options granted to an employee are forfeited in the event of the employee resigning or being dismissed. The accumulated credit to the equity compensation reserve in respect of options that have lapsed or been forfeited after their vesting date is transferred to retained earnings.

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

The shares awarded in terms of the rules of the plan comprise: retention shares, which vest after 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. Retention shares awarded prior to November 2014 vest after two years with no performance criteria.

The group initially measures the cost of cash-settled transactions with employees using a market value model to determine the fair value of the liability incurred. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. 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.

Equity settled instruments in respect to the BEE transaction
Equity settled share-based payment expense relates to the BEE transaction and vested on the grant date. The value of the expense was determined by way of a Black-Scholes option model.

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' service terminate.

Toro employee empowerment trust

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

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

Independent actuarial valuations are conducted annually. Re-measurements, comprising actuarial gains and losses arising as a result of experience adjustments and/or the effects of changes in actuarial assumptions, the effect of changes to the asset ceiling and the return on plan assets (excluding interest) are recognised immediately in profit and loss when they occur. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating profit. Net interest is determined by applying the discount rate at the beginning of the year to the net defined liability or asset.

Past-service cost is recognised immediately in profit or loss in the period to the extent that benefits are already vested and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

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

ACCOUNTING POLICES CONTINUED

for the year ended 30 June 2016

1.14 LEASES

Group as lessee

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

Assets subject to finance leases are capitalised as property, plant and equipment at the lower of the fair value of the leased asset at inception of the lease or the present value of the minimum lease payments with the related lease obligation recognised at the same amount. Capitalised leased assets are depreciated over the estimated useful lives. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance lease payments are allocated between finance costs and the capital repayment so as to achieve a constant rate of interest on the remaining balance of the liability.

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

Group as lessor

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

1.15 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.

Deferred tax

Deferred tax is provided at enacted or substantially enacted tax rates.

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, associates and joint arrangements.

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, associates and joint arrangements.

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

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

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

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

Dividends withholding tax

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

1.16 DIVIDENDS DECLARED

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2016

2. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

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

2.1 Impairment of assets

The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group 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.

Due to the vertically integrated operations of the group and the fact that there is no active market for the group's intermediate products, the group's operations as a whole constitute the smallest CGU.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, 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 and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate to determine the net present value.

The group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the group's CGUs to which the individual assets are allocated. 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.

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

The determined value in use of the cash-generating unit is most sensitive to the platinum price, the US dollar exchange rate and the discount rate. Other judgements made by management include, total capital expenditure, operating costs, production levels and inflation factors.

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

	Group		Company	
	2016	2015	2016	2015
Long term real platinum price US$ per ounce	1 433	1 663	1 433	1 663
Long term real palladium price US$ per ounce	896	897	896	897
Long term real rhodium price US$ per ounce	1 254	1 573	1 254	1 573
Long term real gold price US$ per ounce	1 209	1 325	1 209	1 325
Long term real exchange rate US$	R14.16	R11.64	R14.16	R11.64
Long term real discount rate	10.50%	15.10%	10.50%	15.10%

Management also estimated the recoverable amount of mineral assets that the group is not currently developing. 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.

2.2 Mine rehabilitation provision

The group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Management estimates, with the assistance of independent experts, the expected total spend for the rehabilitation, management and remediation of negative environmental impacts at closure at the end of the lives of the mines and processing operations.

The estimation of future costs of environmental obligations relating to decommissioning and rehabilitation is particularly complex and requires management to make estimates, assumptions and judgements relating to the future. These estimates are dependent on a number of factors including assumptions around environmental legislation, life-of-mine estimates and discount rates.

The group makes full provision for the future 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 rehabilitation provision represents the present value of rehabilitation costs relating to mine sites.

Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future platinum group metal prices, which are inherently uncertain.

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

	Group		Company	
	2016	2015	2016	2015
Long term South African inflation rate	8.71%	6.00%	8.71%	6.00%
Long term real discount rate	10.62%	8.00%	10.62%	8.00%

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.

Refer to note 22 relating to the provision for the rehabilitation and decommission liability of the group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

2.3 Useful lives and residual values of property, plant and equipment

Residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively, if appropriate.

The group's assets, excluding mining development and infrastructure assets, are depreciated over their expected useful lives which are reviewed annually to ensure that the useful lives continue to be appropriate. In assessing useful lives, technological innovation, product life cycles, physical condition of the assets and maintenance programmes are taken into consideration.

Mining development and infrastructure assets are depreciated on a unit-of-production basis. The calculation of the unit-of-production depreciation is based on forecasted production which is calculated using numerous assumptions. Any changes in these assumptions may have an impact on the calculation.

Refer to note 5 relating to property, plant and equipment and note 6 for mining properties and mineral resources.

2.4 Ore reserve and mineral resource estimates (life of mine)

The estimation of reserves impacts the depreciation of property, plant and equipment, the recoverable amount of property, plant and equipment and the timing of rehabilitation expenditure.

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

The above impacts both the provision for rehabilitation and decommission as detailed in note 22 as well as the depreciation calculation for property, plant and equipment items (note 5) as well as mining properties and mineral resources included in note 6.

2.5 Production start date for mine developments

The group assesses the stage of a mine under construction to determine when the mine moves into the production phase. This being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of that mine's construction project, such as the complexity of the project and its location. The group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from "pre-production development expenditure" to "property, plant and equipment". Some of the criteria used to identify the production start date include, but are not limited to:

– Level of capital expenditure incurred compared to the original construction cost estimate
– Ability to produce metal in saleable form (within specification)
– Ability to sustain ongoing production of metal

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

2.6 Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Northam obtained various forms of borrowings to fund the development of new mines. Only borrowing costs relating to qualifying assets are capitalised as borrowing costs.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Refer to financing charges excluding preference share dividends included in note 36. No finance costs were capitalised in the current or previous year.

2.7 Transaction with Northam's precious metal refiner

Northam agreed terms to extend its co-operation agreement with Heraeus Deutschland GmbH &Co. KG (Heraeus) and Heraeus South Africa Proprietary Limited (HSA).

In terms of the agreement Heraeus will contribute €20.0 million to expand the capacity of Northam's existing smelter, through the construction of a 20MW second furnace at the Zondereinde metallurgical complex. The total cost of the expansion is estimated at R750.0 million.

The agreement also provides for the renewal of the current offtake and toll refining agreements with Heraeus.

Heraeus' capital contribution will be fixed according to a progress schedule, and paid in two tranches of €10.0 million each, the first of which was received during June 2016. The furnace is planned for commissioning by the end of the 2017 calendar year. In return, Northam has renewed its toll refining agreement with Heraeus and HSA for a period of 20 years on competitive terms. Northam also undertakes to sell up to 40% of its production to Heraeus or HSA at market prices.

The first €10.0 million received from Heraeus was recognised as a liability, as Northam is obligated to refund the amount to Heraeus if, but only if Northam does not commission the furnace on time. Once the furnace is commissioned and the second €10.0 million is received, the €20.0 million will be deducted from the cost of the smelter as the value contributed by Heraeus is effectively considered a "rebate" in terms of IAS 16.16(a). The €10.0 million was revalued to the closing Euro exchange rate at year end.

R9.4 million will be paid annually by Northam for product development on 1 July of every year, commencing on 1 July 2016 for 20 years.

With regards to the R9.4 million annual payments from Northam to HSA, Northam has an obligation to pay this amount to HSA for 20 years. A liability was recognised at contract inception, being 16 April 2016. The liability was measured at the present value of the R9.4 million payments over 20 years using the prevailing prime interest rate. The contra side of the entry was included as an addition cost to the furnace. The reason for this is that the contract will be entered into for the construction of the smelter and thus the liability is viewed as a cost incurred in the construction of the smelter. By adding the amount to the cost of the smelter, depreciation will be higher each year, thereby increasing the cost of goods produced.

Refer to note 5 Property, plant and equipment as well as note 23 which details the amounts payable to Heraeus and HSA.

2.8 Zambezi Platinum (RF) Limited

Zambezi Platinum (RF) Limited (Zambezi) was created and designed for the sole purpose of providing Northam with BEE credentials and as a structure to hold the listed BEE preference shares. If Northam does not comply with the HDSA requirements in the Mining Charter they will not be able to retain their mining rights. Northam is able to direct the strategic direction of Zambezi and as per the subscription and relationship agreement between the two companies, Zambezi's memorandum of incorporation may not be amended or replaced without Northam's prior written consent. Northam assumes full responsibility for the administration of Zambezi as well as any costs incurred by Zambezi up to a certain limit. Furthermore, Northam provides a guarantee for Zambezi's obligation in respect of the preference shares. All these points indicate that Northam has been involved from the inception of the transaction, to ensure that the design and operation of Zambezi achieves the purpose for which it was created. In terms of the transaction, an "N" share was issued to Northam, which gave them the right to implement mitigating action should Zambezi not comply with certain undertakings as per the transaction's agreements and in other limited instances aimed at maintaining the integrity of the transaction at all times. Zambezi can also not dispose of the Northam ordinary shares without the prior consent of Northam. Northam has significant exposure to the variable returns of Zambezi, through the creation and maintenance of the BEE credentials during the 10-year lock-in period as well as through the guarantee provided by Northam. The decision making power of Zambezi's board of directors is restricted to maintaining Northam's BEE credentials and funding arrangements.

All of these factors have been considered in determining that even though Northam Platinum Limited does not have majority of the voting rights in Zambezi Platinum (RF) Limited it still has control over the entity.

Refer to note 24 detailing the preference share liability consolidated into the Northam group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

2.9 Toro Employee Empowerment Trust

The company entered into an agreement with the representative unions at the Northam's Zondereinde mine in terms of which the company has undertaken to contribute 4% of Northam company's after tax profits to the Toro Employee Empowerment Trust, providing Northam's Zondereinde mine unskilled and semi-skilled employees an opportunity to participate in the profits of the company. In the event of the company making a loss, no contributions are made to the trust. Eligible employees will receive payment at the end of each five-year cycle, starting from September 2013. The amount of the cash to be distributed is based on the valuation of the fund and Northam Platinum Limited does not guarantee any values over and above what is included in the Trust and managed accordingly by the investment manager.

The Toro Trust is accounted for as an "other long term employee benefits" in terms of IAS 19.

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

	Group		Company	
	2016	2015	2016	2015
Discount rate	7.8%	7.60%	7.8%	7.60%
Interest rate	8.2%	7.90%	8.2%	7.90%

The rate used to discount pre-retirement benefit obligations should be determined by reference to market yields at the reporting date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds should be used. There is however no deep market in corporate bonds in South Africa and as such reference to the nominal bond curve, as compiled by the JSE has been used, for the duration of the liabilities of 2 years. This converts into an effective yield of 7.80% as at 30 June 2016. In terms of the accounting standards historical yields are less important and we consequently consider it appropriate to use the discount rate 7.80% per annum.

Refer to note 31 detailing the movements included in the Toro Trust in the current year.

2.10 Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Estimation is required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the group to assess the likelihood that the group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Judgements are also required in respect of the application of existing tax laws in each jurisdiction. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the reporting date could be impacted.

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

Refer to note 21 and note 39 detailing the breakdown of both normal and deferred taxes for the current year.

2.11 Contingencies

A contingency is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

2.12 Inventories

Work in progress metal inventory is valued at the lower of net realisable value and the average cost of production or purchase less net revenue from sales of other metals 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 3-month rolling average basis. The quantity of ounces of joint products in work in progress is calculated based on the following factors. The theoretical inventory at that point in time which 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.

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

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained PGM ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method.

Stockpile tonnages are verified by periodic surveys.

Refer to note 16 detailing the breakdown of inventories at year end.

2.13 Exploration and evaluation expenditure

The application of the group's accounting policy for exploration and evaluation expenditure requires judgement to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether economic benefits are likely to arise from the group's exploration assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the group has to apply a number of estimates and assumptions.

If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in a period when the new information becomes available.

2.14 Fair value measurement

The group measures financial instruments at fair value at initial recognition, and subsequently as described in the accounting policies. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or cash generating unit at fair value less costs of disposal.

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.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable information.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

2.15 Guarantee to Zambezi Platinum (RF) Limited

A financial guarantee contract was issued by Northam Platinum Limited to Zambezi Platinum (RF) Limited to guarantee the preference shares that were issued by Zambezi Platinum (RF) Limited as part of the BEE transaction.

The redemption of the BEE preference shares is planned to occur through cash accumulation from dividends received from Northam Platinum Limited, and after the lock-in the possible sell-off of Northam Platinum Limited shares into the market to realise the capital value, to redeem the preference shares. In the event that this is not sufficient to settle the liability, it will be secured by the company in terms of a financial guarantee ("Northam Guarantee"), in terms of which Northam Platinum Limited will be responsible for the payment of all amounts which Zambezi Platinum (RF) Limited has contracted but failed to pay. Northam may settle the debt by ways of a cash payment or the issue of a determinable number of Northam Platinum Limited shares or a cash and Northam Platinum Limited share combination.

In the Northam Platinum Limited separate financial statements, the financial guarantee was recognised as a financial guarantee liability. Measuring the guarantee contract liability required the use of estimates, these assumptions include:

	Group		Company	
	2016	2015	2016	2015
Dividend yield rate	–	–	0.30%	0.30%
Volatility	–	–	30.00%	30.00%
Risk free rate	–	–	8.42%	8.42%

The financial guarantee liability is amortised based on the total value of preference shares still outstanding, as this better reflects the pattern of how Northam Platinum Limited provides the guarantee, as is therefore unchanged from the prior year.

Refer to note 25 included in the annual financial statements.

2.16 Black economic empowerment (BEE) transaction cost

The group executed the BEE transaction during the prior year. Various costs were incurred by the group to facilitate the transaction. The services provided by the advisors included finding appropriate shareholders, raising debt and ensuring that all legal requirements were complied with. These costs were expensed, as there was no reasonable basis on which these costs could be allocated directly to the issuance of the debt (preference shares) or equity (ordinary shares). Also, in undertaking the transaction, the group obtained BEE credentials, which does not qualify for capitalisation.

Refer to note 37 sundry expenditure, detailing the transaction costs relating to the BEE transaction in the prior year.

2.17 Liquidity fees incurred with the BEE transaction

Subscription undertakings for the full value of the preference shares were secured at a 2.5% liquidity fee in the prior year. The liquidity fee was classified as a transaction cost in terms of IAS 39 at a group level. In terms of IAS 39.43 transaction costs will be included in the initial measurement of the financial liability, except when it is classified as a financial liability held at fair value through profit or loss. The BEE preference share liability is measured at amortised cost and therefore the transaction cost is included on initial measurement.

Included in the Northam Platinum Limited company accounts these costs were expensed as transaction costs. The liquidity fee payable of R163.9 million was of a capital nature and therefore not tax deductible, resulting in a permanent difference in the prior year.

Refer to note 27 which discloses the preference share liability including the liquidity fees incurred with the BEE transaction.

2.18 Determining the recoverability of investment in associate

In applying IAS 36 to the group's investment in Trans Hex Group Limited, the group determined the recoverable amount as the higher of the value in use and fair value less costs of disposal. The fair value was calculated with reference to the ruling market price at year end multiplied by the number of shares as required by IFRS 13. No liquidity adjustment was made. The impairment loss was based on value in use which incorporated net cash flows to be received upon disposal of the investment at a future date.

During the current year the investment was sold.

Refer to note 7, interest in associates and joint ventures for the various impairments and reversal of impairments accounted for during the current and prior year.

2.19 Pandora joint venture

The group's interest in the "joint venture" is classified as an investment in an associate due to the existence of significant influence as opposed to joint control. The entity is called the Pandora joint venture because there are three parties that have an interest in the entity and the two main parties hold 92.50% interest. Joint control only exists for the two majority parties and the minority interest holder only have significant influence due to board representation. Thus the investment has been accounted for as an investment in associate.

Refer to note 7 which discloses the investment in the Pandora joint venture.

2.20 Operating segments

Two reportable segments have been identified, being the Zondereinde mine and Booysendal mine. Both of these mines engage in business activities from where they earn revenue and incur expenses, the operating results of these two segments are also regularly reviewed by the chief operating decision maker at Northam Platinum Limited and their performance assessed separately. Furthermore, discrete financial information is available for both segments.

The Zondereinde mine includes the results of Northam Chrome Proprietary Limited (formerly known as Northam Chrome Producers Proprietary Limited). This operating segment does not meet the quantitative thresholds to be separately reported and the nature of the products and type of customers is similar to that of Zondereinde.

Zambezi Platinum (RF) Limited has been included in the annual financial statements, in order to reconcile the amounts to the reported statement of financial position and statement of profit or loss and comprehensive income. Zambezi Platinum (RF) Limited is not a separate operating segment as it does not engage in business activities from which it earns revenue and incurs expenses and in addition to this their operating results are not regularly reviewed by the chief operating decision maker in assessing the performance of the company.

Refer to note 2 for the segmental disclosure.

2.21 Equity settled share based payment

Northam Platinum Limited will effectively be paying for BEE credentials by distributing Northam Platinum Limited ordinary shares to the various participant Special Purpose Vehicles. This constitutes a share based payment as defined which is classified as an equity-settled share-based payment to be delivered after the 10-year lock-in period. There are no vesting conditions attached to the BEE equity that are held by the BEE participants. The valuation of the share-based expense therefore takes into account the restrictions on the participants' ability to dispose of the shares as well as the fact that they will only receive 10% of actual dividends declared during the 10-year lock-in period. The fair value at grant date is therefore not the same as the listed share price. IFRS 2 requires equity-settled transactions to be accounted for at the fair value at grant date, defined as the date at which the entity and other party agree to a share-based payment arrangement, being the date when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. This results in the full share-based payment in respect of the BEE transaction being incurred on day one of the BEE transaction in the prior year.

Refer to note 20 for the equity settled share based payment accounted for in the prior year as part of the BEE transaction.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

3. SEGMENTAL ANALYSIS

The group has two business segments, the Zondereinde mine and the Booysendal mine. The group's executive committee looks at the performance of the Zondereinde and Booysendal mines when allocating resources and assessing the segmental performance. The Zondereinde segment includes the results of Northam Chrome Proprietary Limited (formerly known as Northam Chrome Producers Proprietary Limited).

Segmental statement of profit or loss and other comprehensive income

	Zondereinde operating segment	Booysendal operating segment	Intercompany eliminations	Zambezi Platinum and the BEE transaction	Other	Total
30 June 2016	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Sales revenue	5 966 217	1 972 883	(1 843 980)	–	1 950	6 097 070
Cost of sales	(5 718 092)	(1 796 904)	1 843 980	–	(42 706)	(5 713 722)
Operating costs	(3 464 378)	(1 541 040)	–	–	(1 815)	(5 007 233)
On mine operations	*(2 691 280)*	*(1 166 353)*	–	–	–	*(3 857 633)*
Concentrator operations	*(285 170)*	*(283 461)*	–	–	–	*(568 631)*
Smelting and base metal removal plant costs	*(273 612)*	–	–	–	–	*(273 612)*
Chrome processing	*(18 175)*	*(11 921)*	–	–	–	*(30 096)*
Selling and administration	*(106 622)*	*(47 762)*	–	–	–	*(154 384)*
Royalty charges	*(34 419)*	*(9 864)*	–	–	–	*(44 283)*
Share based payment expenses	*(35 628)*	*(28 547)*	–	–	–	*(64 175)*
Toro employee profit share scheme	*(10 904)*	–	–	–	–	*(10 904)*
Rehabilitation	*(8 568)*	*6 868*	–	–	–	*(1 700)*
Other	–	–	–	–	*(1 815)*	*(1 815)*
Concentrates purchased	(2 194 494)	–	1 843 980	–	–	(350 514)
Refining including sampling and handling charges	(133 186)	–	–	–	–	(133 186)
Depreciation and write offs	(191 797)	(213 481)	–	–	1 733	(403 545)
Change in metal inventory	265 763	(42 383)	–	–	(42 624)	180 756
Operating profit	248 125	175 979	–	–	(40 756)	383 348
Share of (losses)/earnings from associate and joint venture	–	–	–	–	(32 253)	(32 253)
Investment revenue	111 066	163 940	(27 223)	–	17 475	265 258
Finance charges before preference shares	(33 515)	(24 131)	27 223	–	(9 211)	(39 634)
Sundry income	157 437	3 233	–	–	20 258	180 928
Sundry expenditure	(37 088)	(32 110)	–	–	(22 924)	(92 122)
Profit/(loss) before preference share dividends	446 025	286 911	–	–	(67 411)	665 525
Amortisation of liquidity fees paid on preference shares	–	–	–	(18 088)	–	(18 088)
Preference shares	–	–	–	(918 806)	–	(918 806)
Profit/(loss) before tax	446 025	286 911	–	(936 894)	(67 411)	(271 369)
Taxation	(162 587)	(82 866)	–	–	8 559	(236 894)
Profit/(loss) for the year	283 438	204 045	–	(936 894)	(58 852)	(508 263)

Segmental statement of profit or loss and other comprehensive income

30 June 2015	Zondereinde operating segment R'000	Booysendal operating segment R'000	Intercompany eliminations R'000	Zambezi Platinum and the BEE transaction R'000	Other R'000	Total R'000
Sales revenue	4 414 254	1 978 081	(360 616)	–	3 816	6 035 535
Cost of sales	(4 015 840)	(1 782 850)	360 616	–	(1 648)	(5 439 722)
Operating costs	(3 147 023)	(1 192 167)	–	–	(3 381)	(4 342 571)
On mine operations	*(2 548 692)*	*(872 982)*	–	–	–	*(3 421 674)*
Concentrator operations	*(264 326)*	*(245 973)*	–	–	–	*(510 299)*
Smelting and base metal removal plant costs	*(172 485)*	–	–	–	–	*(172 485)*
Chrome processing	*(34 686)*	*(11 329)*	–	–	–	*(46 015)*
Selling and administration	*(70 970)*	*(34 011)*	–	–	–	*(104 981)*
Royalty charges	*(29 912)*	*(10 074)*	–	–	–	*(39 986)*
Share based payment expenses	*(22 994)*	*(13 042)*	–	–	–	*(36 036)*
Toro employee profit share scheme	*(25)*	–	–	–	–	*(25)*
Rehabilitation	*(2 933)*	*(4 756)*	–	–	–	*(7 689)*
Other	–	–	–	–	*(3 381)*	*(3 381)*
Concentrates purchased	(963 011)	–	360 616	–	–	(602 395)
Refining including sampling and handling charges	(83 408)	(116 062)	–	–	–	(199 470)
Depreciation and write offs	(167 988)	(173 694)	–	–	1 733	(339 949)
Change in metal inventory	345 590	(300 927)	–	–	–	44 663
Operating profit	398 414	195 231	–	–	2 168	595 813
Share of (losses)/earnings from associate and joint venture	–	–	–	–	28 769	28 769
Investment revenue	232 598	29 929	(189 100)	588	(1 972)	72 043
Finance charges before preference shares	(140 342)	(186 410)	189 100	–	(7 518)	(145 170)
Sundry income	265 336	1 147	–	–	1 767	268 250
Sundry expenditure	(197 285)	(13 498)	–	(1 289 518)	(86 963)	(1 587 264)
Profit/(loss) before preference share dividends	558 721	26 399	–	(1 288 930)	(63 749)	(767 559)
Preference share dividends	–	–	–	(100 767)	–	(100 767)
Profit/(loss) before tax	558 721	26 399	–	(1 389 697)	(63 749)	(868 326)
Taxation	(153 604)	74 279	–	(87 350)	1 056	(165 619)
Profit/(loss) for the year	405 117	100 678	–	(1 477 047)	(62 693)	(1 033 945)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

Segmental statement of financial position

30 June 2016	Zondereinde operating segment R'000	Booysendal operating segment R'000	Intercompany eliminations R'000	Zambezi Platinum and the BEE transaction R'000	Other R'000	Total R'000
ASSETS						
Non-current assets	13 298 934	11 614 864	(22 573 282)	6 875 935	4 893 633	14 110 084
Property, plant and equipment	2 813 957	5 089 844	(51 096)	–	1 288	7 853 993
Mining properties and mineral resources	101 518	6 451 464	(954 583)	–	15 695	5 614 094
Interest in associates and joint ventures	36 844	–	–	–	155 320	192 164
Investment in subsidiaries	10 236 000	–	(14 836 000)	–	4 600 000	–
Investment in Northam Platinum Limited	–	–	(6 875 935)	6 875 935	–	–
Unlisted investment	6	–	–	–	–	6
Land and township development	18 218	11 955	–	–	21 168	51 341
Long term receivables	–	–	–	–	89 717	89 717
Investments held by Northam Platinum Restoration Trust Fund	43 204	50 443	–	–	–	93 647
Environmental Guarantee Investment	49 187	11 158	–	–	–	60 345
Buttonshope Conservancy Trust	–	–	–	–	10 445	10 445
Deferred tax asset	–	–	144 332	–	–	144 332
Current assets	5 665 592	1 856 514	(5 117 587)	424	2 462 836	4 867 779
Short term subsidiary loan	2 354 985	363 618	(5 074 446)	–	2 355 843	–
Inventories	1 309 127	63 767	(42 624)	–	–	1 330 270
Trade and other receivables	295 867	68 587	(517)	–	11 267	375 204
Cash and cash equivalents	1 657 140	1 360 542	–	424	86 974	3 105 080
Tax receivable	48 473	–	–	–	8 752	57 225
Total assets	18 964 526	13 471 378	(27 690 869)	6 876 359	7 356 469	18 977 863
EQUITY AND LIABILITES						
Stated capital	13 778 114	4 600 000	(11 706 125)	–	7 106 125	13 778 114
Treasury shares	–	–	(6 556 123)	–	–	(6 556 123)
Retained earnings	(6 030 982)	(257 188)	7 743 692	(770 976)	(53 001)	631 545
Non distributable reserves	–	2 501 755	(2 501 755)	–	–	–
Equity settled share based payment reserve	1 173 756	–	(299 308)	–	–	874 448
Total equity	8 920 888	6 844 567	(13 319 619)	(770 976)	7 053 124	8 727 984
Non-current liabilities	8 983 689	1 695 422	(9 320 307)	7 647 335	66 040	9 072 179
Deferred tax liability	597 149	1 530 187	(1 613 759)	71 638	5 422	590 637
Long term provisions	139 316	133 504	–	–	–	272 820
Long term loan	239 351	–	(24 456)	–	60 618	275 513
Long term share based payment liability	52 642	31 731	–	–	–	84 373
Financial guarantee liability	7 535 944	–	(7 535 944)	–	–	–
Domestic medium term debt notes	419 287	–	–	–	–	419 287
Preference share liability	–	–	(146 148)	7 575 697	–	7 429 549
Current liabilities	1 059 949	4 931 389	(5 050 943)	–	237 305	1 177 700
Current portion of long term loans	9 400	–	–	–	3 801	13 201
Short term share based payment liability	44 197	12 507	–	–	–	56 704
Tax payable	–	1 418	–	–	102 654	104 072
Subsidiary loans	363 618	4 618 007	(5 049 990)	–	68 365	–
Trade and other payables	524 934	291 469	(953)	–	62 485	877 935
Short term provisions	117 800	7 988	–	–	–	125 788
Total equity and liabilities	18 964 526	13 471 378	(27 690 869)	6 875 359	7 356 469	18 977 863

30 June 2015	Zondereinde operating segment R'000	Booysendal operating segment R'000	Intercompany eliminations R'000	Zambezi Platinum and the BEE transaction R'000	Other R'000	Total R'000
ASSETS						
Non-current assets	12 991 278	11 156 650	(22 108 795)	6 437 794	4 890 121	13 367 048
Property, plant and equipment	2 445 944	4 672 337	(52 929)	–	–	7 065 352
Mining properties and mineral resources	109 362	6 466 104	(954 683)	–	15 695	5 636 478
Interest in associates and joint ventures	116 961	–	–	–	158 886	275 847
Investment in subsidiaries	10 236 000	–	(14 836 000)	–	4 600 000	–
Investment in Northam Platinum Limited	–	–	(6 437 794)	6 437 794	–	–
Unlisted investment	6	–	–	–	–	6
Land and township development	–	–	–	–	10 000	10 000
Long term receivables	–	–	–	–	94 503	94 503
Investments held by Northam Platinum Restoration Trust Fund	38 868	10 224	–	–	–	49 092
Environmental Guarantee Investment	44 137	7 985	–	–	–	52 122
Buttonshope Conservancy Trust	–	–	–	–	11 037	11 037
Deferred tax asset	–	–	172 611	–	–	172 611
Current assets	6 115 420	3 798 624	(6 580 906)	425	2 450 725	5 784 288
Short term subsidiary loan	4 226 019	–	(6 580 906)	–	2 354 887	–
Inventories	1 046 119	80 431	–	–	–	1 126 550
Trade and other receivables	281 958	211 547	–	–	5 349	498 854
Cash and cash equivalents	548 522	3 506 646	–	425	82 596	4 138 189
Tax receivable	12 802	–	–	–	7 893	20 695
Total assets	19 106 698	14 955 274	(28 689 701)	6 438 219	7 340 846	19 151 336
EQUITY AND LIABILITES						
Stated capital	13 778 114	4 600 000	(11 706 125)	–	7 106 125	13 778 114
Treasury shares	–	–	(6 556 123)	–	–	(6 556 123)
Retained earnings	(6 314 422)	(461 134)	8 158 145	(218 673)	(24 108)	1 139 808
Non distributable reserves	–	2 501 755	(2 501 755)	–	–	–
Equity settled share based payment reserve	1 173 756	–	(299 308)	–	–	874 448
Share of other comprehensive income from associate	–	–	–	–	(19 822)	(19 822)
Total equity	8 637 448	6 640 621	(12 905 166)	(218 673)	7 062 195	9 216 425
Non-current liabilities	8 236 555	1 576 084	(9 228 424)	6 656 891	69 647	7 310 753
Deferred tax liability	527 866	1 492 146	(1 503 788)	–	5 228	521 452
Long term provisions	114 509	72 708	–	–	–	187 217
Long term loan	–	–	(24 456)	–	64 419	39 963
Long term share based payment liability	58 236	11 230	–	–	–	69 466
Financial guarantee liability	7 535 944	–	(7 535 944)	–	–	–
Preference share liability	–	–	(164 236)	6 656 891	–	6 492 655
Current liabilities	2 232 695	6 738 569	(6 556 111)	1	209 004	2 624 158
Current portion of long term loans	–	–	–	–	3 801	3 801
Short term share based payment liability	49 974	11 045	–	–	–	61 019
Domestic medium term debt notes	1 370 000	–	–	–	–	1 370 000
Tax payable	–	169	–	–	101 902	102 072
Subsidiary loans	–	6 515 177	(6 556 451)	–	41 274	–
Trade and other payables	691 859	205 770	340	1	62 027	959 996
Short term provisions	120 862	6 408	–	–	–	127 270
Total equity and liabilities	19 106 698	14 955 274	(28 689 701)	6 438 219	7 340 846	19 151 336

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

4. ACQUISITION OF NON CONTROLLING INTEREST

On 1 August 2014, Northam Platinum Limited acquired the last remaining 20% of the voting shares in Northam Chrome Proprietary Limited (previously known as Northam Chrome Producers Proprietary Limited) from the minority shareholders for a consideration of R50.0 million. Northam Chrome Proprietary Limited is now wholly owned by Northam Platinum Limited.

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Non-controlling interest acquired	–	3 185	–	–
Adjustment to retained earnings	–	46 815	–	–
Purchase consideration transferred	–	50 000	–	–

5. PROPERTY, PLANT AND EQUIPMENT

	Mining plant and equipment R'000	Mine development R'000	Decommissioning asset R'000	Motor vehicles R'000	Total R'000
Group 30 June 2016					
Cost opening balance as at 1 July 2015	4 946 844	4 115 766	132 512	17 456	9 212 578
Present value of decommissioning asset capitalised	–	–	35 984	–	35 984
Transfer from mining properties and mineral resources	54 202	–	–	(1 561)	52 641
Additions to maintain operations	333 652	–	–	–	333 652
Additions to expand operations	420 307	328 882	–	–	749 189
Disposals and write offs	(7 742)	–	–	(594)	(8 336)
Cost closing balance as at 30 June 2016	5 747 263	4 444 648	168 496	15 301	10 375 708
Opening accumulated depreciation balance as at 1 July 2015	(1 762 166)	(354 575)	(24 795)	(5 690)	(2 147 226)
Transfer from mining properties and mineral resources	(1 312)	–	–	(1 541)	(2 853)
Depreciation	(239 528)	(130 094)	(4 008)	(2 164)	(375 794)
Accumulated depreciation on disposals	3 966	–	–	192	4 158
Accumulated depreciation closing balance as at 30 June 2016	(1 999 040)	(484 669)	(28 803)	(9 203)	(2 521 715)
Carrying value of property, plant and equipment at 30 June 2016	3 748 223	3 959 979	139 693	6 098	7 853 993

	Mining plant and equipment	Mine development	Decommissioning asset	Motor vehicles	Total
	R'000	R'000	R'000	R'000	R'000
Group 30 June 2015					
Cost opening balance as at 1 July 2014	3 920 378	4 115 766	95 544	18 318	8 150 006
Present value of decommissioning asset capitalised	–	–	36 968	–	36 968
Additions to maintain operations	281 805	–	–	4 207	286 012
Additions to expand operations	776 140	–	–	2 928	779 068
Disposals and write offs	(31 479)	–	–	(7 997)	(39 476)
Cost closing balance as at 30 June 2015	4 946 844	4 115 766	132 512	17 456	9 212 578
Opening accumulated depreciation balance as at 1 July 2014	(1 645 129)	(185 712)	(22 080)	(10 023)	(1 862 944)
Depreciation	(148 516)	(168 863)	(2 715)	(3 005)	(323 099)
Accumulated depreciation on disposals	31 479	–	–	7 338	38 817
Accumulated depreciation closing balance as at 30 June 2015	(1 762 166)	(354 575)	(24 795)	(5 690)	(2 147 226)
Carrying value of property, plant and equipment at 30 June 2015	3 184 678	3 761 191	107 717	11 766	7 065 352

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

	Mining plant and equipment and mine development	Decommissioning asset	Motor vehicles	Total
	R'000	R'000	R'000	R'000
Company 30 June 2016				
Cost opening balance as at 1 July 2015	4 154 469	67 485	7 937	4 229 891
Present value of decommissioning asset capitalised	-	3 024	–	3 024
Transfer from mining properties and mineral resources	7 423	–	–	7 423
Additions to maintain operations	256 794	–	–	256 794
Additions to expand operations	294 297	–	–	294 297
Disposals and write offs	(33 190)	–	(1 898)	(35 088)
Cost closing balance as at 30 June 2016	4 679 793	70 509	6 039	4 756 341
Opening accumulated depreciation balance as at 1 July 2015	(1 786 243)	(21 502)	(3 133)	(1 810 878)
Transfer from mining properties and mineral resources	(2 852)	–	–	(2 852)
Depreciation	(182 570)	(1 436)	(687)	(184 693)
Accumulated depreciation on disposals	31 839	–	521	32 360
Accumulated depreciation closing balance as at 30 June 2016	(1 939 826)	(22 938)	(3 299)	(1 966 063)
Carrying value of property, plant and equipment at 30 June 2016	2 739 967	47 571	2 740	2 790 278

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

	Mining plant and equipment and mine development	Decommissioning asset	Motor vehicles	Total
	R'000	R'000	R'000	R'000
Company 30 June 2015				
Cost opening balance as at 1 July 2014	3 905 157	52 742	7 103	3 965 002
Present value of decommissioning asset capitalised	–	14 743	–	14 743
Additions to maintain operations	267 295	–	4 207	271 502
Disposals and write offs	(17 983)	–	(3 373)	(21 356)
Cost closing balance as at 30 June 2015	4 154 469	67 485	7 937	4 229 891
Opening accumulated depreciation balance as at 1 July 2014	(1 644 577)	(20 434)	(4 320)	(1 669 331)
Depreciation	(159 462)	(1 068)	(832)	(161 362)
Accumulated depreciation on disposals	17 796	–	2 019	19 815
Accumulated depreciation closing balance as at 30 June 2015	(1 786 243)	(21 502)	(3 133)	(1 810 878)
Carrying value of property, plant and equipment at 30 June 2015	2 368 226	45 983	4 804	2 419 013

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

6. MINING PROPERTIES AND MINERAL RESOURCES

	Mining properties	Mineral resources	Total
	R'000	R'000	R'000
Group 30 June 2016			
Cost opening balance as at 1 July 2015	282 374	5 571 003	5 853 377
Additions	–	55 155	55 155
Transfer to property, plant and equipment	(2 789)	(49 852)	(52 641)
Cost closing balance as at 30 June 2016	279 585	5 576 306	5 855 891
Opening accumulated depreciation balance as at 1 July 2015	(156 952)	(59 947)	(216 899)
Transfer to property, plant and equipment	2 646	207	2 853
Depreciation	(3 375)	(24 376)	(27 751)
Accumulated depreciation closing balance as at 30 June 2016	(157 681)	(84 116)	(241 797)
Carrying value of mining properties and mineral resources as at 30 June 2016	121 904	5 492 190	5 614 094

	Mining properties R'000	Mineral resources R'000	Total R'000
Group 30 June 2015			
Cost opening balance as at 1 July 2014	282 374	5 571 003	5 853 377
Cost closing balance as at 30 June 2015	282 374	5 571 003	5 853 377
Opening accumulated depreciation balance as at 1 July 2014	(153 223)	(46 826)	(200 049)
Depreciation	(3 729)	(13 121)	(16 850)
Accumulated depreciation closing balance as at 30 June 2015	(156 952)	(59 947)	(216 899)
Carrying value of mining properties and mineral resources as at 30 June 2015	125 422	5 511 056	5 636 478

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

	Mining properties R'000	Mineral resources R'000	Total R'000
Company 30 June 2016			
Cost opening balance as at 1 July 2015	266 314	–	266 314
Transfer to property, plant and equipment	(7 423)	–	(7 423)
Cost closing balance as at 30 June 2016	258 891	–	258 891
Opening accumulated depreciation balance as at 1 July 2015	(156 952)	–	(156 952)
Transfer to mining properties and mineral resources	2 852	–	2 852
Depreciation	(3 273)	–	(3 273)
Accumulated depreciation closing balance as at 30 June 2016	(157 373)	–	(157 373)
Carrying value of mining properties and mineral resources as at 30 June 2016	101 518	-	101 518

	Mining properties R'000	Mineral resources R'000	Total R'000
Company 30 June 2015			
Cost opening balance as at 1 July 2014	266 314	–	266 314
Cost closing balance as at 30 June 2015	266 314	–	266 314
Opening accumulated depreciation balance as at 1 July 2014	(153 223)	–	(153 223)
Depreciation	(3 729)	–	(3 729)
Accumulated depreciation closing balance as at 30 June 2015	(156 952)	–	(156 952)
Carrying value of mining properties and mineral resources as at 30 June 2015	109 362	–	109 362

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

7. INTEREST IN ASSOCIATES AND JOINT VENTURES

Interest in associates and joint ventures comprises of a 7.5% interest in the Pandora joint venture (associate), a 50% interest in the Dwaalkop platinum project (joint venture), a 51% interest in the Kokerboom (joint venture) exploration project and a 0% interest (2015: 20.3% interest) in the issued share capital of Trans Hex Group Limited (associate) until 9 May 2016 when it was disposed of.

During the year under review the 20.3% interest in the issued share capital of Trans Hex Group Limited was sold. All other percentage holdings remained unchanged from the prior year.

In addition to the above, effective 29 February 2016, a 20% investment in SSG Holdings Proprietary Limited was acquired for R10.0 million. Subsequent to year end an additional 10% investment in SSG Holdings Proprietary Limited was acquired.

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Dwaalkop joint venture	136 230	136 230	–	–
Pandora joint venture	45 565	70 720	36 845	49 356
Trans Hex Group Limited	–	68 897	–	67 605
SSG Holdings Proprietary Limited	10 369	–	–	–
	192 164	275 847	36 845	116 961

Below is a reconciliation of Northam Platinum Limited's interest in associates and joint venture:

	Interest in Pandora joint venture 7.5%	Interest in Dwaalkop joint venture 50.0%	Interest in Trans Hex Group Limited 20.3%	Interest in SSG Holdings Proprietary Limited 20.0%	Total
	R'000	R'000	R'000	R'000	R'000
Group 30 June 2016					
Opening balance as at 1 July 2015	70 720	136 230	68 897	–	275 847
Additional investment	10 601	–	–	10 000	20 601
(Loss)/profit for the year	(12 620)	–	(20 002)	369	(32 253)
Other comprehensive income	–	–	(3 947)	–	(3 947)
Current year amortisation	(2 600)	–	–	–	(2 600)
Cash distributions received	(24)	–	–	–	(24)
Reversal of prior year impairment	–	–	34 122	–	34 122
Impairment	(20 512)	–	–	–	(20 512)
Sale of investment in Trans Hex Group Limited	–	–	(79 070)	–	(79 070)
	45 565	136 230	–	10 369	192 164

	Interest in Pandora joint venture 7.5%	Interest in Dwaalkop joint venture 50.0%	Interest in Trans Hex Group Limited 20.3%	Interest in SSG Holdings Proprietary Limited 20.0%	Total
	R'000	R'000	R'000	R'000	R'000
Group 30 June 2015					
Opening balance as at 1 July 2014	114 927	300 679	80 903	–	496 509
Additional investment	9 657	–	–	–	9 657
(Loss)/profit for the year	(10 747)	–	39 516	–	28 769
Other comprehensive income	–	–	(4 482)	–	(4 482)
Current year amortisation	(2 600)	–	–	–	(2 600)
Cash distributions received	(34)	–	(12 918)	–	(12 952)
Impairment	(40 483)	(164 449)	(34 122)	–	(239 054)
	70 720	136 230	68 897	–	275 847

	Interest in Pandora joint venture 7.5%	Interest in Dwaalkop joint venture 50.0%	Interest in Trans Hex Group Limited 20.3%	Interest in SSG Holdings Proprietary Limited 20.0%	Total
	R'000	R'000	R'000	R'000	R'000
Company 30 June 2016					
Opening balance as at 1 July 2015	49 356	–	67 605	–	116 961
Additional investment	10 601	–	–	–	10 601
Current year amortisation	(2 600)	–	–	–	(2 600)
Impairment	(20 512)	–	–	–	(20 512)
Sale of investment in Trans Hex Group Limited	–	–	(67 605)	–	(67 605)
	36 845	–	–	–	36 845

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in Trans Hex Group Limited	Interest in SSG Holdings Proprietary Limited	Total
	7.5%	50.0%	20.3%	20.0%	
	R'000	R'000	R'000	R'000	R'000
Company 30 June 2015					
Opening balance as at 1 July 2014	42 333	–	67 605	–	109 938
Additional investment	9 623	–	–	–	9 623
Current year amortisation	(2 600)	–	–	–	(2 600)
	49 356	–	67 605	–	116 961

Below is a summary of the statement of profit or loss and other comprehensive income of the various associates and joint ventures:

Statement of profit or loss and other comprehensive income

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in Trans Hex Group Limited*	Interest in SSG Holdings Proprietary Limited	Total
	7.5%	50.0%	20.3%	20.0%	
	R'000	R'000	R'000	R'000	R'000
30 June 2016					
Sales	33 209	–	110 499	22 013	165 721
Cost of sales and operating expenditure	(39 888)	–	(111 269)	(2 515)	(153 672)
Operating (loss)/profit	(6 679)	–	(770)	19 498	12 049
Investment income	75	–	3 900	–	3 975
Sundry (expenditure)/income	(5 940)	–	2 399	–	(3 541)
Other operating costs	–	–	(35 303)	(18 877)	(54 180)
Finance charges	(76)	–	(804)	(190)	(1 070)
Profit from discontinued operations	–	–	4 980	–	4 980
(Loss)/profit before tax	(12 620)	–	(25 598)	431	(37 787)
Taxation	–	–	5 596	(62)	5 534
(Loss)/profit for the year	(12 620)	–	(20 002)	369	(32 253)
Other comprehensive income	–	–	(3 947)	–	(3 947)
Total comprehensive income for the year	(12 620)	–	(23 949)	369	(36 200)

** The period relates to 1 July 2015 to 9 May 2016.*

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in Trans Hex Group Limited	Interest in SSG Holdings Proprietary Limited	Total
	7.5%	50.0%	20.3%	20.0%	
	R'000	R'000	R'000	R'000	R'000
30 June 2015					
Sales	38 013	–	182 767	–	220 780
Cost of sales and operating expenditure	(48 766)	–	(154 365)	–	(203 131)
Operating (loss)/profit	(10 753)	–	28 402	–	17 649
Investment income	73	–	34 516	–	34 589
Sundry (expenditure)/income	–	–	(6 141)	–	(6 141)
Other operating costs	–	–	(19 922)	–	(19 922)
Finance charges	(67)	–	(887)	–	(954)
Profit from discontinued operations	–	–	4 366	–	4 366
(Loss)/profit before tax	(10 747)	–	40 334	–	29 587
Taxation	–	–	(818)	–	(818)
(Loss)/profit for the year	(10 747)	–	39 516	–	28 769
Other comprehensive income	–	–	(4 482)	–	(4 482)
Total comprehensive income for the year	(10 747)	–	35 034	–	24 287

The interest in Pandora joint venture is accounted for as an associate and the interest in Dwaalkop joint venture is accounted for as a joint venture. The interest in Trans Hex Group Limited was accounted for as an investment in associate prior to being sold.

These associates and joint ventures are not material for group purposes as they are not considered core to the business and thus the above amounts have been stated at their percentage interest.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

Below is a summary of the statement of financial position of the various associates and joint ventures:

Statement of financial position

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in Trans Hex Group Limited	Interest in SSG Holdings Proprietary Limited	Total
	7.5%	50.0%	20.3%	20.0%	
	R'000	R'000	R'000	R'000	R'000
30 June 2016					
Non-current assets	57 892	–	–	6 170	64 062
Property, plant and equipment	57 892	–	–	3 583	61 475
Goodwill	–	–	–	1 000	1 000
Deferred tax asset	–	–	–	1 587	1 587
Current assets	24 401			10 427	34 828
Inventory	–	–	–	1 161	1 161
Trade and other receivables	8 418	–	–	8 948	17 366
Cash and cash equivalents	1 642	–	–	318	1 960
Profit share loans due from participants	14 341	–	–	–	14 341
Total assets	82 293	–	–	16 597	98 890
Total shareholders' interest	76 453	–	–	(349)	76 104
Non-current liabilities	1 072	–	–	3 329	4 401
Provision for environmental and rehabilitation obligations	1 072	–	–	–	1 072
Long term liabilities	–	–	–	3 329	3 329
Current liabilities	4 768	–	–	13 617	18 385
Royalties payable	6	–	–	–	6
Trade and other payables	4 762	–	–	10 619	15 381
Borrowings	–	–	–	2 998	2 998
Total equity and liabilities	82 293	–	–	16 597	98 890

Statement of financial position

	Interest in Pandora joint venture 7.5% R'000	Interest in Dwaalkop joint venture 50.0% R'000	Interest in Trans Hex Group Limited 20.3% R'000	Interest in SSG Holdings Proprietary Limited 20.0% R'000	Total R'000
30 June 2015					
Non-current assets	61 496	–	96 109	–	157 605
Property, plant and equipment	61 496	–	30 344	–	91 840
Financial assets	–	–	65 627	–	65 627
Deferred tax asset	–	–	138	–	138
Current assets	20 169	–	105 604	–	125 773
Inventory	–	–	26 866	–	26 866
Trade and other receivables	7 274	–	4 878	–	12 152
Prepayments	59	–	–	–	59
Cash and cash equivalents	1 466	–	73 860	–	75 326
Profit share loans due from participants	11 370	–	–	–	11 370
Total assets	81 665	–	201 713	–	283 378
Participants interest	75 553	–	24 633	–	100 186
Total shareholders' interest	–	–	131 374	–	131 374
Non-current liabilities	985	–	23 273	–	24 258
Provision for environmental and rehabilitation obligations	985	–	–	–	985
Deferred tax	–	–	925	–	925
Other provisions	–	–	22 348	–	22 348
Current liabilities	5 127	–	22 433	–	27 560
Royalties payable	6	–	–	–	6
Trade and other payables	5 121	–	22 062	–	27 183
Tax payable	–	–	371	–	371
Total equity and liabilities	81 665	–	201 713	–	283 378

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

8. INVESTMENT IN SUBSIDIARIES

Below is a list of the various subsidiaries included in the Northam Platinum Limited group of companies:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Khumama Platinum Proprietary Limited	–	–	10 166 000	10 166 000
Mining Technical Services Proprietary Limited	–	–	*	*
Mvelaphanda Resources Proprietary Limited	–	–	–	–
Norplats Properties Proprietary Limited	–	–	*	*
Northam Chrome Proprietary Limited	–	–	70 000	70 000
Windfall 38 Properties Proprietary Limited	–	–	*	*
Zambezi Platinum (RF) Limited	–	–	*	*
	–	–	10 236 000	10 236 000

** Represents an investment of less than R1 000.*

All companies, except for the investment in Zambezi Platinum (RF) Limited, are wholly owned and incorporated in the Republic of South Africa.

505 (2015: 505) ordinary shares are held in Khumama Platinum Proprietary Limited representing a 100% equity interest.
120 (2015: 120) ordinary shares are held in Mining Technical Services Proprietary Limited representing a 100% equity interest.
Northam Platinum Limited holds 217 881 101 ordinary shares representing a 100% equity interest in Mvelaphanda Resources Proprietary Limited. The investment was fully impaired during the previous financial year.
100 (2015: 100) ordinary shares are held in Norplats Properties Proprietary Limited, Northam Chrome Proprietary Limited and Windfall 38 Properties Proprietary Limited representing a 100% equity interest.

Northam Platinum Limited holds a single N share in Zambezi Platinum (RF) Limited as a protective right. Zambezi Platinum (RF) Limited was created and designed for the sole purpose of providing Northam Platinum Limited with BEE credentials and as a structure to hold the listed BEE preference shares. If Northam does not comply with the HDSA requirements in the Mining Charter they will not be able to retain their mining rights. Northam is able to direct the strategic direction of Zambezi and as per the subscription and relationship agreement between the two companies, Zambezi's memorandum of incorporation may not be amended or replaced without Northam's prior written consent.

Northam assumes full responsibility for the administration of Zambezi as well as any costs incurred by Zambezi up to a certain limit. Furthermore, Northam provides a guarantee for Zambezi's obligation in respect of the preference shares. All these points indicate that Northam has been involved from the inception of the transaction, to ensure that the design and operation of Zambezi achieves the purpose for which it was created. In terms of the transaction, an "N" share was issued to Northam, which gave them the right to implement mitigating action should Zambezi not comply with certain undertakings as per the transaction's agreements and in other limited instances aimed at maintaining the integrity of the transaction at all times. Zambezi can also not dispose of the Northam ordinary shares without the prior consent of Northam. Northam has significant exposure to the variable returns of Zambezi, through the creation and maintenance of the BEE credentials during the 10-year lock-in period as well as through the guarantee provided by Northam. The decision making power of Zambezi's board of directors is restricted to maintaining Northam's BEE credentials and funding arrangements.

All of these factors have been considered in determining that even though Northam do not have majority of the voting rights in Zambezi, they still have control over the entity.

Details of the subsidiaries are included in the related party note, which forms part of these notes.

9. UNLISTED INVESTMENT

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Investment in Rand Mutual Assurance Company Limited	6	6	6	6
	6	6	6	6

The unlisted investment represents an equity investment in a mining industry service organisation, Rand Mutual Assurance Company Limited. This investment was acquired a number of years ago to assist with the administration of occupational injuries and diseases. The shares are disclosed at cost as the fair value is not available as the shares are not traded in an active market. Management is not planning to dispose of these shares.

10. LAND AND TOWNSHIP DEVELOPMENT

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Balance at the beginning of the year	10 000	10 204	–	–
Construction in progress and refurbishments relating to Norplats Properties Proprietary Limited	12 984	–	–	–
Acquisitions				
Portion 22 of the Farm Leeukopje	1 908	–	1 908	–
Portion 4 & 9 of the Farm Koedoesdoorns	5 608	–	5 608	–
Phelobontle Mogwase	11 169	–	11 169	–
Lydenburg extension 78 – Booysendal Platinum Proprietary Limited	5 980	–	–	–
Lydenburg extension 79 – Booysendal Platinum Proprietary Limited	5 974	–	–	–
Norplats Properties Proprietary Limited	–	884	–	–
Disposals				
Phelobontle, Mogwase units	(467)	–	(467)	–
Norplats Properties Proprietary Limited units	(1 815)	(1 088)	–	–
Balance at end of year	51 341	10 000	18 218	–

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

Below is a reconciliation of the number of houses available for sale relating to Norplats Properties Proprietary Limited:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Number of properties developed available for sale	415	415	–	–
Houses sold to date	(398)	(391)	–	–
Properties surrendered/repurchased	37	27	–	–
Closing number of properties available	54	51	–	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

11. LONG TERM RECEIVABLES

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Long term receivables	95 334	99 692	–	–
Current portion of long term receivables included in trade and other receivables	(5 617)	(5 189)	–	–
	89 717	94 503	–	–

Long term receivables comprise balances due by employees in respect of Northam's employee home ownership scheme under suspensive sale agreements. The loans to the employees bear interest at prime, and repayable over 15 years. In terms of the agreements, employees enjoy the full benefits of home ownership, and at such time as the loan is paid off, the title to the houses will be transferred to the employees. As at 30 June 2016 there were no receivables (2015: R Nil) which were impaired and fully provided for. The group has pledged the instalment sales agreements as security for the loan secured from Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N V (FMO).

12. INVESTMENTS HELD BY NORTHAM PLATINUM RESTORATION TRUST FUND

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

The balance of the fund comprises:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Balance at the beginning of the year	49 092	46 468	38 868	36 790
Contributions received with the acquisition of the Everest mineral reserves	33 900	–	–	–
Contributions received from Northam Platinum Limited	1 532	–	1 532	–
Contributions received from Booysendal Platinum Proprietary Limited	3 018	–	–	–
Other	18	–	10	–
Income earned during the year	6 087	2 624	2 794	2 078
Balance at the end of the year	93 647	49 092	43 204	38 868

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

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.

During the year the Northam Platinum Restoration Trust Fund, amended the trust deed. In future contributions relating to rehabilitation is no longer 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.

13. ENVIRONMENTAL GUARANTEE INVESTMENT

The investment held with regards to the environmental guarantee investment was issued in terms of the insurance guarantee of R157.9 million (2015: R157.9 million) relating to the group and R67.0 million (2015: R67.0 million) for the company. The investment as noted below has been provided as security for the insurance guarantees issued.

The balance of the fund comprises:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Balance at the beginning of the year	52 122	51 024	44 137	42 281
Contributions made during the year	6 000	–	3 000	–
Income earned during the year (net of fees)	2 223	1 098	2 050	1 856
Balance at the end of the year	60 345	52 122	49 187	44 137

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

This investment is managed by Guardrisk Insurance Company Limited.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

14. BUTTONSHOPE CONSERVANCY TRUST

The balance of the trust comprises:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Balance at the beginning of the year	11 037	10 702	–	-
Contributions received from Booysendal Platinum Proprietary Limited	400	–		
Interest and fair value adjustments earned during the year	755	574	–	–
Funds utilised to acquire a property	(1 289)	–	–	–
Settlement of outstanding loan balances	(403)	–	–	–
Less expenditure incurred during the year	(55)	(239)	–	–
Balance at the end of the year	10 445	11 037	–	–

The trust was established as a conservancy trust by Northam Platinum Limited, with the principal objective of engaging in the conservation, rehabilitation and/or protection of the natural environment, including flora, fauna and the biosphere as well as promoting the establishment of, and education and training programmes relating to, environmental awareness, greening, clean-up and/or sustainable development projects in respect of Portion 1 of the Farm Buttonshope 51, Registration Division JT, Mpumalanga Province, and which may involve the participation by local communities. The aforementioned property is owned by Booysendal Platinum Proprietary Limited, an indirect subsidiary of Northam Platinum Limited. An initial contribution of R10.0 million was required by Booysendal Platinum Proprietary Limited in terms of the trust agreement.

Funds of R2.2 million (2015: R3.0 million) are invested with Standard Bank Limited in a call account and R8.2 million (2015: R8.0 million) is held in an Extra Income Fund with Stanlib Collective Investments Limited.

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

Ongoing contribution is made if the financial statements of Booysendal Platinum Proprietary Limited for any financial year reflects a profit, and the ratio which such profit bears to the revenue for the relevant financial year is more than 20% (twenty percent) (before taking into account any payment which Booysendal is obliged to make in terms of this clause 2.2 of the contribution agreement), then Booysendal shall pay to the Trust, not less than 7 (seven) business days after the audited annual financial statement of Booysendal for the relevant year have been approved by the board and signed by an authorised director of Booysendal, the rand equivalent of US$1.00 (one US dollar) for each ounce of Refined Platinum (in whatever form) sold by Booysendal during the financial year, which platinum has been derived, or deemed to have been derived from material mined at the Booysendal Mine, all as determined from the financial statements for that relevant year.

During the current year the trustees decided that the funding model should be changed and that Booysendal Platinum Proprietary Limited should donate a fixed amount of R400 000 per annum regardless of the operational performance with a fixed increase of R25 000 per annum.

In addition to the above, The Buttonshope Conservancy Trust acquired Portion 1 of Sheeprun 50 during the current year a property measuring 256.9596 hectares under Title deed T4813/2016.

15. SUBSIDIARY LOANS

	Group		Company	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Long term subsidiary loans receivable				
Norplats Properties Proprietary Limited	–	–	24 456	24 456
	–	–	24 456	24 456

The loan between Northam Platinum Limited and Norplats Properties Proprietary Limited accrue interest at 2.0% below the South African prime interest rate and may only be repaid once the loan from the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV has been repaid by Norplats Properties Proprietary Limited, which is no later than 30 September 2026.

During the year the outstanding interest was repaid in full.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Short term subsidiary loans receivable				
Booysendal Platinum Proprietary Limited	–	–	2 262 163	4 159 333
Buttonshope Conservancy Trust	–	–	–	403
Mvelaphanda Resources Proprietary Limited	–	–	1 047	957
Norplats Properties Proprietary Limited	–	–	37 724	26 007
Windfall 38 Properties Proprietary Limited	–	–	14 590	14 862
Khumama Platinum Proprietary Limited	–	–	1	–
Mining Technical Services Proprietary Limited	–	–	15 002	1
	–	–	2 330 527	4 201 563

The loan between Northam Platinum Limited and Booysendal Platinum Proprietary Limited bears interest at JIBAR plus 3.75% from 1 January 2015 on the portion of the loan that relates to third party funding. The third party funding was however repaid in full during the current financial year and the outstanding loan balance does not accrue interest. Regular repayments are however made on the outstanding loan balance. The remaining balance of the loan is repayable on demand and therefore stated as current.

The loan between Northam Platinum Limited and Windfall 38 Properties Proprietary Limited bears interest at 2.0% below the South African prime interest rate, repayable on demand and therefore stated as current. During the year the accrued interest for the year was repaid in full.

All other loans are interest free, unsecured and repayable on demand.

Details of the subsidiaries are set out in the related party note, which forms part of these notes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

16. INVENTORIES

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Metals on hand and in transit at net realisable value				
Platinum	858 412	673 216	875 758	632 029
Palladium	226 298	220 905	230 792	208 780
Rhodium	122 846	142 401	125 825	136 488
Gold	25 808	16 252	26 470	15 950
Total metal inventories	1 233 364	1 052 774	1 258 845	993 247
Chrome finished product at cost	387	222	–	–
Consumable stores at cost	96 519	73 554	49 411	52 106
Total inventories at the lower of cost and net realisable value	1 330 270	1 126 550	1 308 256	1 045 353

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 metals on hand that were written down by R360.8 million (2015: R273.0 million) to net realisable value. Inventory to the value of R927.7 million (2015: R648.6 million) is disclosed at net realisable value.

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Trade receivables	159 603	160 064	137 434	143 068
Accrued interest	24 700	22 056	8 025	3 543
Prepayments	7 306	3 827	6 618	3 516
Deposits	250	359	142	142
South African Revenue Service – Value added tax	114 364	244 497	87 656	70 343
South African Revenue Service – Mineral royalties	16 096	14 240	16 096	14 240
Current portion of long term receivables	5 617	5 189	–	–
Loan to SSG Holdings Proprietary Limited	5 000	–	–	–
Other	42 268	48 622	18 382	46 645
	375 204	498 854	274 353	281 497

Trade receivables are unsecured, non-interest bearing and are generally on either 30 or 60-day payment terms. Platinum group metal debtors have payment terms of between 2 to 5 days.

At 30 June 2016 R Nil was impaired, however as at 30 June 2015 a single receivable balance of R22.4 million was impaired which was previously included in other receivables. The table below summarises the maturity profile of the company and group's trade and other receivables:

Neither past due nor impaired	264 234	296 622	189 080	227 200
30 to 60 days	44 704	57 641	44 318	42 332
60 to 90 days	5 903	16 945	5 903	8 089
More than 90 days*	60 363	127 646	35 052	3 876
	375 204	498 854	274 353	281 497

** Management considers these amount to be fully recoverable.*

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash at bank and on hand	543 197	3 779	542 018	1 716
Restricted cash	109 521	104 936	23 000	23 000
Short term deposits	2 452 362	4 029 474	1 089 399	510 243
	3 105 080	4 138 189	1 654 417	534 959

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying period depending on the immediate cash requirements of the group and earn interest at the respective short term deposit rates.

At 30 June 2016 the group had R1.0 billion (2015: R1.0 billion) of undrawn committed borrowing facilities.

Included in restricted cash is R8.5 million (2015: R8.5 million) that has been pledged to the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV by Norplats Properties Proprietary Limited as a debt service reserve account, as security for servicing of the loan from Nederlandse Financierings Maatschappij voor Ontwikkeingslanden NV. In accordance with the agreement, Norplats Properties Proprietary Limited shall maintain at all times a balance in the account equal to not less than the sum of all payments of principal and interest on the loan which will be due and payable during the next relevant period. Norplats Properties Proprietary Limited may withdraw amounts from the account only for the purpose of paying any principal and interest under the agreement. Norplats Properties Proprietary Limited shall not withdraw funds from the account for any other purpose without the written consent of Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV.

Restricted cash includes a guarantee of R23.0 million relating to an electricity supply agreement between Northam Platinum Limited and Eskom Holdings SOC Limited.

Also included in restricted cash is money ring fenced for the benefit of the Employee Trust, the Northam Zondereinde Community Trust and the Northam Booysendal Community Trust, which may only be spent in terms of the various Trust deeds.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

19. STATED CAPITAL

	Group		Company	
	2016 Number of shares	2015 Number of shares	2016 Number of shares	2015 Number of shares
Authorised share capital				
2 000 000 000 share capital at no par value				
Issued share capital				
Opening balance as at 1 July 2014	397 586 090	397 586 090	397 586 090	397 586 090
Share issued as part of the black economic empowerment transaction	112 195 122	112 195 122	112 195 122	112 195 122
At 30 June 2015 and 30 June 2016	509 781 212	509 781 212	509 781 212	509 781 212
Treasury shares	(159 905 453)	(159 905 453)	–	–
	349 875 759	349 875 759	509 781 212	509 781 212

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Issued share capital				
Opening balance as at 1 July 2014	9 178 688	9 178 688	9 178 688	9 178 688
Share issued as part of the black economic empowerment transaction	4 599 426	4 599 426	4 599 426	4 599 426
At 30 June 2015 and 30 June 2016	13 778 114	13 778 114	13 778 114	13 778 114
Treasury shares	(6 556 123)	(6 556 123)	–	–
	7 221 991	7 221 991	13 778 114	13 778 114

Details of share capital and shares held by the directors are contained in the director's report.

Treasury shares relates to the shares owned by Zambezi Platinum (RF) Limited. Zambezi Platinum (RF) Limited is a special purpose black economic empowerment vehicle established in October 2014 as a result of a R6.6 billion BEE transaction with Northam Platinum Limited. The transaction included the successful raising of R4.6 billion and was approved by Northam Platinum Limited shareholders on 19 March 2015.

In terms of the transaction, Northam Platinum Limited issued 112 195 122 new shares, (equivalent to 22% of the issued share capital). These shares were supplemented by 47 710 331 shares (equivalent to 9.4% of the issued share capital), sold to Zambezi Platinum (RF) Limited by the Public Investment Corporation SOC Limited (PIC), a long-standing Northam Platinum Limited shareholder.

Zambezi Platinum (RF) Limited comprises a range of historically disadvantaged South African stakeholders including an employee trust, two community trusts, a women's group and a core of strategic partners. Together they hold a 31.4% stake in Northam Platinum Limited.

20. EQUITY SETTLED SHARE BASED PAYMENT RESERVE

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening balance at the beginning of the year	874 448	–	1 173 756	–
Creation of an equity compensation reserves as a result of the black economic empowerment transaction	–	874 448	–	1 173 756
	874 448	874 448	1 173 756	1 173 756

The issue of preference shares by Zambezi Platinum (RF) Limited resulted in a need to account for a share based payment charge and related reserve in terms of IFRS 2 Share based payments. The actual share based payment charge and related reserve were calculated according to market information available as at 30 June 2015.

A Black-Scholes option model was used to determine the share based payment expense.

These BEE shares issued to the Northam Employees' Trust vested immediately on grant date. The input relating to the calculation of the share based payment expense included a risk free rate of 8.17%, volatility of 30% and a dividend yield rate of 0.3% over the 10-year lock in period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

21. DEFERRED TAX ASSET AND LIABILITY

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

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Deferred tax liabilities				
Property, plant and equipment	(685 832)	(612 073)	(683 621)	(622 282)
Metal inventory	(2 049)	(4 755)	(13 984)	(4 755)
Restoration trust fund	(12 097)	(10 883)	(12 097)	(10 883)
Section 24C allowances in respect of long term receivables	(6 391)	(6 791)	–	–
	(706 369)	(634 502)	(709 702)	(637 920)
Deferred tax assets				
Employee benefits relating to leave pay and bonus provisions	52 343	49 128	52 343	48 324
Decommissioning and environmental restoration provisions	35 309	32 063	35 309	32 063
Share based payment liability	27 115	30 299	27 115	30 299
Calculated tax loss	965	1 560	–	–
	115 732	113 050	114 767	110 686
Net deferred tax liability	(590 637)	(521 452)	(594 935)	(527 234)
The charge in the deferred tax balance is reconciled as follows:				
Deferred tax liability at the beginning of the year	(521 452)	(502 097)	(527 234)	(506 818)
Charge for the year	(69 185)	(19 355)	(67 701)	(20 416)
Temporary differences in respect of property, plant and equipment	(73 759)	(26 889)	(61 339)	(25 470)
Depreciation component included in metals on hand and in transit	2 706	7 907	(9 229)	7 907
Temporary differences in respect of restoration trust fund	(1 214)	(582)	(1 214)	(582)
Section 24C allowance in respect of long term receivables	400	2 186	–	–
Calculated tax loss	(595)	(64)	–	–
Temporary difference in respect of employee benefits	3 215	5 687	4 019	5 288
Temporary difference in respect of decommissioning and environmental restoration provisions	3 246	4 908	3 246	4 949
Temporary difference in respect of share based payment liabilities	(3 184)	(12 508)	(3 184)	(12 508)
Net deferred tax liability	(590 637)	(521 452)	(594 935)	(527 234)

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

Booysendal Platinum Proprietary Limited deferred tax asset

A deferred tax asset has been raised for items included in Booysendal Platinum Proprietary Limited, as taxable profits will be generated in the foreseeable future against which the deferred tax asset can be utilised.

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

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Deferred tax liabilities				
Metal inventory	(337)	(947)		
Restoration trust fund	(14 124)	(2 863)		
	(14 461)	(3 810)		
Deferred tax assets				
Property, plant and equipment (Unredeemed capex)	102 023	144 666		
Employee benefits relating to leave pay and bonus provisions	7 225	5 160		
Decommissioning and environmental restoration provisions	37 158	20 358		
Share based payment liability	12 387	6 237		
	158 793	176 421		
Net deferred tax asset	144 332	172 611		
The charge in the deferred tax balance is reconciled as follows:				
Deferred tax asset at the beginning of the year	172 611	96 074		
Charge for the year	(28 279)	76 537		
Temporary differences in respect of property, plant and equipment	(42 643)	88 133		
Depreciation component included in metals on hand and in transit	610	20 118		
Temporary differences in respect of restoration trust fund	(11 261)	(153)		
Calculated tax loss	–	(50 823)		
Temporary difference in respect of employee benefits	2 065	7 674		
Temporary difference in respect of decommissioning and environmental restoration provisions	16 800	7 555		
Temporary difference in respect of share based payment liabilities	6 150	4 033		
Net deferred tax asset	144 332	172 611		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

22. LONG TERM PROVISIONS

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Rehabilitation provision	258 808	187 217	126 101	114 509
Long term portion of leave pay provisions (refer to note 30)	14 012	–	13 215	–
	272 820	187 217	139 316	114 509

Below is a breakdown of the rehabilitation provisions:

	Group 2016	Group 2015	Company 2016	Company 2015
Provision for decommissioning costs				
Balance at the beginning of the year	149 968	113 000	95 145	80 402
Additional provision acquired with the acquisition of the Everest mineral reserves which was fully funded	22 327	–	–	–
Change in estimate and capitalisation of decommissioning costs	35 984	36 968	3 024	14 743
	208 279	149 968	98 169	95 145
Provision for restoration costs				
Balance at the beginning of the year	37 249	29 709	19 364	16 432
Additional provision acquired with the acquisition of the Everest mineral reserves which was fully funded	11 580	–	–	–
Change in estimate and unwinding of discount	1 700	7 540	8 568	2 932
	50 529	37 249	27 932	19 364
Total rehabilitation provision	258 808	187 217	126 101	114 509

In terms of, *inter alia*, the Mineral and Petroleum Resources Development Act no 28, of 2002, the company is required to make financial provision for its decommissioning and restoration costs that will be incurred upon the cessation of mining activities. The future value of the environmental obligation could either be paid over to Northam Platinum Restoration Trust fund (note 12) over the remaining life of the Zondereinde mine and over the remaining life of the Booysendal mine which is currently estimated at over 25 years (2015: 26 years). The group may also make use of any approved financial vehicles in terms regulations and legislation. Financial provision is not however required to be made for the decommissioning of certain structures, such as housing, which may have alternative use.

The present value of the environmental restoration obligation is determined by applying a pre-tax discount rate of 10.62% (2015: 8.0%) and a long term inflation rate of 8.71% (2015: 6.0%) over the remaining life of the mines. The decommissioning and restoration costs are reviewed on an annual basis, and at the reporting date the net unfunded future obligations were as follows:

	Group 2016	Group 2015	Company 2016	Company 2015
Undiscounted decommissioning obligations	166 574	215 070	91 619	125 938
Undiscounted restoration obligations	81 184	54 706	49 102	25 631
Total rehabilitation obligations	247 758	269 776	140 721	151 569
Less funds held by Northam Platinum Restoration Trust Fund	(93 647)	(49 092)	(43 204)	(38 868)
Environmental insurance guarantee	(157 900)	(157 900)	(67 000)	(67 000)
Total (overfunded)/unfunded current rehabilitation obligation	(3 789)	62 784	30 517	45 701

The group has procured the issue of an insurance guarantee for R157.9 million (2015: R157.9 million) in respect of the unfunded decommissioning and restoration costs, of which R67.0 million (2015: R67.0 million) relates to the company.

The future value of the environmental rehabilitation obligation can either be paid over to the Northam Platinum Restoration Trust Fund over the remaining life of the mines, or through other financial provision insurance/financial products as approved by the Department of Mineral Resources in terms of legislation.

23. LONG TERM LOANS

	Group		Company	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV	39 964	43 764	–	–
Heraeus Deutschland GmbH & Co. KG and Heraeus South Africa Proprietary Limited	248 750	–	248 750	–
Total long term loans	288 714	43 764	248 750	–
Current portion of Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV	(3 801)	(3 801)	–	–
Current portion of Heraeus South Africa Proprietary Limited	(9 400)	–	(9 400)	–
	275 513	39 963	239 350	–

The loan from Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV, which is repayable in equal bi-annual instalments over 15 years, bears interest at 3.5% above JIBAR, with the last payment due 30 September 2026. The group has pledged the instalment sales agreement as security for the loan as referred to in the long term receivable note.

Heraeus Deutschland GmbH & Co. KG contributed €10.0 million to the new 20MW furnace. The contribution received was recognised as a liability, as the company is obligated to refund the amount to Heraeus Deutschland GmbH & Co. KG if, and only if the company does not commission the furnace on time. Once the furnace is commissioned and the second €10.0 million is received, the €20.0 million will be deducted from the cost of the smelter as the value contributed is effectively considered a rebate in terms of IAS 16.16(a). The contribution of R163.3 million is included in the table above.

In terms of an agreement entered into by the company and Heraeus South Africa Proprietary Limited an annual payment of R9.4 million will be made for development and research costs for a period of 20 years. A liability was recognised at contract inception, being 16 April 2016. The liability was measured at the present value of the R9.4 million payments over 20 years using the prevailing prime interest rate. The contra side of the entry was included as an addition cost to the furnace. The reason for this is that the contract was entered into for the construction of the smelter and thus the liability is considered as a cost incurred in the construction of the furnace. The present value of these annual payments amounted to R85.5 million and is included in the table above.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

24. PREFERENCE SHARE LIABILITY

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening balance	6 656 891	–	–	–
Proceeds from the issue of redeemable shares	–	6 556 124	–	–
Accrued preference share dividends	918 806	100 767	–	–
	7 575 697	6 656 891	–	–
Liquidity fees paid	(164 236)	(164 236)	–	–
Amortisation of liquidity fee over the 10 year lock in period	18 088	–	–	–
	7 429 549	6 492 655	–	–

On 18 May 2015, 159 905 453 cumulative redeemable preference shares were issued by Zambezi Platinum (RF) Limited at an issue price of R41. The preference shares are redeemable in 10 years' time at R41 plus the cumulative preference dividends. The preference shareholders are entitled to receive a dividend equal to the issue price multiplied by the dividend rate of prime plus 3.5% calculated on a daily basis based on a 365-day year compounded annually and capitalised at the end of December of every year.

The preference rights, limitations and other terms associated with the Zambezi Platinum (RF) Limited preference shares are set out in the Zambezi Platinum (RF) Limited Memorandum of Incorporation.

The redeemable preference shares do not carry the right to vote.

Subscription undertakings for the full value of the preference shares were secured at a 2.5% liquidity fee. The liquidity fee is classified as a transaction cost in terms of IAS 39. In terms of IAS 39.43 transaction costs will be included in the initial measurement of the financial liability, except when it is classified as a financial liability held at fair value through profit or loss. The BEE preference share liability will be measured at amortised cost and therefore the transaction cost should be included on initial measurement.

The liquidity fee payable was of a capital nature and therefore not deductible for tax resulting in a permanent difference. This amount will be amortised over the 10-year lock-in period.

25. FINANCIAL GUARANTEE LIABILITY

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Zambezi Platinum (RF) Limited financial guarantee liability	–	–	7 535 944	7 535 944
	–	–	7 535 944	7 535 944

The redemption of the Zambezi Platinum (RF) Limited Preference Shares is secured by Northam Platinum Limited in terms of a financial guarantee, in terms of which Northam Platinum Limited will be responsible for the payment of all amounts which Zambezi Platinum (RF) Limited has contracted but failed to pay in terms of the Zambezi Preference Share terms by means of a cash payment or the issue of a determinable number of Northam Platinum Limited shares to the Zambezi preference shareholders, or a cash and Northam Platinum Limited share combination.

The inputs included to value to guarantee at the issue date of 18 May 2015 included the Northam Platinum Limited spot price, risk free rates, dividend yield, and volatility.

26. SHARE BASED PAYMENT LIABILITY

	Group		Company	
	2016	2015	2016	2015
	R'000	R'000	R'000	R'000
Total share based payment liability	141 077	130 485	96 838	108 210
Short term portion of share based payment liability	(56 704)	(61 019)	(44 197)	(49 974)
Long term share based payment liability	84 373	69 466	52 641	58 236
The movement in the share based payment liability is made up as follows:				
Opening balance	130 485	168 835	108 210	152 881
Share based payment expense during the year	64 175	36 037	35 629	22 994
Options/incentive shares cash settled during the year	(53 583)	(74 387)	(47 001)	(67 665)
Total share based payment liability	141 077	130 485	96 838	108 210

The short term portion is based on the options/shares which will expire in the next 12 months.

The group operates the Northam share option scheme (the scheme) as well as the Northam share incentive plan (the SIP). The scheme has been discontinued owing to its dilutionary nature although share options issued before its discontinuance will be allowed to run their course.

In March 2013, the Johannesburg Securities Exchange Limited approved a change to the rules of the scheme in terms of which option holders may elect to receive either the shares over which an option has been granted or a cash payment equivalent to the difference between the volume weighted average price at which the Northam Platinum Limited shares trade on the day preceding the exercise date and the exercise price. Options which are cash settled are regarded as having been exercised. All options exercised during the year were cash settled.

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

Management considered the requirements and determined that based on historical information very few individuals, if any, have kept their Northam shares, and that the majority of the outstanding options, performance and retention shares will be settled in cash and should therefore be accounted for as a cash-settled rather than an equity-settled share based payment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

Below is an analysis of share options held as at 30 June 2016:

Grant date Expiry date Exercise price in ZAR	22 Oct 2007 21 Oct 2014 48.00	27 Nov 2008 26 Nov 2015 32.38	5 Nov 2009 4 Nov 2016 36.95	1 July 2010 30 June 2017 45.59	12 Oct 2010 11 Oct 2017 46.57	15 Nov 2013 Claw back 40.00	Total
Opening balance 1 July 2014	1 165 000	160 000	517 500	125 000	2 575 000	178 085	4 720 585
Options forfeited during the year	(1 165 000)	–	–	–	(25 000)	(46 648)	(1 236 648)
Options exercised during the year	–	(90 000)	(137 500)	–	(500 000)	(28 521)	(756 021)
July	–	–	–	–	–	–	–
August	–	–	–	–	–	–	–
September	–	–	–	–	–	–	–
October	–	–	–	–	–	–	–
November	–	–	–	–	–	–	–
December	–	–	–	–	–	–	–
January	–	–	–	–	–	–	–
February	–	(45 000)	(90 000)	–	(180 000)	(12 351)	(327 351)
March	–	–	(22 500)	–	(275 000)	(11 662)	(309 162)
April	–	(45 000)	–	–	(45 000)	(3 528)	(93 528)
May	–	–	(25 000)	–	–	(980)	(25 980)
June	–	–	–	–	–	–	–
Balance at 30 June 2015	-	70 000	380 000	125 000	2 050 000	102 916	2 727 916
Opening balance 1 July 2015	–	70 000	380 000	125 000	2 050 000	102 916	2 727 916
Options forfeited during the year	–	(70 000)	–		(255 000)	(12 740)	(337 740)
Options exercised during the year	–	–	(115 000)	(125 000)	–	(9 409)	(249 409)
July	–	–	–	–	–	–	–
August	–	–	(22 500)	–	–	(882)	(23 382)
September	–	–	–	–	–	–	–
October	–	–	–	–	–	–	–
November	–	–	–	–	–	–	–
December	–	–	–	–	–	–	–
January	–	–	–	–	–	–	–
February	–	–	–	–	–	–	–
March	–	–	–	–	–	–	–
April	–	–	(47 500)	(125 000)	–	(6 763)	(179 263)
May	–	–	(45 000)	–	–	(1 764)	(46 764)
June	–	–	–	–	–	–	–
Balance as at 30 June 2016	–	–	265 000	–	1 795 000	80 767	2 140 767

On 6 December 2013, qualifying shareholders were granted the right to subscribe for 3.92086 claw-back shares for every 100 existing shares held on the record date. The claw-back shares were issued at a discount of 2% to the 30-day VWAP and a premium of 5% to the 60-day VWAP, both calculated as at 18 September 2013 which amounted to R40.00.

Therefore, all outstanding share options held as at the record date were awarded claw back rights options at an exercise price of R40.00 which will expire on the same date as the original option expiry date.

The following table lists the inputs to the model used for the share option scheme for the year ended 30 June 2016:

Grant date	5 Nov 2009	12 Oct 2010
Dividend yield (%)	–	–
Expected volatility (%)	53.16	54.39
Risk free interest rate (%)	7.28	7.53
Expected life of share options (years)	0.35	0.30
Spot price (ZAR)	43.00	43.00
Model used	Market value	Market value

The following table lists the inputs to the model used for the share option scheme for the year ended 30 June 2015:

Grant date	27 Nov 2008	5 Nov 2009	1 July 2010	12 Oct 2010
Dividend yield (%)	–	–	–	–
Expected volatility (%)	31.71	31.71	31.71	31.71
Risk free interest rate (%)	6.13	6.68	6.96	7.06
Expected life of share options (years)	0.41	1.35	2.00	2.30
Spot price (ZAR)	40.26	40.26	40.26	40.26
Model used	Market value	Market value	Market value	Market value

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

Below is an analysis of share incentives held as at 30 June 2016:

	22 Nov 2011 Share award	6 Nov 2012 Share award	15 Nov 2013 Share award	4 Nov 2014 Share award	11 Nov 2015 Share award	Total
Retention shares						
Balance 1 July 2014	58 000	711 000	697 000	–	–	1 466 000
Shares awarded during the year	–	–	–	750 500	–	750 500
Shares forfeited	–	(18 000)	(40 000)	(5 900)	–	(63 900)
Shares cash settled during the year	(58 000)	(693 000)	(30 000)	(26 400)	–	(807 400)
Balance at 30 June 2015	–	–	627 000	718 200	–	1 345 200
Balance 1 July 2015	–	–	627 000	718 200	–	1 345 200
Shares awarded during the year	–	–	–	–	890 300	890 300
Shares forfeited	–	–	(68 000)	(54 100)	(55 900)	(178 000)
Shares cash settled during the year	–	–	(559 000)	(63 900)	(22 600)	(645 500)
Balance at 30 June 2016	–	–	–	600 200	811 800	1 412 000

	22 Nov 2011 Share award	6 Nov 2012 Share award	15 Nov 2013 Share award	4 Nov 2014 Share award	11 Nov 2015 Share award	Total
Performance shares						
Balance 1 July 2014	968 000	1 237 000	1 212 000	–	–	3 417 000
Shares awarded during the year	–	–	–	2 220 500	–	2 220 500
Shares forfeited/adjusted for performance conditions met during the year	(287 280)	(46 000)	(69 000)	(17 500)	–	(419 780)
Shares cash settled during the year	(680 720)	(62 000)	(52 000)	(78 200)	–	(872 920)
Balance at 30 June 2015	–	1 129 000	1 091 000	2 124 800	–	4 344 800
Balance 1 July 2015	–	1 129 000	1 091 000	2 124 800	–	4 344 800
Shares awarded during the year	–	–	–	–	2 637 600	2 637 600
Shares forfeited/adjusted for performance conditions met during the year	–	(17 000)	(66 000)	(160 700)	(165 500)	(409 200)
Shares cash settled during the year	–	(1 112 000)	(128 000)	(189 000)	(66 800)	(1 495 800)
Balance at 30 June 2016	–	–	897 000	1 775 100	2 405 300	5 077 400

The shares awarded in terms of the rules of the share incentive plan (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. In November 2014 the JSE and shareholders approved a change to the rules of the SIP in terms of which, from then onwards retention shares also vest after three years.

In March 2013 the JSE approved a change to the rules of the SIP in terms of which, upon the vesting of any awards, participants may elect to receive either the shares that have vested or an amount equal to the volume weighted average price at which Northam shares traded on the day preceding the settlement date.

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

The following table lists the inputs to the model used for the share incentive plan for the year ended 30 June 2016:

	6 Nov 2012 Performance shares	4 Nov 2014 Retention shares	4 Nov 2014 Performance shares	11 Nov 2015 Retention shares	11 Nov 2015 Performance shares
Dividend yield (%)	–	–	–	–	–
Forfeiture rate (%)	0.9	0.9	0.9	0.9	0.9
Expected life of share awards (years)	0.38	1.35	1.35	2.37	2.37
Spot price (ZAR)	43.00	43.00	43.00	43.00	43.00
Model used	Market value	Market value	Market value	Market value	Market value

The following table lists the inputs to the model used for the share incentive plan for the year ended 30 June 2015:

	6 Nov 2012 Performance shares	15 Nov 2013 Retention shares	15 Nov 2013 Performance shares	4 Nov 2014 Retention shares	4 Nov 2014 Performance shares
Dividend yield (%)	–	–	–	–	–
Forfeiture rate (%)	0.9	0.9	0.9	0.9	0.9
Expected life of share awards (years)	1.35	0.38	1.38	2.35	2.35
Spot price (ZAR)	40.26	40.26	40.26	40.26	40.26
Model used	Market value	Market value	Market value	Market value	Market value

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 options/incentive shares is indicative of future trends, which may not necessarily be the actual outcome.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

27. DOMESTIC MEDIUM TERM DEBT NOTES

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Opening balance	1 370 000	1 370 000	1 370 000	1 370 000
Domestic medium term notes repaid	(1 370 000)	–	(1 370 000)	–
Domestic medium term notes issued	175 000	–	175 000	–
Domestic medium term notes issued	250 000	–	250 000	–
	425 000	1 370 000	425 000	1 370 000
Transaction costs relating to the R175.0 million issue	(1 256)	–	(1 256)	–
Amortisation of transaction costs over 60 months	41	–	41	–
Transaction costs relating to the R250.0 million issue	(4 627)	–	(4 627)	–
Amortisation of transaction costs over 36 months	129	–	129	–
	419 287	1 370 000	419 287	1 370 000

The group raised term debt through the issue of R1.25 billion 3-year senior unsecured floating rate notes (notes) under its R2 billion domestic medium term note programme dated 3 August 2012. The notes attract a coupon of 350 basis points above three month JIBAR and interest payments are due quarterly. The notes matured on 4 September 2015.

On 11 July 2013, the company raised an additional amount of R120 million in the domestic capital market through a tap issue which matured on 4 September 2015. The interest rate for the tap issue notes was placed at a lower rate of JIBAR plus 330 basis points, which was accounted for in the issue price.

The issues were guaranteed by Northam's wholly owned subsidiaries, Booysendal Platinum Proprietary Limited and Khumama Platinum Proprietary Limited, who are the statutory entities in which the Booysendal mine is housed.

Due to the maturity date being 4 September 2015, the domestic medium term note was classified as current in the prior year and was repaid in full during the current year.

On 11 May 2016 five year notes to the value of R175.0 million were issued under the above mentioned notes programme (dated 3 August 2012) at a fixed coupon rate of 13.5%. Interest will be payable on a bi-annual basis in May and November of every year.

In addition, on 9 June 2016 a further R250.0 million notes were issued at a floating rate of the 3 month JIBAR plus 390 basis points. Interest is payable on a quarterly basis in August, November, February and May of every year for a three-year period.

The transaction costs and fees are classified as a transaction cost in terms of IAS 39. In terms of IAS 39.43 transaction costs will be included in the initial measurement of the financial liability and amortised over the period of the financial liability.

28. REVOLVING CREDIT FACILITY

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Revolving credit facility	–	–	–	–

Northam Platinum Limited entered into a facility agreement with Nedbank Limited in August 2011 regarding a R1.0 billion 5-year senior unsecured revolving credit facility (the facility). The facility is available to be utilised by way of periodic drawdown requests until the earlier of 1 month prior to final maturity and cancellation of the agreement. Interest is calculated at JIBAR plus 2.80% for each applicable interest period. The facility was not drawn at year-end (2015: R Nil).

The facility will come to an end November 2016 and subsequent to year end a new facility was negotiated with Nedbank Limited with relatively similar terms.

29. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Trade payables	362 996	206 830	155 558	149 687
Accrued interest on the domestic medium term notes (note 27)	4 782	9 762	4 782	9 762
Accrued interest on the *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden* loan	1 136	1 209	–	–
Accruals	302 171	563 785	237 196	385 772
South African Revenue Service – Value added tax	13 278	15 186	–	–
South African Revenue Service – Mineral royalties	51	–	–	–
Amounts payable to Booysendal Platinum Proprietary Limited	–	–	363 618	–
Employee related accruals	142 289	140 306	111 168	123 121
Other	51 232	22 918	13 036	16 961
	877 935	959 996	885 358	685 303

Trade payables are unsecured, non-interest bearing and normally settled on 30 day terms. Amounts payable to Booysendal Platinum Proprietary Limited are mainly attributable to the purchase of concentrate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

30. SHORT TERM PROVISIONS

Short term provisions consist of the provision for leave pay.

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Balance at the beginning of the year	127 270	118 955	120 464	111 995
Additional amounts raised	284 088	261 209	274 664	255 057
Provision for leave pay utilised	(271 558)	(252 894)	(264 113)	(246 588)
Total leave pay provision at the end of the year	139 800	127 270	131 015	120 464
Long term portion allocated to long term provisions (note 22)	(14 012)	–	(13 215)	–
Short term portion	125 788	127 270	117 800	120 464

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. OTHER LONG TERM EMPLOYEE BENEFITS

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

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Assets at fair market value as at 1 July 2015	97 635	92 234	97 635	92 234
Interest income	7 784	7 420	7 784	7 420
Employer contributions (note 34)	10 914	(28)	10 914	(28)
Benefits paid	(989)	(586)	(989)	(586)
Actuarial (loss)/gain	(2 565)	(3 405)	(2 565)	(3 405)
Administration costs	(352)	–	(352)	–
Assets at fair market value as at 30 June 2016	112 427	97 635	112 427	97 635
Unrecognised due to asset ceiling limit*	82 811	81 056	82 811	81 056
Other long term employee benefit as at 30 June 2016	29 616	16 579	29 616	16 579
Below is a breakdown of other long term employee benefits:				
Other long term employee benefit as at 1 July 2015	16 579	11 054	16 579	11 054
Service costs	10 320	14 252	10 320	14 252
Interest cost	1 980	1 976	1 980	1 976
Actuarial loss/(gain)	2 078	(10 177)	2 078	(10 177)
Benefits	(989)	(586)	(989)	(586)
Administration costs	(352)	–	(352)	–
Other long term employee benefit as at 30 June 2016	29 616	16 579	29 616	16 579
Asset/(liability) recognised on the statement of financial position	–	–	–	–

* The "asset ceiling limit" ensures the asset to be recognised on the company's statement of financial position is subject to the present value of any economic benefits available to the company in the form of refunds or reductions in future contributions.

The company is not entitled to any refund from the fund and hence the economic benefits available to the company are R Nil.

In terms of IAS 1 additional disclosure in company has been made to more accurately reflect the essence of the transaction. This had no impact on the company's financial position or results.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

32. REVENUE

Total revenue comprises

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Sales revenue (note 33)	6 097 070	6 035 535	5 740 467	4 230 121
Investment revenue (note 35)	265 258	72 043	109 480	220 904
Sundry revenue – dividends received (note 38)	–	–	127 024	112 143
Sundry revenue – treatment charges (note 38)	42 313	66 040	42 313	66 040
	6 404 641	6 173 618	6 019 284	4 629 208

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

33. SALES REVENUE

Sales revenue comprises revenue from the following metals:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Platinum	3 731 417	3 613 649	3 731 417	2 621 288
Palladium	1 122 284	1 138 875	1 122 284	852 309
Rhodium	442 998	513 582	442 998	356 804
Gold	92 151	81 556	92 151	74 793
Chrome	354 653	289 791	–	–
Housing revenue	1 950	3 816	–	–
Other	351 617	394 266	351 617	324 927
	6 097 070	6 035 535	5 740 467	4 230 121

Revenue per metal and per segment

	Zondereinde segment* 2016 R'000	Booysendal segment 2016 R'000	Intercompany elimination 2016 R'000	Other 2016 R'000	Total 2016 R'000
Platinum	3 731 417	1 250 361	(1 250 361)	–	3 731 417
Palladium	1 122 284	355 758	(355 758)	–	1 122 284
Rhodium	442 998	146 098	(146 098)	–	442 998
Gold	92 151	16 976	(16 976)	–	92 151
Chrome	225 750	128 903	–	–	354 653
Housing revenue	–	–	–	1 950	1 950
Other	351 617	74 787	(74 787)	–	351 617
	5 966 217	1 972 883	(1 843 980)	1 950	6 097 070

** The Zondereinde segment includes the operations of Northam Chrome Proprietary Limited (formerly known as Northam Chrome Producers Proprietary Limited).*

	Zondereinde segment 2015 R'000	Booysendal segment 2015 R'000	Intercompany elimination 2015 R'000	Other 2015 R'000	Total 2015 R'000
Platinum	2 621 288	1 230 953	(238 592)	–	3 613 649
Palladium	852 309	353 819	(67 253)	–	1 138 875
Rhodium	356 804	190 895	(34 117)	–	513 582
Gold	74 793	7 924	(1 161)	–	81 556
Chrome	184 133	105 659	–	–	289 792
Housing revenue	–	–	–	3 816	3 816
Other	324 927	88 831	(19 493)	–	394 265
	4 414 254	1 978 081	(360 616)	3 816	6 035 535

Below is a summary of the revenue per region and per segment:

	Zondereinde segment 2016 R'000	Booysendal segment 2016 R'000	Other 2016 R'000	Total 2016 R'000
Europe	1 842 113	–	–	1 842 113
Japan	1 163 385	–	–	1 163 385
North America	1 361 323	–	–	1 361 323
Australia	6 139	–	–	6 139
South Africa	1 593 257	128 903	1 950	1 724 110
	5 966 217	128 903	1 950	6 097 070

	Zondereinde segment 2015 R'000	Booysendal segment 2015 R'000	Other 2015 R'000	Total 2015 R'000
Europe	1 270 346	455 607	–	1 725 953
Japan	754 109	298 645	–	1 052 754
North America	981 886	370 734	–	1 352 620
Australia	4 616	383	–	4 999
South Africa	1 403 297	492 096	3 816	1 899 209
	4 414 254	1 617 465	3 816	6 035 535

The following customers each account for more than 10% of the total sales revenue of the group:

	2016 R'000	2015 R'000
Customer 1	1 170 826	1 313 631
Customer 2	1 153 243	1 030 323
Customer 3	826 262	612 354
Customer 4	793 239	786 498
Customer 5	725 989	763 003
	4 669 559	4 505 809

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

34. OPERATING COSTS

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Labour	1 776 055	1 622 438	1 614 436	1 487 601
Stores	941 567	984 392	836 821	833 180
Utilities	638 304	544 217	512 683	447 313
Sundries and contractors	1 649 607	1 183 835	457 726	343 805
Rehabilitation costs	1 700	7 689	8 568	2 932
	5 007 233	4 342 571	3 430 234	3 114 831

Below are the operating costs per segment. The operating segment for Zondereinde includes the results of Northam Chrome Proprietary Limited, a wholly owned subsidiary of the company:

	Zondereinde segment 2016 R'000	Booysendal segment 2016 R'000	Other 2016 R'000	Total 2016 R'000
Labour	1 618 267	157 788	–	1 776 055
Stores	836 821	104 746	–	941 567
Utilities	515 223	123 081	–	638 304
Sundries and contractors	485 498	1 162 294	1 815	1 649 607
Rehabilitation costs	8 568	(6 868)	–	1 700
	3 464 377	1 541 041	1 815	5 007 233

	Zondereinde segment 2015 R'000	Booysendal segment 2015 R'000	Other 2015 R'000	Total 2015 R'000
Labour	1 499 013	123 425	–	1 622 438
Stores	833 180	151 212	–	984 392
Utilities	449 478	94 739	–	544 217
Sundries and contractors	362 419	818 035	3 381	1 183 835
Rehabilitation costs	2 933	4 756	–	7 689
	3 147 023	1 192 167	3 381	4 342 571

LABOUR COSTS INCLUDED IN OPERATING COSTS

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
The aggregate earnings and benefits of employees, including directors, amounted to:				
Salaries, wages and other benefits	1 504 405	1 405 790	1 381 047	1 292 544
Contributions to retirement benefit funds	123 964	114 565	115 853	107 479
Contributions to health care funds	68 831	66 074	67 227	64 612
Share based payment expense (Note 26)	64 175	36 037	35 629	22 994
Employee empowerment scheme (Note 31)	10 914	(28)	10 914	(28)
	1 772 289	1 622 438	1 610 670	1 487 601
Fees paid to non-executive directors	3 766	3 503	3 766	3 503
	1 776 055	1 625 941	1 614 436	1 491 104

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

35. INVESTMENT REVENUE

Investment revenue consists of the following:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Interest received on cash and cash equivalents	193 663	55 595	29 801	26 892
Dividend income received from short term investments	2 649	–	1 018	–
Interest received from subsidiaries	–	–	27 223	189 100
Interest received on instalment sales agreements	10 201	9 848	–	–
Interest received relating to the Northam Platinum Restoration Trust Fund	6 087	2 624	2 794	2 078
Interest received relating to the Buttonshope Conservancy Trust	755	574	–	–
Other financial instrument	51 903	3 402	48 644	2 834
	265 258	72 043	109 480	220 904

36. FINANCE CHARGES EXCLUDING PREFERENCE SHARE DIVIDENDS

Finance costs consist of the following:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Finance costs relating to the domestic medium term debt notes	(28 283)	(132 869)	(28 283)	(132 869)
Finance costs and commitment fees	(5 014)	(7 473)	(5 014)	(7 473)
Interest on the loan from the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV	(4 447)	(4 658)	–	–
Amortisation of the transaction costs relating to the domestic medium term debt notes	(170)	–	(170)	–
Other financial instruments	(1 720)	(170)	(48)	–
	(39 634)	(145 170)	(33 515)	(140 342)

Included in finance costs in the prior year were the accrued dividends of R100.8 million relating to the Zambezi Platinum (RF) Limited preference shares consolidated into the Northam group.

The accrued dividends are now being disclosed separately to enable shareholders to distinguish better between actual finance costs incurred by Northam and the accrued dividends relating to Zambezi Platinum (RF) Limited that are included in the group results on consolidation. In addition, a new sub-total, "profit/(loss) before preference share dividends" has been added to the face of the statement of comprehensive income.

The restatement has no impact on the financial performance or position of Northam Platinum Limited as reported for the year ended 30 June 2015.

This was accounted for as a reclassification in terms of IAS 1 Presentation of Financial Statements.

37. SUNDRY EXPENDITURE

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Loss on sale of property, plant and equipment	–	(139)	–	(139)
Amortisation of participation interest in the Pandora joint venture	(2 600)	(2 600)	(2 600)	(2 600)
Black Economic Empowerment lock in fee paid to the Zambezi Platinum (RF) Limited shareholders	–	(242 429)	–	(174 198)
Impairment of investments in associates	(20 512)	(239 054)	(20 512)	(161 620)
Impairment of accounts receivables	–	(22 434)	–	(22 434)
IFRS 2 share based payment expense relating to the Black Economic Empowerment transaction	–	(874 448)	–	(1 173 756)
Guarantee charge on Black Economic Empowerment transaction	–	–	–	(7 535 944)
Corporate action costs	(7 756)	(172 640)	(7 756)	(162 491)
Booysendal land management	(3 324)	(2 647)	–	–
Booysendal South rent paid to the community	(3 000)	–	–	–
Booysendal South care and maintenance	(25 084)	(9 659)	–	–
Loss on sale of investment in Trans Hex Group Limited	(21 024)	–	–	–
Other expenditure	(8 822)	(21 214)	(6 221)	(11 353)
	(92 122)	(1 587 264)	(37 089)	(9 244 535)

38. SUNDRY INCOME

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Dividends received	–	–	127 024	112 143
Treatment charges in respect of concentrate purchased	42 313	66 040	42 313	66 040
Rent received	5 981	5 847	5 950	5 803
Sale of scrap	4 677	2 028	3 041	1 935
Insurance claim/refund	59 595	183 774	59 030	183 774
Currency translation gain	26 163	6 151	26 163	6 151
Profit on sale of property, plant and equipment	57	1 031	57	–
Profit on sale of Trans Hex Group Limited shares	–	–	14 210	–
Write back of impairment of Trans Hex Group Limited shares	34 122	–	–	–
Other	8 020	3 379	4 757	1 644
	180 928	268 250	282 545	377 490

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

39. TAXATION

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Current income tax				
Current income tax charge	148 505	210 884	49 035	92 682
Adjustment in respect of current income tax of previous years	(7 680)	(530)	(7 748)	2 146
Dividend withholding tax	–	12 447	–	–
	140 825	222 801	41 287	94 828
Deferred tax				
Relating to origination and reversal of temporary differences	96 069	(57 182)	67 701	20 416
	96 069	(57 182)	67 701	20 416
Income tax expense reported in profit or loss	236 894	165 619	108 988	115 244
Taxation comprises:				
Mining tax	–	51 350	–	51 350
Non mining tax	148 313	84 918	48 843	41 308
Tax on share of earnings from associate	–	24	–	24
Adjustment in respect of prior years	(7 680)	(530)	(7 748)	2 146
Temporary differences	96 069	(57 182)	67 701	20 416
Dividend withholding tax	–	12 447	–	–
Capital gains tax	192	74 592	192	–
	236 894	165 619	108 988	115 244
A reconciliation of the standard rate of South African tax compared with that charged in the statement of profit or loss and other comprehensive income is set out below:	%	%	%	%
South African normal tax	28.0	28.0	28.0	28.0
Dividend income received	–	–	9.3	0.4
Adjustments in respect of prior years	(2.8)	–	(2.1)	–
Tax on capital contributions from third party	(5.8)	–	(4.2)	–
Impairment of investment in joint venture	(2.1)	–	(1.5)	(0.5)
Expenditure incurred with is not deductible	(7.1)	–	(0.2)	(0.2)
Corporate action costs	(0.8)	(5.6)	(0.6)	(0.5)
IFRS 2 share based payment expense relating to the BEE transaction	–	(28.2)	–	(3.9)
Guarantee charge	–	–	–	(24.7)
Amortisation of liquidity fees paid on preference shares	(1.9)	–	–	–
Preference share dividends disallowable	(94.8)	(3.3)	–	–
Dividend withholding tax	–	(1.4)	–	–
Capital gains tax	–	(8.6)	(0.1)	–
Effective tax rate	(87.3)	(19.1)	28.6	(1.4)

The current rate of mining tax applicable to the company is 28% (2015: 28%). Non mining income is subject to a rate of 28% (2015: 28%). Deferred tax is provided at the statutory rate of 28% for all temporary differences. Dividend withholding tax is levied at 15% for local shareholders, who are not companies.

Capital gains tax at an effective rate of 22.4% (2015: 18.7%) is payable on any gains realised on the disposal of investments or mining properties.

40. LOSS AND DIVIDEND PER SHARE

Basic loss per share amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Headline loss per share is based on the headline loss and is reconciled to loss attributable to shareholders as follows:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Loss attributable to shareholders	(508 263)	(1 035 649)		
Profit on the sale of property, plant and equipment	(57)	(892)		
Taxation impact	16	250		
Impairment of associate's assets	11 185	17 493		
Taxation impact	(3 132)	(4 898)		
Negative goodwill on assets acquired by associate's associate	–	(26 804)		
Taxation impact	–	–		
Profit on sale of associate's investment	–	(7 105)		
Taxation impact	–	–		
Foreign currency differences on repayment of long term receivables from associates foreign operations reclassified to profit or loss	–	(922)		
Taxation impact	–	258		
Impairment of property, plant and equipment	–	2 525		
Taxation impact	–	(707)		
Loss on sale of investment in associate	21 024	–		
Taxation impact	–	–		
(Reversal of impairment)/impairment of investments and receivable balance	(13 610)	261 488		
Taxation impact	–	–		
Headline loss	(492 837)	(794 963)		
Fully diluted earnings per share amounts are calculated by dividing the loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares				
Fully diluted earnings per share are based on the headline loss and the average number of potential diluted shares in issue.				
Dividends per share (cents)	–	–		
Average number of ordinary shares in issue during the year	349 875 759	391 834 708		
Average number of potentially diluted ordinary shares in issue	349 875 759	391 834 708		
Number of shares in issue	509 781 212	509 781 212		
Treasury shares in issue	159 905 453	159 905 453		
Shares in issue adjusted for treasury shares	349 875 759	349 875 759		
Loss per share in cents	(145.3)	(264.3)		
Fully diluted loss per share in cents	(145.3)	(264.3)		
Headline loss per share in cents	(140.9)	(202.9)		
Fully diluted headline loss per share in cents	(140.9)	(202.9)		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

41. CASH GENERATED FROM OPERATIONS

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
(Loss)/profit before taxation	(271 369)	(868 326)	381 606	(8 536 946)
Adjusted for non-cash items				
Profit on disposal of property, plant and equipment	(57)	(892)	(57)	139
Depreciation and write offs	403 545	339 949	187 966	165 091
Increase in long term provisions	51 703	44 508	24 807	17 675
Movement in financial guarantee	–	–	–	7 535 944
Movement in long term receivables	4 786	(456)	–	–
Movement in short term provisions	(1 482)	8 315	(2 664)	8 469
Equity settled share based payment expense	–	874 448	–	1 173 756
Share of losses/(earnings) from associates	32 253	(28 769)	–	–
Amortisation of participation interest in the Pandora joint venture	2 600	2 600	2 600	2 600
Loss/(profit) on sale of investment in associates	21 024	–	(14 210)	–
Finance charges on preference shares	918 806	100 767	–	–
Liquidity fees on the preference shares	18 088	–	–	–
(Reversal of impairment)/impairment of investment in associate	(13 610)	239 054	20 512	161 619
Other	1 395	–	–	–
Movement in cash settled share based payment	10 592	(38 350)	(11 372)	(44 671)
Interest paid	39 634	145 170	33 515	132 869
Interest received	(265 258)	(72 831)	(109 480)	(220 904)
Dividends received	–	–	(127 024)	(112 143)
	952 650	745 187	386 199	283 498

42. CHANGE IN WORKING CAPITAL

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Inventories	(203 720)	(49 697)	(262 903)	(344 370)
Trade and other receivables	123 650	(254 182)	7 144	(89 311)
Trade and other payables	(82 061)	82 631	200 055	(66 274)
	(162 131)	(221 248)	(55 704)	(499 955)

43. TAXATION PAID

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Balance owing at the beginning of the year	81 377	113 608	(11 624)	15 390
Profit or loss charge	140 825	222 801	41 287	94 828
Balance owing at the end of the year	(46 847)	(81 377)	45 716	11 624
	175 355	255 032	75 379	121 842

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's principal financial liabilities comprise loans and borrowings including preference shares, trade and other payables, and a financial guarantee contract (in the case of company only). The main purpose of these financial liabilities is to finance the group's operations and to provide guarantees to support its operations. The group has various financial assets such as trade receivables, investments, long term receivables and cash and cash equivalents, which arise directly from its operations.

The group may enter into derivative transactions, being forward currency contracts or metal hedging contracts. The purpose is to manage the currency risks arising from the group's operations and its sources of finance. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, commodity price risk and credit risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below:

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: interest rate risk, foreign currency risk, commodity price risk and other price risk, such as equity risk.

Foreign currency risk

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 group has transactional currency exposures. Such exposure arises from sales in currencies other than the unit's functional currency. The majority of the group's sales are denominated in currencies other than functional currency of the operating unit making the sale, whilst 96% of costs are denominated in the unit's functional currency, the South African rand.

The following table demonstrates the sensitivity to a possible change in 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.

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Weakening by 10% of US$	63 213	6 585	63 213	5 192
Strengthening by 10% of US$	(63 213)	(6 585)	(63 213)	(5 192)
Weakening by 10% of €	(18 352)	(1 393)	(18 352)	(1 393)
Strengthening by 10% of €	18 352	1 393	18 352	1 393
At year end the foreign currency value of items under their respective statement of financial position classifications were as follows:				
Accounts receivable: US$	6 351	5 415	6 351	5 415
Cash and cash equivalents: US$	36 636	–	36 636	–
Accounts payable: €	(1 241)	(1 023)	(1 241)	(1 023)
Long term loans: €	(10 000)	–	(10 000)	–
Exchange rates at year end				
ZAR/US$	14.71	12.16	14.71	12.16
ZAR/€	16.33	13.62	16.33	13.62

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

Commodity price risk

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

The following is an indication of the effect that changes in the nickel and cobalt prices would have on the profit before tax, based on the outstanding accounts receivable balance at year end:

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Increase of 10%	3 201	16 006	3 201	16 006
Decrease of 10%	(3 201)	(16 006)	(3 201)	(16 006)

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

Credit risk

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

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

Interest rate risk

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

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

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

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Cash and cash equivalents				
Increase of 1%	31 051	41 382	16 544	5 350
Decrease of 1%	(31 051)	(41 382)	(16 544)	(5 350)
Floating rate borrowings				
Increase of 1%	(78 888)	(79 064)	(4 193)	(13 700)
Decrease of 1%	78 888	79 064	4 193	13 700

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 another valuation technique.

Management is of the opinion that the book value of financial instruments approximates fair value. The fair value is based on the net present value of the expected resources attributable to the realisation of the asset or the extinguishing of the liability.

Liquidity risk

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

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

The group has the following secured loans at the financial reporting date:

A loan secured from Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV (FMO) to Norplats Properties Proprietary Limited, a wholly owned subsidiary of the group. The loan is repayable in equal bi-annual instalments over 15 years and accrues interest at 3.5% above JIBAR, with the last payment due 30 September 2026. The group has pledged the instalment sales agreement as security for the loan.

Funding in the debt capital market through the issue of R1.25 billion three-year senior unsecured floating rate notes (the notes) under its R2.0 billion domestic medium term note programme dated 3 August 2012. The notes attracted a coupon of 350 basis points above three month JIBAR and interest payments were due quarterly. The notes matured on 4 September 2015. On 11 July 2013, the company raised an additional amount of R120.0 million in the domestic capital market through a tap issue which also matured on 4 September 2015 and was repaid in full.

Under the domestic medium term note programme (dated 3 August 2012), additional notes were issued on 11 May 2016 to the value of R175.0 million at a fixed coupon rate of 13.5% for a five-year period. Interest is payable on a bi-annual basis in May and November of every year. In addition, on 9 June 2016, a further R250.0 million notes were issued at a floating rate of the 3 month JIBAR plus 390 basis points. Interest is payable on a quarterly basis in August, November, February and May of every year for a three-year period.

The group had entered into a facility agreement with Nedbank Limited in August 2011 regarding a R1.0 billion five-year senior unsecured revolving credit facility (the facility). The facility is available to be utilised by way of periodic drawdown requests until the earlier of 1 month prior to final maturity and cancellation of the agreement. Interest is calculated at JIBAR plus 2.80% for each applicable interest period. At year end no amount of the Nedbank facility was utilised. Subsequent to year end the facility was renegotiated.

Zambezi Platinum (RF) Limited issued 159 905 453 preference shares at R41 per share on 18 May 2015 in terms of the BEE transaction. These preference shares are repayable in 10 years' time, and accrue cumulative variable dividends at 3.5% over the prime overdraft rate in South Africa.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

The maturity profile of the group's financial liabilities is set out below:

Group	Payable on demand 30 June 2016 R'000	1 – 6 months 30 June 2016 R'000	More than 6 months 30 June 2016 R'000	More than a year 30 June 2016 R'000	Total 30 June 2016 R'000
Trade payables	362 996	–	–	–	362 996
Accrued interest on the domestic medium term notes	–	4 782		–	4 782
Accrued interest on the Nederlandse Financiering's Maatschappij voor Ontwikkelingslanden loan	–	1 136	–	–	1 136
Accruals	–	302 171	–	–	302 171
Other	–	–	–	51 232	51 232
Long term loans	–	13 584	4 064	235 464	253 112
Domestic medium term debt notes	–	25 825	25 825	575 550	627 200
Preference share liability*	–	–	–	24 575 615	24 575 615
	362 996	347 498	29 889	25 437 861	26 178 244

** The undiscounted cash flows relating to the preference share liability is also the maximum exposure to credit risk regarding the guarantee issued by Northam company.*

Group	Payable on demand 30 June 2015 R'000	1 – 6 months 30 June 2015 R'000	More than 6 months 30 June 2015 R'000	More than a year 30 June 2015 R'000	Total 30 June 2015 R'000
Trade payables	206 830	–	–	–	206 830
Accrued interest on the domestic medium term notes	–	9 762	–	–	9 762
Accrued interest on the Nederlandse Financiering's Maatschappij voor Ontwikkelingslanden loan	–	1 209	–	–	1 209
Accruals	–	563 785	–	–	563 785
Other	–	–	–	22 918	22 918
Long term loans	–	–	70 922	–	70 922
Domestic medium term debt notes	–	1 392 552	–	–	1 392 552
Preference share liability*	–	–	–	21 800 977	21 800 977
	206 830	1 967 308	70 922	21 823 895	24 068 955

** The undiscounted cash flow relating to the preference share liability is also the maximum exposure to credit risk regarding the guarantee issued by Northam company.*

Company	Payable on demand 30 June 2016 R'000	1 – 6 months 30 June 2016 R'000	More than 6 months 30 June 2016 R'000	More than a year 30 June 2016 R'000	Total 30 June 2016 R'000
Trade payables	155 558		–	–	155 558
Accrued interest on the domestic medium term notes	–	4 782	–	–	4 782
Accruals	–	237 196	–	–	237 196
Amounts payable to Booysendal Platinum Proprietary Limited	–	363 618	–	–	363 618
Other	–	–	–	13 036	13 036
Long term loans	–	9 400	–	178 600	188 000
Domestic medium term debt notes	–	25 825	25 825	575 550	627 200
	155 558	640 821	25 825	767 186	1 589 390

Company	Payable on demand 30 June 2015 R'000	1 – 6 months 30 June 2015 R'000	More than 6 months 30 June 2015 R'000	More than a year 30 June 2015 R'000	Total 30 June 2015 R'000
Trade payables	149 687	–	–	–	149 687
Accrued interest on the domestic medium term notes	–	9 762	–	–	9 762
Accruals	–	385 772	–	–	385 772
Other	–	–	–	16 961	16 961
Domestic medium term debt notes	–	1 392 552	–	–	1 392 552
	149 687	1 788 086	–	16 961	1 954 734

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

Capital management

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

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

No changes were made in the objectives, policies or processes during the years ended 30 June 2016 and 30 June 2015.

Categories of financial instruments

The various categories of financial instruments are set out below:

	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non-financial instruments	Total
	30 June 2016	30 June 2016	30 June 2016	30 June 2016	30 June 2016
Group	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Unlisted investment	6	–	–	–	6
Long term receivables	–	89 717	–	–	89 717
Investment in the Northam Platinum Restoration Trust Fund	–	93 647	–	–	93 647
Environmental Conservancy Trust	–	60 345	–	–	60 345
Buttonshope Conservancy Trust	–	10 445	–	–	10 445
Trade and other receivables	–	237 188	–	138 016	375 204
Cash and cash equivalents	–	3 105 080	–	–	3 105 080
Preference share liability		–	(7 429 549)	–	(7 429 549)
Long term loans	–	–	(275 513)	–	(275 513)
Domestic medium term debt notes	–	–	(419 287)	–	(419 287)
Current portion of long term loans	–	–	(13 201)	–	(13 201)
Trade and other payables	–	–	(864 606)	(13 329)	(877 935)

Group	Available for sale investment 30 June 2015 R'000	Loans and receivables 30 June 2015 R'000	Financial liabilities at amortised cost 30 June 2015 R'000	Non-financial instruments 30 June 2015 R'000	Total 30 June 2015 R'000
Unlisted investment	6	–	–	–	6
Long term receivables	–	94 503	–	–	94 503
Investment in the Northam Platinum Restoration Trust Fund	–	49 092	–	–	49 092
Environmental Conservancy Trust	–	52 122	–	–	52 122
Buttonshope Conservancy Trust	–	11 037	–	–	11 037
Trade and other receivables	–	250 411	–	248 443	498 854
Cash and cash equivalents	–	4 138 189	–	–	4 138 189
Preference share liability	–	–	(6 492 655)	–	(6 492 655)
Long term loans	–	–	(39 963)	–	(39 963)
Domestic medium term debt notes	–	–	(1 370 000)	–	(1 370 000)
Current portion of long term loans	–	–	(3 801)	–	(3 801)
Trade and other payables	–	–	(944 810)	(15 186)	(959 996)

Company	Available for sale investment 30 June 2016 R'000	Loans and receivables 30 June 2016 R'000	Financial liabilities at amortised cost 30 June 2016 R'000	Non-financial instruments 30 June 2016 R'000	Total 30 June 2016 R'000
Unlisted investment	6	–	–	–	6
Investment in the Northam Platinum Restoration Trust Fund	–	43 204	–	–	43 294
Environmental Conservancy Trust	–	49 187	–	–	49 187
Subsidiary loans receivable	–	2 354 983	–	–	2 354 983
Trade and other receivables	–	163 841	–	110 512	274 353
Cash and cash equivalents	–	1 654 417	–	–	1 654 417
Long term loans	–	–	(239 350)	–	(239 350)
Financial guarantee liability	–	–	(7 535 944)	–	(7 535 944)
Domestic medium term debt notes	–	–	(419 287)	–	(419 287)
Current portion of long term loans	–	–	(9 400)	–	(9 400)
Trade and other payables	–	–	(885 358)	–	(885 358)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non-financial instruments	Total
	30 June 2015	30 June 2015	30 June 2015	30 June 2015	30 June 2015
Company	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Unlisted investment	6	–	–	–	6
Investment in the Northam Platinum Restoration Trust Fund	–	38 868	–	–	38 868
Environmental Conservancy Trust	–	44 137	–	–	44 137
Subsidiary loans receivable	–	4 226 019	–	–	4 226 019
Trade and other receivables	–	207 638	–	73 859	281 497
Cash and cash equivalents	–	534 959	–	–	534 959
Financial guarantee liability	–	–	(7 535 944)	–	(7 535 944)
Domestic medium term debt notes	–	–	(1 370 000)	–	(1 370 000)
Trade and other payables	–	–	(685 303)	–	(685 303)

45. RELATED PARTIES

Related party relationships exist between the company and subsidiaries within the Northam Platinum Limited group of companies. Below is summary of the various subsidiaries and trusts included in the group:

	Effective holding	Share capital and premium	Investment	Indebtedness 2016	Indebtedness 2015
		R'000	R'000	R'000	R'000
Mining Technical Services Proprietary Limited	100.0	***	*	15 002	1
Khumama Platinum Proprietary Limited	100.0	7 106 126	10 166 000	1	-
Booysendal Platinum Proprietary Limited	100.0	4 600 000	**	2 262 163	4 159 333
Mvelaphanda Resources Proprietary Limited	100.0	4 358	–	1 047	957
Northam Chrome Proprietary Limited (previously Northam Chrome Producers Proprietary Limited)	100.0	1	70 000	–	–
Windfall 38 Properties Proprietary Limited	100.0	***	*	14 590	14 862
Norplats Properties Proprietary Limited	100.0	***	*	62 180	50 463
Zambezi Platinum (RF) Limited	–	–	–	–	–
Northam Zondereinde Community Trust	–	–	–	–	–
Northam Booysendal Community Trust	–	–	–	–	–
Northam Employee Trust	–	–	–	–	–
Buttonshope Conservancy Trust	100.0	–	–	–	403
Northam Restoration Trust Fund	100.0	–	–	–	–
			10 236 000	2 354 983	4 226 019

*** Issued capital is less than R1 000
** Indirectly held subsidiary through Khumama Platinum Proprietary Limited
* Investment less than R1 000

120 (2015: 120) ordinary shares are held in Mining Technical Services Proprietary Limited representing a 100% equity interest.
505 (2015: 505) ordinary shares are held in Khumama Platinum Proprietary Limited representing a 100% equity interest.
Northam Platinum Limited holds 217 881 101 ordinary shares representing a 100% equity interest in Mvelaphanda Resources Proprietary Limited. The investment was fully impaired during the previous financial year.
100 (2015: 100) ordinary shares are held in Norplats Properties Proprietary Limited, Northam Chrome Proprietary Limited and Windfall 38 Properties Proprietary Limited representing a 100% equity interest.

All companies are incorporated in the Republic of South Africa and all companies are wholly-owned.

In May 2015, the company acquired an additional 100 shares in Khumama Platinum Proprietary Limited (Khumama) for a consideration of R4.6 billion. This brings the company's total shareholding to 505 shares. Khumama is still a wholly owned subsidiary of the company.

The loan between Northam Platinum Limited and Norplats Properties Proprietary Limited amounting to R24.4 million (2015: R24.4 million) accrues interest at 2.0% below the South African prime interest rate and may only be repaid once the loan from the Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV has been repaid by Norplats Properties Proprietary Limited, which is no later than 30 September 2026.

The loan between Northam Platinum Limited and Booysendal Platinum Proprietary Limited bears interest at JIBAR plus 3.75% from 1 January 2015 on the portion of the loan that relates to third party funding. The third party funding was however repaid in full during the current financial year and the outstanding loan balance does not accrue interest. Regular repayments are however made on the outstanding loan balance. The remaining balance of the loan is repayable on demand and therefore stated as current.

The loan between Northam Platinum Limited and Windfall 38 Properties Proprietary Limited bears interest at 2.0% below the South African prime interest rate, repayable on demand and therefore stated as current. During the year the accrued interest for the year was repaid in full.

All other loans are interest free, unsecured and repayable on demand.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

Guarantees, subordination agreements and letters of support

Northam Platinum Limited currently has finance facilities available in the form of a revolving credit facility of R1.0 billion with Nedbank Limited, and has issued R425.0 million on the debt capital market. Booysendal (as well as the intermediate holding company, Khumama Platinum Proprietary Limited) has signed a letter of guarantee with regards to both these facilities. Management has renegoted the Nedbank revolving credit facility which will increase the facility to R1.5 billion over a five-year period.

In addition to the above Khumama Platinum Proprietary Limited is also a party to the guarantees that have been issued in terms of the Nedbank Limited revolving credit facility as well as the DMTN facility.

On 25 September 2014 Northam Platinum Limited provided a guarantee to ensure that Mvelaphanda Resources Proprietary Limited would meet its financial obligations as and when they fall due as the company's liabilities exceeded its assets. The guarantee will remain in full force and effect as long as the liabilities (including contingent liabilities) exceed its assets, fairly valued, and will lapse forthwith upon the date that the assets, so valued, exceed its labilities.

It is also important to note that Northam Platinum Limited has issued a letter of support (non-binding) stating that Northam Platinum Limited will not demand repayment of the intercompany loan within the next 12 months and will continue to provide the company with sufficient funds for it to meet its obligations as and when they fall due.

Zambezi Platinum (RF) Limited is consolidated in the Northam group

Zambezi was created and designed for the sole purpose of providing Northam with BEE credentials and as a structure to hold the listed BEE preference shares. If Northam does not comply with the HDSA requirements in the Mining Charter it will not be able to retain its mining rights. Northam is able to direct the strategic direction of Zambezi and as per the subscription and relationship agreement between the two companies, Zambezi's memorandum of incorporation may not be amended or replaced without Northam's prior written consent.

Northam assumes full responsibility for the administration of Zambezi as well as any costs incurred by Zambezi up to a certain limit. Furthermore, Northam provides a guarantee for Zambezi's obligation in respect of the preference shares. All these points indicate that Northam has been involved from the inception of the transaction, to ensure that the design and operation of Zambezi achieves the purpose for which it was created. In terms of the transaction, an "N" share was issued to Northam, which gave them the right to implement mitigating action should Zambezi not comply with certain undertakings as per the transaction's agreements and in other limited instances aimed at maintaining the integrity of the transaction at all times. Zambezi can also not dispose of the Northam ordinary shares without the prior consent of Northam. Northam has significant exposure to the variable returns of Zambezi, through the creation and maintenance of the BEE credentials during the 10-year lock-in period as well as through the guarantee provided by Northam. The decision making power of Zambezi's board of directors is restricted to maintaining Northam's BEE credentials and funding arrangements.

All of these factors have been considered in determining that even though Northam does not have majority of the voting rights in Zambezi, it still has control over the entity.

BEE Community and ESOP Trust

The manner in which the Northam Zondereinde Community Trust, the Northam Booysendal Community Trust and the Northam Employees' Trust was set up and the contracts governing the relationships between Northam and these Trusts, shows that their relevant activities had already been determined when these trusts were created and will continue to be carried out until such time as the 10-year lock-in period is over or the BEE credentials are no longer required by Northam. There is no scope for any other commercial activity outside of the maintenance of the BEE credentials, the allocation of returns on the Northam share to the beneficiaries of these trusts and the facilitation and maintenance of the external BEE Preference Share funding.

These trusts are therefore under the control of Northam and are therefore consolidated into the group.

Key management remuneration

The table below summarises the executive directors' remuneration:

	Fees R'000	Remuneration package R'000	Performance bonus R'000	Benefits R'000	Gain on share based payments R'000	Total R'000
Executive						
PA Dunne	–	6 165	4 353	834	–	11 352
AZ Khumalo	–	3 006	2 436	441	3 707	9 590
Non-executive						
PL Zim	412	–	–	–	–	412
R Havenstein	717	–	–	–	–	717
CK Chabedi	496	–	–	–	–	496
HH Hickey	209	–	–	–	–	209
TE Kgosi	609	–	–	–	–	609
AR Martin	565	–	–	–	–	565
KB Mosehla	357	–	–	–	–	357
TI Mvusi	154	–	–	–	–	154
ME Beckett	247	–	–	–	–	247
	3 766	9 171	6 789	1 275	3 707	24 708

The directors' remuneration for the year ended 30 June 2015 was as follows:

	Fees R'000	Remuneration package R'000	Performance bonus R'000	Benefits R'000	Gain on share based payments R'000	Total R'000
Executive						
PA Dunne	–	5 700	2 184	763	–	8 647
AZ Khumalo	–	2 708	1 686	347	4 740	9 481
Non-executive						
PL Zim	318	–	–	–	–	318
R Havenstein	744	–	–	–	–	744
CK Chabedi	413	–	–	–	–	413
TE Kgosi	579	–	–	–	–	579
AR Martin	557	–	–	–	–	557
ME Beckett	616	–	–	–	–	616
JAK Cochrane	276	–	–	–	–	276
	3 503	8 408	3 870	1 110	4 740	21 631

No individuals other than directors are considered to be prescribed officers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

Details of share options granted to directors

A summary of the options held by executive directors at 30 June 2016 is as follows:

Earliest and latest exercise date	Price per share in R	Total number of options
PA Dunne	–	–
AZ Khumalo		
12 October 2012 and 11 October 2017	46.57	125 000
Claw back rights options	40.00	4 901
Number of options held at 30 June 2016		129 901

A summary of the options held by executive directors at 30 June 2015 is as follows:

Earliest and latest exercise date	Price per share in R	Total number of options
PA Dunne	–	–
AZ Khumalo		
1 July 2012 and 30 June 2017	45.59	125 000
12 October 2012 and 11 October 2017	46.57	125 000
Claw back rights options	40.00	9 802
Number of options held at 30 June 2016		259 802

Details of share incentives granted to directors

Below is an analysis of share incentives held as at 30 June 2016:

Retention shares and performance shares	22 Nov 2011 Share award	6 Nov 2012 Share award	15 Nov 2013 Share award	4 Nov 2014 Share award	11 Nov 2015 Share award	Total
PA Dunne						
Balance at 1 July 2014	–	–	–	–	–	–
Retention shares awarded during the year	–	–	–	37 900	–	37 900
Performance shares awarded during the year	–	–	–	112 400	–	112 400
Shares cash settled during the year	–	–	–	–	–	–
Balance at 30 June 2015	–	–	–	150 300	–	150 300
Balance at 1 July 2015	–	–	–	150 300	–	150 300
Retention shares awarded during the year	–	–	–	–	48 700	48 700
Performance shares awarded during the year	–	–	–	–	144 500	144 500
Shares cash settled during the year	–	–	–	–	–	–
Balance at 30 June 2016		–		150 300	193 200	343 500

	22 Nov 2011 Share award	6 Nov 2012 Share award	15 Nov 2013 Share award	4 Nov 2014 Share award	11 Nov 2015 Share award	Total
Retention shares and performance shares						
AZ Khumalo						
Balance at 1 July 2014	93 000	154 000	122 000	–	–	369 000
Retention shares awarded during the year	–	–	–	37 900	–	37 900
Performance shares awarded during the year	–	–	–	112 400	–	112 400
Shares forfeited/adjusted for performance conditions met during the year	(17 700)	–	–			(17 700)
Shares cash settled during the year	(75 300)	(56 000)	–	–	–	(131 300)
Balance at 30 June 2015	–	98 000	122 000	150 300	–	370 300
Balance at 1 July 2015	–	98 000	122 000	150 300	–	370 300
Retention shares awarded during the year	–	–	–	–	48 700	48 700
Performance shares awarded during the year	–	–	–	–	144 500	144 500
Shares forfeited/adjusted for performance conditions met during the year	–	(28 420)	–	–	–	(28 420)
Shares cash settled during the year	–	(69 580)	(44 000)	–	–	(113 580)
Balance at 30 June 2016	–	–	78 000	150 300	193 200	421 500

46. COMMITMENTS

	Group		Company	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Capital expenditure – Booysendal mine				
Authorised but not contracted	404 054	367 584	–	–
Contracted	209 849	74 506	–	–
Capital expenditure – Zondereinde mine				
Authorised but not contracted	189 785	795 628	189 785	795 628
Contracted	660 939	42 376	660 939	42 376
Information Technology – outsource service provider				
Due within one year	20 903	26 675	15 458	20 986
Due within two to five years	2 441	18 403	2 016	13 785
Operating lease rentals – office equipment				
Due within one year	1 359	2 136	1 183	1 442
Due within two to five years	314	1 684	315	1 483
Operating lease rentals – premises				
Due within one year	5 307	5 599	2 352	2 797
Due within two to five years	21 186	27 324	9 269	12 545
The lease rental for the corporate office contains an option to renew the lease for an additional five years				
Employee housing development contracted for	207	4 800	–	–
Bank guarantee issued	50 717	73 266	50 717	73 266

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

for the year ended 30 June 2016

47. EVENTS AFTER THE REPORTING PERIOD

Subsequent to year end, the group renegotiated a five year R1.5 billion revolving credit facility with Nedbank Limited to replace the existing R1.0 billion facility which will mature in November 2016. The group further increased its investment in SSG Holdings Proprietary Limited by 10% and now holds a total share of 30%. Apart from these events there have been no other events subsequent to the period end which require additional disclosure or adjustment to the financial results.