ANNUAL FINANCIAL STATEMENTS

EY
102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146

Ernst & Young Incorporated
Co. Reg. No. 2005/002308/21
Tel: +27 (0) 11 772 3000
Fax: +27 (0) 11 772 4000
Docex 123 Randburg
ey.com

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Northam Platinum Limited

Report on the audit of the consolidated and separate financial statements for the year ended 30 June 2017

Opinion

We have audited the consolidated and separate financial statements of Northam Platinum Limited and its subsidiaries (the group) set out on pages 177 to 278, which comprise the statement of financial position as at 30 June 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the 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 2017, 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 and separate 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 Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing audits of Northam Platinum Limited and its subsidiaries. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Northam Platinum Limited and its subsidiaries. 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 in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

A member firm of Ernst & Young Global Limited.
A full list of directors is available on the website.
Chief executive: Ajen Sita

The key audit matters apply equally to the audit of the consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-financial assets	
From the platinum group metal basket it was the main metal, platinum, that has been under continued pricing pressure (US denominated) during the current year; and the rand price for platinum declined during the year from already low levels in the prior year. The platinum sector has also experienced rising costs in most aspects of the business, consistent with the prior year. 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 cost of disposal and value in use as follows: • Reserves included in the life of mine plan, a discounted cash flow model approach is used; • In-situ resources, not included in the life of mine plan, using the comparable transaction approach and listed entity market capitalisation per platinum ounce for early stage platinum companies. As detailed in note 2.1 and 2.4 of the notes 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, capital expenditure, inflation rates and discount rates. The assessment of the recoverable amount of the cash generating unit (CGU) required significant audit effort in the current year as it involves the evaluation of significant judgements about future mine planning, capital expenditure and costs of mining for the CGU as well as various other assumptions that impact future cash flow forecasts.	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, particularly on costs, capital expenditure, and production achievements 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. We also considered the disclosures made by management on the key assumptions.
Physical quantities of inventory	
As discussed in note 2.11 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 in different measuring points in the pipeline 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, particularly also as a build-up of inventory occurred during the year in anticipation of the commissioning of the new furnace.	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.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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 which we obtained prior to the date of this report, and the integrated report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate 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 and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

When we read the integrated report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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 the 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 and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 and company 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 and separate 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 and separate 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 33 years.

Ernst & Young Inc.
Director: Mike Herbst
Chartered accountant (SA)
Registered auditor
102 Rivonia Road, Sandton,
Johannesburg, South Africa
24 August 2017

DIRECTORS' REPORT

The directors have the pleasure in presenting the annual financial statements of Northam Platinum Limited group and company for the year ended 30 June 2017. In the context of the financial statements, the term group refers to the company, its subsidiaries, associate and joint ventures.

Financial results

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 (IFRS) as issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee, 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 Companies Act), the JSE Limited (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 2017.

These financial results are available on our website, www.northam.co.za

Nature of business

Northam Platinum Limited (Northam), is a public company incorporated in South Africa, and a leading supplier of platinum group metals (PGMs). Northam is listed on the JSE, trading under the share code NHM, ISIN code ZAE000030912 and for the domestic medium term notes (DMTN) programme, under the debt issuer code NHMI with the bond codes NHM002 and NHM003, ISIN code ZAG000129024 and ZAG000129032 respectively.

Northam is an independent, fully empowered, mid-tier, integrated PGM producer with two primary operating assets, Zondereinde and Booysendal mines in the South African Bushveld Complex. During the year a third operation, Eland Platinum mine, was acquired. The necessary government approvals needed for the completion of the transaction are however still pending.

Below is a short description of the current operating assets:

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.

At the North mine a shallow mechanised bord and pillar operation has also been developed on the Merensky reef horizon. This comprises two on-reef access declines.

The balance of the Booysendal resource will be accessed through a number of decline systems being developed as part of the Booysendal South project. These declines will target both the UG2 and Merensky reefs. Ore will be transported from a central point across the valley to the large capacity concentrator at the old Everest mine by a unique aerial rope conveying system. Other smaller projects to unlock value from the resources at the old Everest mine are being evaluated.

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 280 000 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 20MW furnace currently being constructed. Marketing and sales activities are performed in-house to customers across the globe.

In October 2016, the company acquired additional PGM resources on both the Merensky and UG2 reefs from Anglo American Platinum's Tumela mine adjacent to Zondereinde's western boundary. These resources are not only expected to increase Zondereonde's economic life of mine but also to improve mining flexibility and the availability of Merensky reef.

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 18 035 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, Johannesberg 45 JT, Sheeprun 50 JT, Sheeprun 179 JT, Sterkfontein 52 JT, De Kafferskraal 53 JT, Hoogland 38 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 7 627 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.

On 10 October 2016, Northam entered into an agreement with Rustenburg Platinum Mines Limited to acquire a portion of the Amandelbult mineral right and associated resource on the north-west boundary of Northam's Zondereinde mine for R1.0 billion cash. In addition Northam will also acquire the land overlying the resource, in exchange for the disposal of a portion of the current mining right.

Subsequent to year-end, Ministerial Consent was obtained in terms of section 102 of the Mineral and Petroleum Resources Development Act, 202 (Act 28 of 2002) (MPRDA).

Eland Platinum mine

Northam announced on 24 February 2017 the acquisition of Eland Platinum mine from Glencore Operations South Africa Proprietary Limited for R175.0 million cash. As part of the acquisition Eland Platinum's two mining rights with resources estimated at 21.3 million 4E ounces with an average *in situ* grade of 4.4g/t will be acquired, as well as surface and underground infrastructure including a concentrator with a nameplate capacity of 250 000 per month, immovable property and a mining fleet in excess of 100 vehicles which includes low profile mechanised mining equipment.

In terms of the agreement Northam will be responsible for care and maintenance costs to the value of R50.0 million, between the date when the agreement was entered into and the date when all conditions precedent have been met.

There are a number of conditions precedent that must be met before the transaction becomes unconditional. The most significant include the consent from the Minister of Mineral Resources in terms of section 11 of the MPRDA.

Mineral resource and reserve statement

The mineral resource and reserve estimation is included in this 2017 annual integrated report.

DIRECTORS' REPORT CONTINUED

Ordinary dividends

The company's dividend policy is to consider an interim and final divided for each financial year. At its discretion, the board may consider a special dividend, where appropriate. Depending on the perceived need to retain funds for expansion or operating purposes, the board of directors (board) may pass the payment of dividends.

The quantum of any dividend would ultimately be subject to expected future market and capital commitments at the time of consideration by the board.

Given the continuing difficult conditions in the mining industry, and taking into consideration the cash requirements to fund the development of the group's project pipeline and growth strategy, the board has resolved not to declare a final dividend for the 2017 financial year (30 June 2016: R Nil).

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, a subsidiary of Lonmin plc (Lonmin), owning the other 50% with the joint venture being managed by Lonmin. The Dwaalkop asset is currently not being mined; however exploration is conducted on the property by Lonmin.

The carrying value of the group's investment remained unchanged at R136.2 million. Exploration costs regarding the Dwaalkop joint venture of R0.4 million (2016: R0.3 million) was incurred, which was charged to sundry expenditure.

Pandora joint venture

Anglo American Platinum Limited, Eastern Platinum Limited, a subsidiary of Lonmin, and Northam entered into a 42.5%: 50%: 7.5% arrangement. In terms of the 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.

The investment was accounted for as an associate.

Northam has entered into an agreement to sell its 7.5% stake in the Pandora joint venture to Lonmin's Eastern Platinum Limited for a cash consideration of R45.6 million, announced on 15 May 2017.

Amongst other conditions precedent, the transaction is subject to consent from the Minister of Mineral Resources in terms of section 11 of the MPRDA and approval from Lonmin's lending banks. The transaction is expected to become unconditional in the 2017 calendar year following the fulfilment of all conditions precedent.

Pandora has a September year-end. IAS 28 requires that an entity applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operation to an investment in an associate or joint venture that meets the criteria to be classified as held for sale. Per the requirements included in IFRS 5, an investor discontinues the use of the equity method from the date that the investment is classified as held for sale, and instead, the associate or joint venture is then measured at the lower of its carrying amount and fair value less cost to sell. The equity accounting in the prior year was based on reviewed results for the 12 months ended 30 June 2016.

Northam classified the investment as a non-current asset held for sale effective 1 July 2016.

As part of the agreement with Lonmin's Eastern Platinum Limited the amount of any cash calls paid by Northam to the Pandora joint venture during the period 1 January 2017 to completion of the transaction, will be refunded, provided that such cash calls do not exceed an amount of R50.0 million. To date, cash calls to the value of R3.7 million have been paid in terms of the arrangement, with an additional amount of R1.1 million being called upon subsequent to year-end.

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 prior year.

SSG Holdings Proprietary Limited

SSG Holdings Proprietary Limited provides security services to all of the group's operations.

Northam holds 30% (2016: 20%) of the issued share capital of SSG Holdings Proprietary Limited through a wholly-owned subsidiary, Mining Technical Services Proprietary Limited.

Stated capital

There were no changes during the current financial year, to the authorised or issued stated capital of the company. The authorised stated capital of the company as at 30 June 2017 amounted to 2 000 000 000 shares (2016: 2 000 000 000 shares) at no par value. The issued stated capital of the company remained unchanged at 509 781 212 shares.

In terms of the Northam black economic empowerment transaction (BEE transaction) 112 195 122 shares, equivalent to 22.0% of Northam's issued stated capital, were allotted and issued to Zambezi Platinum (RF) Limited in May 2015. Zambezi Platinum (RF) Limited holds 159 905 453 Northam shares in total. These shares are treated as treasury shares for accounting purposes.

Repurchase of issued shares

At the annual general meeting (AGM) held on 9 November 2016 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 9 February 2018) whichever period is the shorter. Approval to renew this general authority will be sought at the AGM to be held on Tuesday, 7 November 2017.

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. Below is a summary of the various loans and borrowings:

Revolving credit facility (RCF)

During the year, the Nedbank Limited five year R1.5 billion revolving credit facility was renegotiated. This replaced the previous R1.0 billion facility which matured in November 2016.

The new facility strengthens Northam's balance sheet capability in support of the group's key strategic initiatives, including the development of the Booysendal expansion projects. Together with existing cash reserves, the new facility provides Northam with increased financial flexibility, ensuring that the group's growth initiatives remain fully funded in the medium term.

The salient terms of the new facility are as follows:

Five-year senior unsecured revolving credit facility, with a facility limit of R1.0 billion for the first 18 months from inception, whereafter the new facility limit automatically increases to R1.5 billion for the remainder of the five-year period and voluntary prepayments and redraws are permitted.

There have been no drawings from this facility between the reporting date and the date of this report, being 25 August 2017.

DIRECTORS' REPORT CONTINUED

Domestic medium term debt notes (DMTN)

During the previous year 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 further strengthen Northam's statement of financial position and will be applied for the development of the company's project pipeline.

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 attract a floating coupon rate of 3 month JIBAR plus 390 basis points and will mature on 9 June 2019. The proceeds is applied for the development of the Booysendal expansion project.

These notes were issued under the R2.0 billion DMTN programme dated 3 August 2012.

During the prior year, notes to the value of R1.37 billion were fully repaid on 4 September 2015. These notes related to notes issued on 3 September 2012 for R1.25 billion through the issue of senior unsecured floating rate notes, in terms of the company's R2.0 billion DMTN programme dated 3 August 2012. On 11 July 2013, a further R120.0 million was 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.

Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV

A wholly-owned subsidiary, Norplats Properties Proprietary Limited previously arranged a loan facility 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, the loan was repaid in full due to the restrictive requirements placed by the *Nederlandse Finacierings Maatschappij voor Ontwikkelingslanden NV* which was not conducive to achieving the housing strategy of the group.

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

Financial assistance

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

According to section 45 of the Companies Act, the board may not authorise a company to provide any financial assistance to a related or interrelated company (which includes a loan by a holding company to a subsidiary or to a director or prescribed officer of the company) 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.

Financial assistance to subsidiary companies

Northam has granted the following financial assistance to its subsidiaries:

	Approved facility 2017	Changes in the coming year 2018	New loan facility to be granted 2018	Balance 2017
	R000	R000	R000	R000
Booysendal Platinum Proprietary Limited*	3 470 000	(3 470 000)	–	1 720 088
Booysendal Platinum Proprietary Limited loan advanced by Khumama Platinum Proprietary Limited*	3 400 000	(3 400 000)	–	–
Norplats Properties Proprietary Limited	88 300	50 000	138 300	81 893
Windfall 38 Properties Proprietary Limited*	15 800	(15 800)	–	9 689
Mvelaphanda Resources Proprietary Limited	42 000	24 680	66 680	–
Mining Technical Services Proprietary Limited	20 000	50 000	70 000	26 543
Khumama Platinum Proprietary Limited*	1	(1)	–	–
Total loan facilities	7 036 101	(6 761 121)	274 980	1 838 213

** These loans will no longer be required, as these loans have either been capitalised or are in the process of being capitalised as part of the restructuring of the group.*

	Approved facility 2017	Changes in the coming year 2018	New loan facility to be granted 2018	Balance 2017
	USD000	USD000	USD000	USD000
Northam Platinum Investments (US) Inc. and subsidiaries	–	25 000	25 000	–
Total loan facilities	–	25 000	25 000	–

With the acquisition of the assets and properties of A-1 Specialized Services Inc, announced on 28 July 2017, located in the state of Pennsylvania, United States of America, a number of foreign subsidiaries are in the process of being incorporated and funding will be required for the operational requirements during the start-up phase.

DIRECTORS' REPORT CONTINUED

	Approved facility 2016	Changes in the coming year 2017	New loan facility to be granted 2017	Balance 2016
	R000	R000	R000	R000
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 issued together with the additional guarantees which will be tabled at the forthcoming AGM:

	Current guarantee 2017	Additional amount to be guaranteed in the coming year 2018	Total guarantee to be granted 2017
	R000	R000	R000
Northam Platinum Limited guarantee to Zambezi Platinum (RF) Limited	7 535 944	–	7 535 944
Booysendal Platinum Proprietary Limited guarantee to Northam Platinum Limited	3 500 000	–	3 500 000
Khumama Platinum Proprietary Limited guarantee to Northam Platinum Limited	3 500 000	(3 500 000)	–
Northam Platinum Limited subordination agreement to Mvelaphanda Resources Proprietary Limited	56 680	15 000	71 680
Total guarantee	14 592 624	(3 485 000)	11 107 624

	Current guarantee 2016	Additional amount to be guaranteed in the coming year 2017	Total guarantee to be granted 2016
	R000	R000	R000
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

Northam guaranteed the preference shareholders in Zambezi Platinum (RF) Limited that in the event that Zambezi does not have the means to settle the liability in 2025, after realising their investment in Northam Platinum Limited. At year-end the liability was R8.6 billion and the fair value of the investment in Northam was R6.4 billion, leaving an exposure under this guarantee at year-end of R2.2 billion (2016: R771.0 million).

The Booysendal Platinum Proprietary Limited guarantee, as well as the Khumama Platinum Proprietary Limited guarantee to Northam Platinum Limited relate to both the revolving credit facility as well as the domestic medium term debt note facility. With the collapse of Khumama Platinum Proprietary Limited from the group structure, these guarantees will no longer be required.

Zambezi Platinum (RF) Limited

Zambezi Platinum (RF) Limited (Zambezi) was established as a special purpose vehicle by Northam, with the principal objective of ensuring BEE compliance.

Zambezi was incorporated on 2 June 2014. The company was created for the purpose of assisting Northam to comply with the historically disadvantaged South African (HDSA) ownership requirements set by the Mining Charter.

Zambezi holds 159 905 453 Northam shares which amounts to approximately 31.4% of the total issued ordinary stated capital of Northam.

Zambezi is a ring-fenced entity created for the specific purpose of raising funds and to hold Northam shares. As such, Zambezi will not be conducting any other business activities until the expiry of the lock-in period (which is 10 years from May 2015). At the end of the 10-year period, Zambezi is required to redeem the preference shares with cash or Northam shares. All amounts payable to the holders of the preference shares are guaranteed by Northam in terms of the transactional agreements. Further, Northam is required to settle the operational expenses of Zambezi, subject to certain limitations.

Zambezi's prospects are therefore limited in nature in that they are dependent on the prospects of Northam and the returns attributable to the preference shares are constant and fluctuate only in accordance with prevailing interest rates. Various characteristics of the preference shares, such as the Northam guarantee and redemption payment structure, provide the holders with additional certainty regarding the recoverability of their dividends and capital.

However, the preference shares retain equity risk as a result of their redemption being ultimately supported by the value of Northam shares and/or Northam's ability to continue as a going concern. The preference shares therefore present their holders with a combination of the risks and rewards associated with equity and debt instruments.

Northam's prospects for growth and continued profitability are subject to various external and internal factors which cannot be accurately predicted, forecasted or controlled by Zambezi as an investor in Northam.

The redemption of the preference shares is planned to occur through cash accumulation from dividends received from Northam, and after the lock-in the possible sell-off of Northam 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 Northam in terms of a financial guarantee (Northam guarantee).

Should a liability arise under the Northam guarantee, Northam may settle this liability by capitalising Zambezi 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 not contractually specified. Therefore should the Northam share price not increase in value from the 10 year lock in period there could be a significant dilution in value for all Northam shareholders, should additional shares be issued to the preference shareholders.

Included in the financial statements of Northam is a guarantee of R7.5 billion, based on the initial recognition fair value that was issued based on the above.

During the year Northam acquired 4 202 454 Zambezi Platinum (RF) Limited preference shares in the open market. See note 9 of the financial statements for more details.

Booysendal Platinum Proprietary Limited

Northam 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 has signed a letter of guarantee with regards to both these facilities.

There is currently also an interest free loan between Northam and Booysendal, which is being settled as and when cash is available. Northam is in the process of streamlining the group structure and will eliminate the intermediate holding company, Khumama Platinum Proprietary Limited (Khumama) between Northam and Booysendal. This process was not completed by year-end. Subsequent to year-end, Khumama will be liquidated and the loan between Northam and Booysendal will be capitalised.

DIRECTORS' REPORT **CONTINUED**

Khumama Platinum Proprietary Limited

With the acquisition of the Booysendal mineral rights, the statutory entity Booysendal together with its holding company Khumama were also acquired. A loan was issued to Booysendal by Khumama amounting to R2.4 billion. This loan was interest free and had no fixed terms of repayment and has remained unchanged for several years. During the current year, this loan was capitalised in full as part of the clean-up of the group structure.

Khumama was also a party to the guarantees that have been issued in terms of the DMTN facility.

The moteholders' consent to remove Khumama as a guarantor was obtained.

Khumama is for all intents and purposes a dormant private company. Khumama will be placed in voluntary winding-up in accordance with section 80 of the Companies Act following the unbundling by Khumama of its shares in Booysendal to Northam. Booysendal will continue as a wholly-owned subsidiary of Northam and a guarantor pursuant to the amended and restated applicable pricing supplements relating to the issued notes. The amendment will simplify Northam's group structure and remove administration costs associated with Khumama going forward.

Norplats Properties Proprietary Limited – fixed term loan

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

During the year, the loan outstanding to the *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV* was settled in full and the fixed-term loan is therefore no longer required. The fixed-term loan was consolidated with the general loan facility.

Norplats Properties Proprietary Limited – general loan (consolidated loan in the current year)

Norplats Properties Proprietary Limited is a company which holds and operates one of Zondereinde mine's employee home ownership projects (Mojuteng project) in the town of Northam, approximately 22 kilometres from Zondereinde, assisting Northam Platinum Limited to comply with its homeowner strategy.

The general loan accrues no interest and is repayable on demand.

Windfall 38 Properties Proprietary Limited

Northam acquired Windfall 38 Properties Proprietary Limited (Windfall) during the 2010 financial year. In the same year, Windfall 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. During the 2012 financial year, further freehold land was purchased at an additional cost of R2.1 million.

The fixed-term loan agreement with Northam incurred an interest rate of 2.0% below prime. A long-term lease agreement with Booysendal over the agricultural land was also entered into. All amounts received in terms of the long-term lease agreement were used as repayments on the outstanding loan balance. The lease commenced on 1 July 2012 and was planned to terminate on 30 June 2037. The lease was however cancelled during the current year.

Windfall will be liquidated in terms of section 45 of the Income Tax Act, whereby: a company distributes all of its assets to another company that is part of the same group of companies for tax purposes, in anticipation of its liquidation, winding up or deregistration. Both the properties and outstanding loan balances will be transferred to Booysendal. The property transfers were all concluded subsequent to year-end.

Mvelaphanda Resources Proprietary Limited

On 25 September 2014, Northam 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

Mining Technical Services Proprietary Limited (MTS) provides services to the group. These services are charged out to both Zondereinde and Booysendal operations in December and June of every year. Northam previously provided a loan to MTS for the investment in SSG Holdings Proprietary Limited. The loan is interest free and has no fixed terms of repayment. However, during the year, repayments were made on the outstanding balance.

Financial assistance to executive directors and/or prescribed officers of the company

At the board meeting held in February 2015, the board approved the Northam 2020 accommodation strategy (accommodation strategy).

One of the funding mechanisms of the accommodation strategy is the provision of a 10-year interest free loan repayable over a maximum period of 20 years. The loan value is linked to seniority and is expressed as a percentage of a permissible bonded amount. Repayments are made through payroll deductions.

Going forward, in order to enable the executive directors and/or prescribed officers to benefit from the accommodation strategy, it will be necessary to comply with the financial assistance provisions of the Companies Act. Approval will therefore be sought at the upcoming AGM, to authorise the company to make loans to executive directors and/or prescribed officers and persons related or interrelated to them in terms of the accommodation strategy, up to a maximum of R600 000 per executive director and/or prescribed officer.

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.

DIRECTORS' REPORT CONTINUED

Directorate

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	N/A	√
R Havenstein	Lead independent director	1 July 2003	√	N/A
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	N/A	√
HH Hickey	Independent non-executive director	1 January 2016	N/A	√
TE Kgosi	Independent non-executive director	1 November 2004	√	N/A
KB Mosehla	Non-executive director	19 August 2015	√	N/A
TI Mvusi	Independent non-executive director	1 January 2016	N/A	√
JG Smithies	Independent non-executive director	1 January 2017	√	N/A

Mr JG Smithies was appointed as an independent non-executive director on 1 January 2017.

Mr AR Martin retired from the board of directors at the conclusion of the AGM held on 9 November 2016. Ms HH Hickey has replaced Mr Martin as chairman of the audit and risk committee on 9 November 2016.

Ms PB Beale is the company secretary.

Board diversity

Gender	2017	2016
Male	80%	80%
Female	20%	20%

Nationality	2017	2016
Black South African	6	6
Coloured South African	–	1
Indian South Africa	–	–
White South African	2	2
Non-South African	2	1

Independence	2017	2016
Executive	2	2
Non-executive	2	2
Independent non-executive	6	6

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 8.0% per annum in line with market norms.

However, the SE&HR committee commissioned an independent firm in 2016 to conduct a benchmarking exercise on non-executive directors' fees against a peer group of JSE mining companies. The results indicated that the majority of 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, it is proposed fees for these directors are adjusted by 10%. In considering the adjustment, affordability was considered.

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 2018 as set out below:

	Proposed fee 2018 AGM (per annum)	Approved fee at the previous AGM (per annum)
	R	R
Board		
Board chairperson	402 800	366 100
Lead independent director	349 700	323 600
Board members	307 000	284 100
Audit and risk committee		
Committee chairperson	189 000	171 800
Committee members	148 400	137 300
Health, safety and environmental committee		
Committee chairperson	133 160	121 000
Committee members	100 600	92 900
Social, ethics and human resources committee (SE&HR)		
Committee chairperson	134 640	122 400
Committee members	100 600	92 900
Nomination committee		
Committee chairperson	77 400	70 300
Committee members	47 500	43 100
Other board appointed committees		
Committee chairperson	112 310	102 100
Committee members	82 300	76 000
Ad hoc fees - per hour	3 630	3 360

DIRECTORS' REPORT CONTINUED

Directors' remuneration

The directors' remuneration for the year ended 30 June 2017 is as follows:

	Fees	Re-muneration package	Performance bonus	Benefits	Gain on share-based payments	Total
	R000	R000	R000	R000	R000	R000
Executive						
PA Dunne	–	7 291	6 217	191	–	13 699
AZ Khumalo	–	3 555	3 018	168	3 158	9 899
Non-executive						
PL Zim	409	–	–	–	–	409
R Havenstein	825	–	–	–	–	825
CK Chabedi	624	–	–	–	–	624
HH Hickey	418	–	–	–	–	418
TE Kgosi	732	–	–	–	–	732
AR Martin*	245	–	–	–	–	245
KB Mosehla	515	–	–	–	–	515
TI Mvusi	284	–	–	–	–	284
JS Smithies**	164	–	–	–	–	164
	4 216	10 846	9 235	359	3 158	27 814

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
	R000	R000	R000	R000	R000	R000
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

** Mr Martin retired from the board of directors at the conclusion of the AGM on 9 November 2016.*
*** Mr Smithies was appointed as an independent non-executive director on 1 January 2017.*
**** Mrs Hickey and Mr Mvusi were appointed as independent non-executive directors on 1 January 2016.*
***** Mr Beckett retired from the board of directors on 11 November 2015.*

An analysis of the non-executive fees in respect of the board and board committee services for the 30 June 2017 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
	R000	R000	R000	R000	R000	R000	R000	R000
PL Zim	366	–	–	–	–	43	–	409
R Havenstein	367	137	121	86	–	87	27	825
CK Chabedi	327	–	93	76	128	–	–	624
HH Hickey	284	134	–	–	–	–	–	418
TE Kgosi	327	138	–	–	157	60	50	732
AR Martin	115	91	–	11	–	28	–	245
KB Mosehla	327	–	–	60	128	–	–	515
TI Mvusi	284	–	–	–	–	–	–	284
JS Smithies	164	–	–	–	–	–	–	164
	2 561	500	214	233	413	218	77	4 216

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
	R000	R000	R000	R000	R000	R000	R000	R000
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

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' REPORT CONTINUED

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 2017 were as follows:

	Direct beneficial holding	Indirect beneficial holding	Total
PA Dunne	26 050	–	26 050
AZ Khumalo	12 500	–	12 500
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
	38 550	23 567 071	23 605 621

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

** 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 2017, Mr Khumalo also held 500 Zambezi Platinum (RF) Limited preference shares (2016: 500 preference shares).

There have been no changes in these holdings from 30 June 2017 to the date of the annual financial statements.

Analysis of shareholders

Shareholding range	Number of shareholders 2017	Total of shareholding 2017	Percentage holding (%) 2017
1 – 5 000	4 293	3 298 030	0.65
5 001 – 10 100	228	1 692 532	0.33
10 001 – 50 000	331	7 755 452	1.52
50 001 – 100 000	104	7 689 199	1.51
100 001 – 1 000 000	248	78 404 892	15.38
1 000 001 and more	66	410 941 107	80.61
	5 270	509 781 212	100.00

Geographical analysis of shareholders	Total shareholding 2017	Percentage holding (%) 2017
Australasia	96 927	0.02
Europe and United Kingdom	5 640 752	1.11
North America	29 971 495	5.88
Far East	61 676	0.01
South Africa	467 262 948	91.66
Other	6 747 414	1.32
	509 781 212	100.00

Major shareholders	Number of shares 2017	Percentage holding (%) 2017
Owner		
Zambezi Platinum (RF) Limited	159 905 453	31.37
Fund manager		
Coronation Asset Management	144 189 262	28.28
Public Investment Corporation	51 392 191	10.08
Foord Asset Management	22 912 956	4.49
Kagiso Asset Management	21 123 736	4.14
Clients of Allan Gray	16 868 031	3.31

Shareholder spread	Number of shareholders 2017	Percentage holding (%) 2017
Public	5 263	68.61
Zambezi Platinum (RF) Limited	1	31.37
Directors	6	0.02
	5 270	100.0

DIRECTORS' REPORT CONTINUED

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 group.

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 2017 is as follows:

Earliest and latest exercise date	Price per share in R	Total number of options
5 November 2011 and 4 November 2016	36.95	265 000
12 October 2012 and 11 October 2017	46.57	1 795 000
Claw back rights options	40.00	80 767
Number of options held at 30 June 2016		2 140 767
Number of options forfeited during the year		(12 997)
Number of options exercised during the year – cash settled options		(1 917 332)
Number of options held at 30 June 2017		210 438

At 30 June 2017 the outstanding options were exercisable as follows:

Earliest and latest exercise date	Price per share in R	Total number of options	Options	Options vested at 30 June 2017 at claw back offer price of R40.00
12 October 2012 and 11 October 2017	46.57	210 438	202 500	7 938
		210 438	202 500	7 938

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

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

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 R000
5 November 2011 and 4 November 2016	262 399	49.94	3 409
12 October 2012 and 11 October 2017	1 654 933	53.59	11 624
	1 917 332		15 033

The cash settled options exercised during 30 June 2016 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 R000
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 that the Northam share option scheme be discontinued and replaced by the SIP, as the scheme no longer served the primary purpose of attracting and retaining employees.

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;
- 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 employment of a group company for predetermined vesting period. No company performance conditions will apply.

In respect of awards of conditional shares made, prior to 2016, previously a participant was entitled to elect to receive the settlement amount in lieu of receiving the conditional shares. After 2016, the SE&HR committee shall be entitled to determine that a participant shall receive the settlement amount in lieu of receiving the conditional shares (including BEE transaction conditional shares) on settlement.

The 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 1 July 2016		6 489 400	1 412 000	5 077 400
8 November 2016	Shares awarded	2 177 000	550 400	1 626 600
	Shares forfeited	(296 800)	(75 100)	(221 700)
	Shares cash settled	(1 457 500)	(141 600)	(1 315 900)
Balance as at 30 June 2017		6 912 100	1 745 700	5 166 400

At 30 June 2017 the following awards were outstanding:

Grant date	Details	Total number of shares	Shares to be settled in F2018	Shares to be settled thereafter
4 November 2014	Retention shares	527 700	527 700	–
4 November 2014	Performance shares	1 561 100	1 561 100	–
11 November 2015	Retention shares	709 100	–	709 100
11 November 2015	Performance shares	2 100 700	–	2 100 700
8 November 2016	Retention shares	508 900	–	508 900
8 November 2016	Performance shares	1 504 600	–	1 504 600
Balance as at 30 June 2017		6 912 100	2 088 800	4 823 300

Below is the details of the shares allocated under the CSP for the 30 June 2016 financial year:

Grant date	Details	Total number of shares	Retention shares	Performance shares
Balance at 1 July 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

At 30 June 2016 the following awards were outstanding:

Grant date	Details	Total number of shares	Shares to be settled in F2017	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

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

DIRECTORS' REPORT CONTINUED

Lock-in and incentive mechanism (LIM)

At the AGM on 9 November 2016 shareholders approved amendments, including a modification to the rules of the Northam share incentive plan for the introduction of the new incentive mechanism, comprising the BEE incentive plan (BIP) and the cash incentive bonus (CIBB) in respect of the BEE transaction (collectively the LIM). In terms of the modification, any allocation or award under the new long-term BEE transaction incentive plan will be subject to a maximum allocation of 5 000 000 shares, which number is included in the existing total SIP allocation limit of 19 879 000 shares and not in addition thereto. The LIM was designed to incentivise the performance of the company's key executives, so as to, *inter alia*, mitigate certain financial risks arising from the BEE transaction and retain the skills and expertise of the key management team.

Northam was requested by certain of its key institutional shareholders to consider the creation of a mechanism which would appropriately incentivise Northam's senior management to address the financial risks associated with the guarantee provided by Northam in favour of the Zambezi preference shareholders (guarantee). A lock-in and incentive mechanism (LIM) which is specifically structured to incentivise the mitigation of those risks introduced by and unique to the guarantee, as well as, retaining key members of Northam's senior management as employees until the redemption of the Zambezi Platinum (RF) Limited preference shares (preference shares) in May 2025 was approved.

During the course of F2015 the company concluded a BEE transaction in terms of which Northam provided the guarantee to the holders of the preference shares issued by Zambezi for purposes of funding the BEE transaction.

The preference shares will, subject to early redemption in certain instances, be redeemed on 18 May 2025 and Zambezi will therefore be required to redeem the preference shares and settle any dividends accumulated in respect of the preference shares that remain unpaid after making adequate provision for or paying any taxes arising in relation to the redemption of the preference shares.

Subject to certain exceptions, Zambezi may settle the redemption amount by distributing, disposing of and/or raising external funding encumbering the Northam ordinary shares held by it. Zambezi's ability to settle the redemption amount is therefore highly dependent upon the share price on or about the preference share redemption date (redemption date) and, therefore, the share price growth over the period preceding the redemption date.

To the extent that the value of the shares held by Zambezi amounts to less than the preference share liability and Zambezi is unable to raise external funding to settle the redemption amount, Northam will be required to settle the balance of the redemption amount on behalf of Zambezi by either: (i) capitalising Zambezi by way of a subscription for shares in Zambezi; or (ii) making payment and/or issuing new shares to the preference shareholders (guarantee liability).

The guarantee liability may be settled in cash or, subject to certain exceptions, by the issue of new shares. Accordingly, if a guarantee liability arises, the value of shares may be diluted by a further issue of new shares or reduced by the related payment of cash to settle the guarantee liability.

The SIP incentivises Northam's management over the short to medium term (three years) and is primarily focused on motivating the achievement by management of various technical and financial targets. Although these measures are appropriate and essential to the viability of the group, the SIP does not allow for performance measures relating to the guarantee liability. This requires a long-term incentive mechanism premised on the exact variables which will determine the guarantee liability.

It is further recognised that Northam's market position relative to its peers has altered significantly with Northam having become a sizable and respected market participant. This success increases the risk of Northam losing members of its senior management, making it a strategic imperative for the company to retain management and prevent the loss of critical skills before the redemption date.

In the circumstances, Northam and the relevant committees of its board of directors have resolved to amend the rules to incorporate the LIM, with a view to appropriately incentivising the management team in order to prevent the guarantee liability from materialising and simultaneously lock-in their skill-set until the redemption date. This objective is consistent with the interests of Northam's shareholders.

The LIM comprises two separate mechanisms structured with specific reference to the terms of the BEE transaction and, more specifically, the potential guarantee liability:

Long-term BEE transaction incentive plan (BIP)

The BIP addresses the long-term incentivisation and retention of its participants by aligning their interests with shareholders through equity participation. The BIP was implemented through the SIP, which has been amended to incorporate the specific elements of the BIP. The BIP was implemented in addition to the SIP and was not a replacement nor did it affect the SIP.

Short-term cash incentive bonus in respect of the BEE transaction (CIBB)

In light of the exceptionally long term of the BIP incentive (i.e. 10 years) and the benefit of compounded growth in the share price over this period, the CIBB considers the short-term incentivisation of management to continuously maintain the long-term objectives introduced by the BIP. Importantly, the CIBB also acts as a strong retention tool by financially penalising CIBB recipients that leave the employ of the group.

The combination of the BIP and CIBB provide the company with an effective mechanism for addressing the guarantee liability risk, motivating shareholder value creation over the long term and retaining essential skills in a competitive market.

The company will limit participants in the BIP to the key members of Northam's current and future key executive management team including, the chief executive officer (CEO), chief financial officer (CFO), chief commercial officer (CCO), chief geologist (CG), chief technical officer (CTO), executive officer HR (EHR) and the senior general managers of Booysendal and Zondereinde mines (GM) (participants). The positions of the CG and CTO have not been filled and remain subject to the employment of suitable candidates by the group and the BEE CPS allocated to these positions will not be issued in the event that they are not filled.

The CEO has been allocated 1 500 000 BEE CPS, the CFO has been allocated 700 000 BEE CPS, each of the CCO and the EHR have been allocated 500 000 BEE CPS and each GM has been allocated 200 000 BEE CPS. At 30 June 2017 a total of 3 600 000 BEE CPS were issued.

The aggregate number of BEE CPS issued represents less than 1% of Northam's current issued share capital and may be settled in cash or shares at the election of the independent committee of the board responsible for administering the SIP at that time.

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

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

In the event that the BIP performance condition is not satisfied, the BEE CPS will, subject to certain exceptions, not vest. If BEE CPS do not vest, they will not be settled and no value will accrue to participants.

Upon vesting, BEE CPS may be settled either through the issue of no more than the 5 million shares or in cash at the election of the committee. If cash settlement is elected the settlement amount will be established using the 60 day volume weighted average price (VWAP) of a share calculated on the day preceding settlement.

In the event that the preference shares are redeemed before the expected redemption date (i.e. 18 May 2025) and if the BIP performance condition is satisfied at that time, the BEE CPS will vest pro rata to the number of years of the performance period that has been completed at that time. Those BEE CPS that do not vest in such circumstances will lapse.

In the event that Northam undergoes a change of control, all the BEE CPS that have not vested will be treated in the same manner as other conditional shares and vest in full at that time irrespective of whether the BIP performance condition has been met or not. This is consistent with the existing rules.

In order to retain key management, BEE CPS will lapse if a participant leaves the employ of the group before the vesting date unless their employment is terminated by reason of a no fault termination or early retirement.

No fault termination includes, *inter alia*, termination of employment by reason of a participant's death, retrenchment, retirement, ill health, injury, disability or any reason that is not a fault termination. A fault termination comprises termination of employment by reason of, *inter alia*, resignation or dismissal.

In the event that a participant leaves the employ of the group by reason of no fault termination or early retirement before the vesting date, and such date is: prior to 18 May 2020, then the BEE CPS which have not vested will lapse immediately; or after 18 May 2020, the participant will retain a proportionate amount of their BEE CPS which have not vested, calculated by reference to what proportion of the period from 18 May 2020 to 18 May 2025 has elapsed prior to the termination of employment.

DIRECTORS' REPORT CONTINUED

This provision is further illustrated in the table below:

Termination of employment between years:	Percentage of BEE CPS retained
0 – 6	0
6 – 7	20
7 – 8	40
8 – 9	60
9 - 10	80

BEE CPS retained in these instances will remain subject to the BIP performance condition and will only vest and be settled on the vesting date, together with BEE CPS held by other participants. In the event that a participant's employment is terminated as a result of death, injury or ill-health, and the committee is of the reasonable opinion that the BIP performance condition is likely to be fulfilled, it may, in exceptional circumstances, allow that participant's BEE CPS to vest and be settled immediately.

The rationale for retention by a participant of a portion of their BEE CPS after year 6 is that the key strategic decisions and actions affecting the value of a share over the BIP performance period are likely to be made during the first 5 years of this period. Thereafter, value delivery will depend upon, amongst other factors, the successful execution of such decisions as planned. Accordingly, it is deemed appropriate to allow for continued participation post year 5 notwithstanding termination of employment.

In the event that a participant leaves the employ of the group before the vesting date by reason of fault termination, that participant's BEE CPS that have not vested will lapse.

The CIBB is intended to comprise an incentive mechanism and a retention mechanism and further aligns management with the interests of Northam's shareholders.

Participants in the CIBB will include the participants noted previously and may include, from time to time, other employees of the group deemed to be critical to the group's operations and strategy. Participants in the CIBB, other than participants, will be required to be recommended for participation by management subject to approval by the committee.

Payments under the CIBB will be made annually, subject to the fulfilment of the CIBB performance conditions, as set out below, as at the 31st trading day following the publication of the company's financial results for each financial year.

Participants will receive, on an annual basis, 15% of their cost to company remuneration excluding performance bonuses, if the value of a share at the condition date (calculated as the 60 day VWAP of a share) is equal to or greater than the redemption amount per preference share.

Furthermore, participants will receive, on an annual basis, an additional 15% of their cost to company remuneration excluding performance bonuses, if the aggregate value of the shares held by Zambezi at the condition date (using the 60 day VWAP of a share) is sufficient to, in addition to fully settle the redemption amount, fully settle or make adequate provision for all of Zambezi's tax liabilities arising from settlement of the redemption amount, on the basis that no guarantee liability will arise and no member of the group will be required to give any direct or indirect financial assistance for the purposes of or in connection with the settlement of the redemption amount.

This will effectively incentivise achievement of the CIBB performance conditions on an annual basis.

For the avoidance of doubt, no CIBB payment will be made unless the CIBB performance conditions are achieved in that year.

The CIBB will also act as a robust employee retention mechanism. In the event that a CIBB recipient leaves the employ of the group within 12 months of receiving a CIBB (restraint period) for reason of a fault termination, that person will be required to repay to the company, before the deduction of PAYE, the pro rata amount of the CIBB received (calculated according to the number of months remaining in the restraint period). The CIBB refund penalty will dissuade CIBB participants from leaving the employ of the group by financially penalising them if they leave.

The CIBB will be terminated upon settlement or lapse of the BEE CPS.

Special resolutions

The following special resolutions were passed by the shareholders at the AGM in November 2016:

- Approval of amendments to the existing MOI: fractional entitlements;
- Approval of amendments to the existing MOI: distributions;
- Approval of non-executive directors' remuneration for the year ending 30 June 2017;
- Financial assistance; and
- General authority to repurchase issued shares.

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.

The board is not aware of any material changes that may adversely impact the company and group or any material non-compliance with statutory or regulatory requirements.

Events after the reporting date

Subsequent to year-end, an agreement was entered into to purchase a suite of PGM recycling equipment and the associated premises from A-1 Specialized Services Inc., a recycler of PGMs. The business is located in the state of Pennsylvania, United States of America. The total value of the transaction amounts to USD10.7 million in cash.

In addition to the above, the section 102 Ministerial Consent relating to the approval for the purchase of the Tumela block mineral resources from Anglo American Platinum Limited for R1.0 billion was obtained.

Apart from these transactions, there have been no other events subsequent to the year-end, which require additional disclosure or adjustment to these financial results.

AUDIT AND RISK COMMITTEE REPORT

The independent audit and risk committee (the committee) is pleased to present its report for the financial year ended 30 June 2017.

The committee is constituted in terms of the Companies Act. In terms of the company's listing on the JSE it is required from 1 October 2017 to adhere to the King Code on Corporate Governance of South Africa (King IV). The committee is constituted as a statutory committee of Northam Platinum Limited in respect of its statutory duties in terms of section 94(7) of the Companies Act and a subcommittee of the board in respect of all other duties assigned to it by the board.

The committee assist the board in carrying out its functions relating to the safeguarding of assets, the operation of adequate risk management, control processes, the preparation of financial statements in compliance with all applicable legislation and regulations, the oversight of the external and internal audit appointments and the combined assurance function.

The committee does not provide relief to board members for their joint and several responsibilities regarding their fiduciary duties and they must continue to exercise due care and judgement in accordance with their legal obligations.

The committee operates under documented terms of reference. The terms of reference of the audit and risk committee are subject to the provisions of the Companies Act, MOI, and any other applicable law or regulatory provision. Where these terms of reference conflict with any legislation and/or rules of the Companies Act, and/or the MOI, that legislation and/or regulation takes precedence over these terms of reference.

The committee has discharged all its responsibilities as contained in the charter. The committee reviews accounting policies and financial information issued to stakeholders and the chairman of the audit committee reports to the board on the committee's deliberations and decisions. The internal and external auditors have unrestricted access to the committee. Further, the committee regularly reviews its corporate governance practices in relation to the company's compliance with the requirements of the Companies Act and the JSE listing requirements.

Composition

The committee must be comprised of at least three non-executive board members who must be elected by shareholders on the recommendation of the nomination committee. All members of the committee must be non-executive board members and meet all applicable independence requirements and be appropriately qualified.

The chairman of the board is not eligible to be chairman or a member of this subcommittee and the chairman of this sub-committee must be an independent, non-executive director.

Collectively, members of this committee must have the appropriate mix of qualifications and experience in order to fulfil their duties adequately. Such qualifications and skills will include expertise and/or experience in the following fields; financial, legal, risk management, sustainability issues and reporting, internal financial control, external and internal audit processes, information technology (IT) governance, corporate governance, ethics and integrated reporting. Members of the committee are required to ensure they are fully appraised of the latest developments in the mining industry and in commerce generally.

Important attributes of the members are an independent and enquiring mind-set, a reasonable understanding of the complexities involved and an appreciation of the business and mining industry.

During the year the committee comprised three independent non-executive directors namely, Ms HH Hickey (chairman), Mr R Havenstein and Mrs TE Kgosi. Ms Hickey replaced Mr Martin as chairman of the committee on 9 November 2016, following Mr Martin's retirement from the board. The committee met on five occasions during the year and all members together with the company secretary were present at each of these scheduled meetings.

The chief executive officer, the chief financial officer, the group financial controller and the internal as well as external auditors attend by invitation to provide a coordinated approach to all assurance activities. The internal and external auditors have unrestricted access to the committee. Both internal and external auditors meet with the committee members without management present.

The role of the committee

The role of this committee is an independent one with accountability to the board and to shareholders. It is also an overseer and makes recommendations to the board for final approval. The committee cannot assume the function of management which remains the responsibility of the executive directors and senior management.

Regarding risk, the committee ensures that the company has an effective risk policy and a plan for risk management in order to assist the company in achieving its strategic goals and that the disclosure of risk is complete, timely and relevant. The committee is an integral component of the risk management process and specifically the committee oversees: financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and IT risks as it relates to financial reporting.

Functions and responsibilities during the year

Integrated reporting

- Consider all factors and risks that would influence the accuracy of the integrated report. This includes factors that may predispose management to present misleading information, a poor significant judgment, reporting and decisions, failure at enforcement, monitoring by regulatory bodies, forecast of financial information and question information that brings into doubt previously published information.
- Review and comment on the annual financial statements, interim reports, dividends and other price sensitive information, such as trading statements. Ensure that financial statements are prepared in terms of International Financial Reporting Standards and other appropriate standards.
- Review and comment on the integrated report.
- Recommend to the board the engagement of external auditors or internal auditors, where applicable.
- Consider whether external auditors should perform assurance procedures or other non-audit services.
- Review significant findings and other matters arising through to completion of the annual financial statements.
- Recommend the annual financial statements and integrated report for approval by the board.

The committee reviewed the annual financial statements and has recommended the approval thereof to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming AGM.

Combined assurance

- Ensure that the combined assurance received is appropriate to address all the significant risks facing the company.
- Monitor the relationship between the external assurance providers of the company.

Based on the results of the review of the company's system of internal financial controls, which was performed by the internal audit function and external auditors, nothing has come to the attention of the committee to indicate that the internal financial controls were not operating effectively.

Chief financial officer (CFO) and the finance function

- Confirm that the CFO is suitably qualified and experienced, and confirm that the committee has executed this responsibility.
- Confirm that the finance department of the company has adequate resources and experience to manage the company's financial function.

In terms of the JSE listing requirements, the committee has satisfied itself as to the appropriateness of the expertise and experience of the CFO and the finance function as a whole.

AUDIT AND RISK COMMITTEE REPORT **CONTINUED**

Internal audit

- Appoint or dismiss the head of internal audit and assess the performance of the head of internal audit.
- Approve the internal audit plan, mandate and budget with particular emphasis on risk areas.
- Ensure that the internal audit function is independent and adequately qualified and resourced on a continuous basis and assess its performance.
- Approve deviations from the approved internal audit plan or any changes in the audit scope or approach.
- Review of the extent to which the internal audit function has co-ordinated with other internal and external assurance providers in providing proper coverage.
- Review the internal audit results and significant audit findings together with the relative management comments and action plans.
- Consider and review any difficulties encountered in the course of the audits, including any restrictions on the scope of internal audit's work or access to required information.

The committee confirms the effectiveness and independence of the internal audit function.

The committee has ensured coverage of the audit universe by approving the audit plans and budgets for internal audit and has confirmed the competence of the internal audit function as a whole. Audit reports are circulated to the members of the committee and are reviewed. Significant findings have been discussed and considered, taking into account action plans to resolve these matters going forward.

Risk management

- Promote and enforce the highest degree of ethical standards in business practices within the organisation and in external relationships.
- Ensure that effective systems of internal control are developed, implemented, monitored and maintained by management.
- Oversee the development and annual review of the company's risk policy and plan for risk management and recommend for approval of this by the board.
- Monitor implementation of the risk policy and plan.
- Make recommendations to the board concerning the levels of risk tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the board.
- Ensure that risk management assessments are performed by management on a continuous basis.
- Ensure that the risk management plan is widely disseminated throughout the company and integrated in the day to day activities of the company.
- Oversee internal financial control, IT risk, fraud risk and all risks associated with financial reporting.
- Ensure that management continuously monitors risk and its mitigation.
- Ensure that adequate insurance cover remains in place.
- Ensure that there is an adequate framework and methodologies for both implementation of recommended changes and anticipation of 'black swan' (extraordinary/unexpected) events.
- Ensure that management considers and implements appropriate risk responses.
- Review the risk register and ensure that it is adequately updated and is complete, timely and relevant.
- Express the committee's formal opinion to the board regarding the effectiveness of the system and process of risk management in the company.
- Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.
- Oversee and monitor the adequacy of internal controls within the company specifically related to financial reporting risks and fraud risks (and any incidents of fraud).

The committee confirms that they have complied with the requirements relating to risk management as noted in detail above.

External audit

- Nominate an independent external auditor for appointment and approval by shareholders.
- Approve the engagement terms and remuneration of external auditors.
- Report and monitor the independence of the external auditor in the financial statements.
- Pre-approve non-audit services to be rendered to the group.
- Define a policy for non-audit services to be provided by external auditors.
- Ensure that there is a process, in terms of which the committee is informed of any 'reportable irregularities' (as identified in the Audit Profession Act 2005) identified and reported by the external auditor.
- Ascertain the effectiveness of the external audit process.
- Ensure that the audit firm and where appropriate, the individual auditor responsible for the audit function is accredited as such on the JSE List of Auditors and their advisors as required by the Listing Requirements of the JSE.

The independence of the external auditor is regularly reviewed. Further, the approval of all non-audit-related services are governed by an appropriate approval framework. Meetings were held with the external auditor where management was not present and, where concerns were raised, these concerns were adequately dealt with by the audit committee.

After taking these factors into account, the committee is satisfied that Ernst & Young Incorporated is independent of the company and group. Mr Mike Herbst will retire as the designated external audit partner in terms of section 92(1) of the Companies Act and be replaced by Mr Ebrahim Dhorat for the 30 June 2018 financial year. The committee recommends the re-appointment of Ernst & Young Incorporated for the financial year ending 30 June 2018.

Key audit matters

The committee noted the key audit matters set out in the report of the independent auditors namely:

- **Impairment of non-financial assets:** The group assesses, at each reporting date, whether there is an indication that assets may be impaired. If any indication exists, the recoverable value of assets are determined based on discounted cash flow models. These models include the latest approved budgeted forecasts, which are considered to be reasonably stated. Based on the assessment performed it was determined that the recoverable value of non-financial assets included on the statement of financial position is higher than the carrying value and therefore no need for any impairment.

- **Physical quantities of inventory:** The physical quantities of inventories are calculated based on theoretical calculation. The estimates are subsequently trued up to the final metal accounting quantities when available. Recoveries are based on actual results 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. Stockpile tonnages are verified by periodic surveys as well as by estimating the number of tonnes added and removed from the stockpile as well as by estimating the number of contained PGM ounces based on assay data and expected recoveries.

The committee has deliberated on these and is comfortable that they are fairly represented.

The committee is satisfied that is has considered and discharged its responsibilities in line with its terms of reference during the year under review.

On behalf of the committee

Hester Hickey
Chairman

Johannesburg
22 August 2017

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

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 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 included in these annual financial statements.

The annual financial statements were approved by the board of directors on 22 August 2017 and are signed on its behalf by:

PL Zim
Chairman

PA Dunne
Chief executive

HH Hickey
Chairman – audit and risk committee

Johannesburg
22 August 2017

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 Companies 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
22 August 2017

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

		Group		Company	
		2017	**2016**	**2017**	**2016**
	Note	**R000**	**R000**	**R000**	**R000**
Revenue	34	7 051 337	6 404 641	6 539 925	6 019 284
Sales revenue	35	6 865 185	6 097 070	6 395 036	5 740 467
Cost of sales		(6 251 200)	(5 713 722)	(6 162 574)	(5 680 282)
Operating costs	36	(5 676 017)	(5 007 233)	(3 717 601)	(3 430 234)
Concentrates purchased		(404 093)	(350 514)	(2 508 386)	(2 194 494)
Refining and other costs		(120 633)	(133 186)	(120 633)	(133 186)
Depreciation and write-offs		(452 584)	(403 545)	(182 650)	(187 966)
Change in metal inventories		402 127	180 756	366 696	265 598
Operating profit		613 985	383 348	232 462	60 185
Share of earnings/(loss) from associate and joint venture	6	4 870	(32 253)	–	–
Investment revenue	37	167 306	265 258	126 043	109 480
Finance costs excluding preference share dividends	38	(71 185)	(39 634)	(72 512)	(33 515)
Net foreign exchange (losses)/gains		(46 729)	26 163	(32 564)	26 163
Sundry income	39	73 361	154 765	64 233	256 382
Sundry expenditure	40	(130 843)	(92 122)	(60 587)	(37 089)
Profit before preference share dividends		610 765	665 525	257 075	381 606
Amortisation of liquidity fees paid on preference shares		(16 390)	(18 088)	–	–
Preference share dividends net of amounts capitalised		(1 017 396)	(918 806)	–	–
Loss on derecognition of preference share liability		(901)	–	–	–
(Loss)/profit before tax		(423 922)	(271 369)	257 075	381 606
Taxation	41	(212 021)	(236 894)	(73 065)	(108 988)
(Loss)/profit for the year		(635 943)	(508 263)	184 010	272 618
Other comprehensive income					
Items that will be subsequently reclassified to profit or loss		–	19 822	2 039	–
Fair value adjustment on the investment in Zambezi Platinum (RF) Limited preference shares classified as available for sale net of deferred tax		–	–	2 039	–
Share of associate’s exchange differences on translating foreign operations and foreign currency translation		–	(3 947)	–	–
Reclassification of other comprehensive income from associate to profit or loss		–	23 769	–	–
Total comprehensive income for the year		(635 943)	(488 441)	186 049	272 618

	Cents	**Cents**
Loss per share	(181.8)	(145.3)
Fully diluted loss per share	(181.8)	(145.3)
Headline loss per share	(181.9)	(140.9)
Fully diluted headline loss per share	(181.9)	(140.9)

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2017

		Group		Company	
		2017	2016	2017	2016
	Note	R000	R000	R000	R000
Assets					
Non-current assets		15 483 553	14 110 084	14 019 436	13 299 712
Property, plant and equipment	4	9 022 260	7 853 993	3 323 252	2 790 278
Mining properties and mineral resources	5	5 636 342	5 614 094	116 558	101 518
Interest in associates and joint ventures	6	167 214	192 164	–	36 845
Investment in subsidiaries	7	–	–	10 216 000	10 236 000
Unlisted investment	8	–	6	–	6
Other investments	9	–	–	230 505	–
Land and township development	10	48 529	51 341	22 749	18 218
Long-term receivables	11	83 745	89 717	–	–
Investments held by Northam Platinum Restoration Trust Fund	12	102 233	93 647	48 274	43 204
Environmental Guarantee Investment	13	68 104	60 345	54 507	49 187
Buttonshope Conservancy Trust	14	11 126	10 445	–	–
Long-term prepayments	15	336 409	–	–	–
Other assets	16	7 591	–	7 591	–
Deferred tax asset	23	–	144 332	–	–
Long-term subsidiary loan	17	–	–	–	24 456
Current assets		4 103 337	4 867 779	5 433 769	5 613 269
Short-term subsidiary loan	17	–	–	1 838 213	2 330 527
Inventories	18	1 729 102	1 330 270	1 673 000	1 308 256
Trade and other receivables	19	548 997	375 204	487 956	274 353
Cash and cash equivalents	20	1 786 865	3 105 080	1 396 677	1 654 417
Tax receivable		38 373	57 225	37 923	45 716
Non-current assets held for sale	6	49 222	–	49 222	–
Total assets		19 636 112	18 977 863	19 502 427	18 912 981
Equities and liabilities					
Stated capital	21	13 778 114	13 778 114	13 778 114	13 778 114
Treasury shares	21	(6 556 123)	(6 556 123)	–	–
(Accumulated loss)/retained earnings		(4 398)	631 545	(5 916 974)	(6 077 117)
Equity settled share-based payment reserve	22	874 448	874 448	1 173 756	1 173 756
Other comprehensive income		–	–	2 039	–
Total equity		8 092 041	8 727 984	9 036 935	8 874 753
Non-current liabilities		9 929 685	9 072 179	9 005 235	8 981 473
Deferred tax liability	23	585 883	590 637	605 265	594 935
Long-term provisions	24	304 829	272 820	141 284	139 316
Long-term loans	25	249 428	275 513	249 428	239 350
Long-term share-based payment liability	29	88 639	84 373	52 233	52 641
Financial guarantee liability	26	–	–	7 535 944	7 535 944
Domestic medium term debt notes	27	421 081	419 287	421 081	419 287
Preference share liability	28	8 279 825	7 429 549	–	–
Current liabilities		1 614 386	1 177 700	1 460 257	1 056 755
Current portion of long-term loans	25	13 434	13 201	13 434	9 400
Short-term share-based payment liability	29	75 026	56 704	45 988	44 197
Tax payable		102 550	104 072	–	–
Trade and other payables	31	1 268 172	877 935	1 254 863	885 358
Short-term provisions	32	155 204	125 788	145 972	117 800
Total equity and liabilities		19 636 112	18 977 863	19 502 427	18 912 981

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

Group	Stated capital	Equity settled share-base payment reserve	(Accumulated loss)/retained earnings	Other comprehensive income from associate	Total equity
	R000	R000	R000	R000	R000
Balance as 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 compressive income for the year	–	–	–	19 822	19 822
Balance as at 1 July 2016	7 221 991	874 448	631 545	–	8 727 984
Loss and total comprehensive income for the year	–	–	(635 943)	–	(635 943)
Balance as at 30 June 2017	**7 221 991**	**874 448**	**(4 398)**	**–**	**8 092 041**
Note	21	22			

Company	Stated capital	Equity settled share-base payment reserve	Accumulated loss	Available for sale reserve	Total equity
	R000	R000	R000	R000	R000
Balance as at 1 July 2015	13 778 114	1 173 756	(6 349 735)	–	8 602 135
Profit and total comprehensive income for the year	–	–	272 618	–	272 618
Balance as at 1 July 2016	13 778 114	1 173 756	(6 077 117)	–	8 874 753
Pooling of interest reserve (note 7)	–	–	(23 867)	–	(23 867)
Total comprehensive income for the year	–	–	184 010	2 039	186 049
Profit for the year	–	–	184 010	–	184 010
Other compressive income for the year	–	–	–	2 039	2 039
Balance as at 30 June 2017	**13 778 114**	**1 173 756**	**(5 916 974)**	**2 039**	**9 036 935**
Note	21	22			

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

		Group		Company	
		2017	2016	2017	2016
	Note	R000	R000	R000	R000
Cash flows from operating activities		981 497	839 081	262 584	346 378
Cash generated from operations	43	1 055 139	952 650	433 124	386 199
Investment revenue		167 306	265 258	106 838	109 480
Transaction fees paid		(8 594)	–	(8 594)	–
Movement relating to land and township development		2 812	(41 341)	(4 531)	(18 218)
Change in working capital	44	(182 388)	(162 131)	(208 842)	(55 704)
Taxation paid	45	(52 778)	(175 355)	(55 411)	(75 379)
Cash flows utilised in investing activities		(1 990 754)	(1 126 793)	(229 516)	1 508 558
Property, plant and equipment and mining properties and mineral reserves					
Additions to maintain operations		(299 051)	(369 636)	(187 190)	(259 818)
Additions to expand operations		(1 321 757)	(804 344)	(595 565)	(294 297)
Disposal proceeds		3 732	4 235	3 732	2 785
Increase in long-term prepayments		(336 409)	–	–	–
Investment in associates- cash distributed		–	24	–	–
Additional investment made in associate		(20 243)	(20 601)	(4 498)	(10 601)
Proceeds on sale of investment in Trans Hex Group Limited		–	81 815	–	81 815
Movement in subsidiary loans		–	–	–	1 871 036
Repayment of the Booysendal Platinum Proprietary Limited loan		–	–	639 700	–
Increase in the Norplats Properties Proprietary Limited loan		–	–	(19 713)	–
Increase in Mining Technical Services Proprietary Limited		–	–	(11 541)	–
Various smaller subsidiary loan repayments		–	–	5 949	–
Increase in investments held by Northam Platinum Restoration Trust Fund		(8 586)	(10 655)	(5 070)	(4 336)
Increase in investments held by Environmental Guarantee Investments		(7 759)	(8 223)	(5 320)	(5 050)
Increase in investment held in Buttonshope Conservancy Trust		(681)	592	–	–
Investment made in Eland Platinum Proprietary Limited		–	–	(50 000)	–
Dividends received		–	–	–	127 024
Cash flows utilised from financing activities		(250 130)	(745 397)	(231 980)	(735 478)
Interest paid		(29 694)	(39 634)	(51 508)	(33 515)
Repayment of long-term loan		(50 756)	–	(10 792)	–
Issue of long-term loans		38 992	244 950	38 992	248 750
Acquisition of Zambezi Platinum (RF) Limited preference shares		(208 672)	–	(208 672)	–
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		(1 259 387)	(1 033 109)	(198 912)	1 119 458
Net foreign exchange difference on cash and cash equivalents		(58 828)	–	(58 828)	–
Cash and cash equivalents at the beginning of the year		3 105 080	4 138 189	1 654 417	534 959
Cash and cash equivalent at the end of the year	20	1 786 865	3 105 080	1 396 677	1 654 417

ACCOUNTING POLICIES

For the year ended 30 June 2017

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 International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as set out in the relevant accounting policies.

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

1.1 New accounting policies adopted

The following amendments, standards or interpretations impacting the group which became effective for the year beginning 1 July 2016 were adopted in the group's year-end results

- IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Amendments to IFRS 10, IFRS 12 and IAS 28
- IFRS 11 Accounting for Acquisitions of Interest in Joint Operations – Amendments to IFRS 11
- IFRS 14 Regulatory Deferral Accounts
- IAS 1 Disclosure Initiative – Amendments to IAS 1
- IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38
- IAS 16 and IAS 41 Agriculture - Bearer Plants – Amendments to IAS 16 and IAS 41
- IAS 27 - Equity Method in Separate Financial Statements – Amendments to IAS 27
- AIP IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal
- AIP IFRS 7 Financial instruments: Disclosures – Servicing contacts
- AIP IFRS 7 Financial instruments: Disclosures – Applicability of the offsetting disclosures to condensed interim financial statements
- AIP IAS 19 Employee Benefits – Discount rate: regional market issue
- AIP IAS 34 Interim Financial Reporting – Disclosure of information 'elsewhere in the interim financial report'

The adoption of these amendments resulted in changes only in the way in which the financial statements are presented, as well as additional disclosures in the financial statements. They did not impact any amounts recognised in the statement of comprehensive income or statement of financial position.

ACCOUNTING POLICIES **CONTINUED**

For the year ended 30 June 2017

1.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED, BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following standards, amendments 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 2 Classification and Measurement of Share-based Payment Transactions – Amendments toIFRS 2	The amendments are intended to eliminate diversity in practice, but are narrow in scope and address specific areas of classification and measurement. The amendments address three main areas: *The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction*. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. *The classification of a share-based payment transaction with net settlement features for withholding tax obligations*. This amendment adds an exception to address the narrow situation where the net settlement arrangement is designed to meet an entity's obligation under tax laws or regulations to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment. This amount is then transferred, normally in cash, to the tax authorities on the employee's behalf. To fulfil this obligation, the terms of the share-based payment arrangement may permit or require the entity to withhold the number of equity instruments that are equal to the monetary value of the employee's tax obligation from the total number of equity instruments that otherwise would have been issued to the employee upon exercise (or vesting) of the share-based payment (net share settlement feature). Where transactions meet the criteria, they are not divided into two components but are classified in their entirety as equity-settled share-based payment transactions, if they would have been so classified in the absence of the net share settlement feature. *The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.* The amendment clarifies that, if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. Any difference (whether a debit or a credit) between the carrying amount of the liability derecognised and the amount recognised in equity on the modification date is recognised immediately in profit or loss. Management does not expect this amendment to have any impact on the group as all share-based payments are cash settled and do not have any modifications to vesting conditions.	1 January 2018

Standard or interpretation	Impact	Effective date
IFRS 9 *Financial Instruments*	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. It will be important for entities to monitor the discussions of the IFRS Transition Resource Group for Impairment of Financial Instruments (ITG). The group has not assessed the impact of this standard, it is estimated that the full impact analysis will be completed by December 2017. The group anticipates adopting IFRS 9 for the financial period ending June 2019. Further details on this will be included in the next reporting period.	1 January 2018
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 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. The group has not assessed the impact of this standard, it is estimated that the full impact analysis will be completed by December 2017. The group anticipates adopting IFRS 15 for the financial period ending June 2019. Further details on this will be included in the next reporting period.	1 January 2018
IFRS 16 *Leases*	IFRS 16 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 lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (for example, a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The group has not assessed the impact of this standard, it is estimated that the full impact analysis will be completed by December 2017. The group anticipates adopting IFRS 16 for the financial period ending June 2020. Further details on this will be included in the next reporting period.	1 January 2019

ACCOUNTING POLICIES CONTINUED

For the year ended 30 June 2017

Standard or interpretation	Impact	Effective date
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 assessing the impact of this amendment.	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
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration received or paid in a foreign currency. Management will assess the impact and adopt this for the first time in the 2019 reporting period as this will only be applicable then.	1 January 2018
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	The interpretation addresses the following: • Whether the entity considers uncertain tax treatments separately • The assumptions an entity makes about the examination of tax treatments by taxation authorities • How the entity determines taxable profit (tax loss), tax bases, unused tax credits and tax rates • How an entity considers changes in facts and circumstances Entities need to evaluate whether they have established appropriate processes and procedures to obtain information on a timely basis that is necessary to apply the requirements of the interpretation and make the required disclosures. Management is currently assessing the impact of this interpretation.	1 January 2019

Northam notes the new standards, interpretations and amendments which have been issued but are not yet effective and does not plan to early adopt any of the 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.

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 Northam group defines any investment that is 20% or more of the voting power as a significant investment.

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 investments in the associates and joint venture are carried in the statement of financial position at cost plus post acquisition changes in the group's share of net assets of the associate and joint venture. Goodwill relating to the associates 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.

Where there is an additional investment in the associate or joint venture, the purchase price paid for the additional interest is added to the existing carrying amount of the associate or joint venture and the existing interest is not remeasured.

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.

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 or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

ACCOUNTING POLICIES CONTINUED

For the year ended 30 June 2017

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.

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 indicates that it might be impaired.

Business combination of entities under common control

Business combinations between entities under common control are accounted for using the pooling of interests method. Under this method the assets, liabilities and reserves of the acquired entity are recorded by the purchasing entity at their existing carrying values as recorded in the consolidated financial statements. As required by the pooling of interests method, the transfer is accounted for as if it occurred at the beginning of the financial year. The comparative amounts are not restated.

1.5 Property, plant and equipment

Mining assets

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

Shafts, mining development and infrastructure costs

Shafts, mining development and infrastructure 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 units of production basis based on resources which are revised annually.

Metallurgical and refining plants

Metallurgical and refining plants is depreciated using the units of production basis based on resources, which are revised annually. Where items of plant and equipment comprise separate, identifiable components that have differing useful lives, such components are depreciated according to their individual useful lives.

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 the 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 is reflected in the asset as set out in the decommissioning provision accounting policy. The decommissioning asset is included as part of the mining plant and equipment when considering depreciation, impairment and derecognition.

ACCOUNTING POLICIES CONTINUED

For the year ended 30 June 2017

Mining properties and mineral resources

Mining properties and mineral resources, comprising mineral rights are recorded at cost of acquisition. Depreciation is first charged on new mining properties from the date on which the mining in respect of the mining property reaches commercial production levels. Mining properties are depreciated on a units of production basis based on resources which are revised annually.

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

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

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

Non-current assets held for sale

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

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

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

Foreign currency prepayment

Northam currently has a prepayment relating to the manufacturing costs in terms of the aerial ropeway manufacturer agreement with a foreign supplier. The prepayment was initially accounted for at cost using the spot rate at transaction date. The construction of the ropeway will take place over a period of time and, there will be sign off by the constructor and Northam at each stage of completion. Northam will therefore capitalise these amounts to property, plant and equipment as and when constructed and has been signed over by the contractor.

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 and buildings

Land and buildings are recorded at cost of acquisition less accumulated impairment losses and is not depreciated. Buildings are depreciated on a straight-line basis over the estimated useful life, which are assessed annually.

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 the statement of profit or loss and other comprehensive income 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.

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 POLICIES CONTINUED

For the year ended 30 June 2017

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. Costs relating to development activities as well as mineral resources bought are capitalised to mine development asset.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost 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 housing requirements around our mines. Because these assets are normally held for a period of longer than 12 months, they are however deemed to be non-current assets. These assets are held at the lower of cost and net realisable value.

Net realisable value tests are performed at each reporting date and represent the current sales price of the 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 but is obligated under South Africa mining legislation to offer certain of its employee's house ownership as part of their benefits. To that end it constructs houses which are sold to employees on favourable terms. The houses are mainly for employees but third parties can also acquire these properties. Therefore, the main aim of the disclosure of the land and township development activities provided is qualitative by nature, i.e. social and community advancement and employee benefits. The main business of the 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 is 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.

Preference shares held are classified as available for sale investments even though they are debt instruments and interest thereon is recognised in profit or loss using the effective interest rate method.

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.

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. 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 POLICIES CONTINUED

For the year ended 30 June 2017

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.

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 (4E), 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, including chrome, allocated to main products based on units produced under normal production.

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

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

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 results in an addition to the decommissioning asset, consideration is given as to whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount in accordance with the respective accounting policies.

ACCOUNTING POLICIES CONTINUED

For the year ended 30 June 2017

Provision for restoration costs

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 or losses arising on the translation of foreign currencies, whether realised or unrealised, are credited 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 adjusted against revenue 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 transferred to the purchaser.

Sundry income

Sundry income is recognised when the right to receive payment has been established. Investment income is recognised as it accrues, using the effective interest rate method. Included in sundry income for the group is treatment charges received from third parties.

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

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

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.

ACCOUNTING POLICIES CONTINUED

For the year ended 30 June 2017

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 Zondereinde 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 or 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 (cash) that are held by the Trust and are not available to the creditors of the group.

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 relates to rental income received from Booysendal relating to mining properties are recognised as revenue in profit or loss on a straight-line basis over the period of the lease.

ACCOUNTING POLICIES CONTINUED

For the year ended 30 June 2017

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 as appropriate.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except: where the 'initial recognition exception' applies; and in respect of 'outside' temporary differences relating to subsidiaries, 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 as appropriate and not in profit or loss.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current 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 20% effective 22 February 2017 (previously 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 fair value less cost of disposal, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining 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. 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.

Management uses a fair value less cost of disposal model to determine the recoverable value of any CGU.

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

The determined value in use of the CGU 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

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

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Long-term real platinum price USD per ounce	1 417	1 433	1 417	1 433
Long-term real palladium price USD per ounce	1 127	896	1 127	896
Long-term real rhodium price USD per ounce	1 058	1 254	1 058	1 254
Long-term real gold price USD per ounce	1 213	1 209	1 213	1 209
Long-term real exchange rate USD	R13.88	R14.16	R13.88	R14.16
Long-term real post tax discount rate	12.20%	10.50%	12.20%	10.50%

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. Estimated long-term mine rehabilitation costs are based on the group's environmental policy, taking into account current technological, environmental and regulatory requirements.

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 commercial cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities. The 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	
	2017	2016	2017	2016
Long-term South African inflation rate	8.71%	8.71%	8.71%	8.71%
Long-term real discount rate	10.62%	10.62%	10.62%	10.62%

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.

Cash flows relating to rehabilitation costs will occur at the end of the life of the operations which is currently determined as the expiry date of the mining licenses.

Refer to note 24 relating to the provision for the rehabilitation and decommission liability of the group.

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 4 relating to property, plant and equipment and note 5 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 orebody, 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 orebody. 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).

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

The above impacts both the provision for rehabilitation and decommission as detailed in note 24 as well as the depreciation calculation for property, plant and equipment items (note 4) as well as mining properties and mineral resources included in note 5.

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

2.6 Capitalisation of borrowing costs

IAS 23 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset (whether or not the funds have been borrowed specifically). These borrowing costs are included in the cost of the asset; all other borrowing costs are recognised as an expense in the period in which they occur.

Recognising that it may not always be easy to identify a direct relationship between particular borrowings and a qualifying asset and to determine the borrowings that could otherwise have been avoided, the standard includes separate requirements for specific borrowings and general borrowings.

IAS 23 defines a qualifying asset as an asset that necessarily takes a substantial period of time to get ready for its intended use. IAS 23 does not define substantial period of time and this will therefore require the exercise of judgement after considering the specific facts and circumstances. Northam regards an asset that normally takes twelve months or more to be ready for its intended use to be a qualifying asset.

On a consolidated basis, Northam has funding which was obtained through the issue of preference shares through Zambezi Platinum (RF) Limited. Publicly Northam has committed that this funding will be used to either grow the group through internal projects or through acquisition of shallow, long-life assets. The preference shares accrue dividends at the South African prime interest rate plus 350 basis points (currently 14%).

Domestic medium term debt notes were also issued. The first tranche was issued on 11 May 2016 for a period of 5 years to the value of R175.0 million at a fixed coupon rate of 13.5%. Interest is payable on a bi-annual basis in May and November of every year. Per the application pricing supplement, the funds are used for general corporate purposes. The interest relating to these notes were capitalised to qualifying assets relating to the Zondereinde operations.

In addition, on 9 June 2016 a second tranche of R250.0 million was 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. These notes were issued to the IDC. The funds per the application pricing supplement are to be used towards partially financing the development of existing and future mines and related infrastructure at the Booysendal operations. Interest on the R250.0 million DMTN will be capitalised on the Booysendal assets on consolidation as these funds were specifically provided for expansion on the Booysendal project.

The weighted average cost of borrowings is capitalised to the monthly capital costs incurred on qualifying assets, with regards to general borrowings.

With regards to what Northam classifies as qualifying assets, any asset that takes more than 12 months to be ready for its intended use will be classified as a qualifying assets. Currently this will include the deepening project at both operations, the smelter complex at Zondereinde and the development of the Booysendal South project.

No finance costs were capitalised in the 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 is 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 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. 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 4 Property, plant and equipment as well as note 25 which details the amounts payable to Heraeus.

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 28 detailing the preference share liability consolidated into the Northam group.

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For the year ended 30 June 2017

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	
	2017	2016	2017	2016
Discount rate	7.50%	7.80%	7.50%	7.80%
Interest rate	7.70%	8.20%	7.70%	8.20%

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. In terms of the accounting standards historical yields are less important and we consequently consider it appropriate to use the discount rate as noted above per annum.

Refer to note 33 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.

Judgement is required to determine the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The various statutory entities within the group recognises liabilities for anticipated tax uncertainties based on the best estimate of whether additional taxes will be due.

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

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

Refer to note 41 and note 23 detailing the breakdown of both normal and deferred taxes for the current year.

2.11 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 except for concentrates purchased which is recognised in the month in which it is purchased and not on a 3 month rolling average. 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 18 detailing the breakdown of inventories at year-end.

2.12 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

2.13 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.

2.14 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 at inception. Measuring the guarantee contract liability required the use of estimates, at the grant date, which included a dividend yield rate of 0.30%, a 30.0% volatility and a risk free rate of 8.42%. These assumptions have not been updated or changed.

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, and is therefore unchanged from the prior year.

Even though the company currently holds a number of the Zambezi Platinum (RF) Limited preference shares, these preference shares are still outstanding and therefore no change will be accounted for relating to the guarantee liability as at 30 June 2017, in the separate financial statements.

Refer to note 26 included in the annual financial statements.

2.15 Pandora joint venture

Northam Platinum Limited has agreed to sell its 7.5% participation interest in the Pandora joint venture to Lonmin Plc.

In terms of the agreement Northam, through its subsidiary Mvelaphanda Resources Proprietary Limited (Mvelaphanda), will dispose of its 7.5% interest in the Pandora joint venture (Pandora JV) to Eastern Platinum Limited, for a cash consideration of R45.6 million. In the event that Northam has to contribute any cash calls to the Pandora JV during the period 1 January 2017 to completion of the transaction, the value of the cash calls will be reimbursed to Northam, capped at a maximum value of R50.0 million.

The purchase consideration and the reimbursement of any cash calls will be settled on fulfilment of the transaction.

The Pandora JV is managed by Lonmin and is currently held 50% by Lonmin, through Eastern Platinum Limited, 42.5% by Anglo American Platinum Limited, through Rustenburg Platinum Limited and 7.5% by Northam, through Mvelaphanda. Northam does not consider its minority interest in the Pandora JV as being core to its business.

The transaction is subject to, *inter alia*, all necessary regulatory approvals being obtained, including consent from the Minister of Mineral Resources in terms of section 11 of the Mineral and Petroleum Resources Development Act, No. 28 of 2002, and approval from Lonmin's lending banks.

The group's interest in the Pandora JV was previously 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 JV 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 has significant influence due to board representation. Thus the investment has been accounted for as an investment in associate.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations requires a non-current asset to be classified as held for sale if its carrying amount will be recovered principally through a sales transaction rather than through continued use. To qualify for classification as held for sale, a non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets. This is taken to mean that an entity currently has the intention and ability to transfer the asset to a buyer in its present condition.

IFRS 5 contains an exception to the one-year rule. It states that events or circumstances may extend the period to complete the sale beyond one year. Such an extension would not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and therefore is sufficient evidence that the entity remains committed to its plan to sell the asset.

IAS 28 requires that an entity applies IFRS 5 Non-current Assets Held for Sale and Discontinued Operations to an investment, or a portion of an investment, in an associate that meets the criteria to be classified as held for sale. However, the investor discontinues the use of the equity method from the date that the investment is classified as held for sale. Instead, the associate is then measured at the lower of its carrying amount and fair value less cost to sell. The investment in the Pandora joint venture was classified as a non-current asset held for sale from 1 July 2016, and subsequent signing of the sales agreement.

In terms of the agreement cash calls will have to be contributed by Northam but will however be refunded on the effective date to the maximum value of R50.0 million. All cash calls will therefore be recognised as part of the non-current asset held for sale.

Management has also assessed the recoverability of the balance disclosed as non-current assets held for sale, and believe that the amount is recoverable.

Refer to note 6, which discloses the investment in the Pandora joint venture.

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For the year ended 30 June 2017

2.16 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, which is the executive committee, and their performance assessed separately. Furthermore, discrete financial information is available for both segments.

The Zondereinde mine includes the results of the chrome operations, previously housed in Northam Chrome Proprietary Limited. Northam Chrome Proprietary Limited was transferred to Northam Platinum Limited through a Section 47 of the Income Tax Act transfer during the current year.

No segments were aggregated.

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 3 for the segmental disclosure.

2.17 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 22 for the equity-settled share-based payment accounted for in the prior year as part of the BEE transaction.

2.18 Investment in the Zambezi Platinum (RF) Limited preference shares

During the current year, Northam Platinum Limited started to acquire Zambezi Platinum (RF) Limited preference shares in the open market. Under IAS 39 Financial Instruments: Recognition and Measurement the accounting treatment of a particular financial instrument will depend on some or all of the following factors: the purpose for which it is held, Its contractual characteristics, whether the instrument is listed on an exchange, the industry in which the reporting entity operates and an accounting policy or similar choice of the reporting entity.

The investment in the Zambezi Platinum (RF) Limited preference shares are considered as available for sale financial assets. These shares have been acquired by Northam Platinum Limited not to speculate with and therefore not to make a profit or loss in the short term but rather to keep for the longer term. Potentially these shares will be sold back into the market should cash be required in the longer term. Otherwise, these preference shares will be held to maturity. However, when looking at the considerations for classifying and investment as held to maturity one considers the following: intention to hold the investments for only an undefined period; the holder stands ready to sell the financial asset in response to changes in market interest rates or risks, liquidity needs, changes in the availability of and the yield on alternative investments, changes in financial sources and terms or changes in any other risk factors; and or the right to settle the financial asset at an amount significantly below its amortised cost.

Therefore, due to the uncertainty regarding the intention and ability to hold the preference shares to maturity one cannot classify the investment in the Zambezi preference shares as held to maturity in the accounts of Northam Platinum Limited.

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For the year ended 30 June 2017

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.

Zambezi Platinum (RF) Limited has been included in the table below in order to reconcile the amounts to the reported statement of financial position and statement of profit or loss and other 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/or incurs expenses. In addition to this its operating results are not regularly reviewed by the chief operating decision makers in assessing the performance of the entity.

Other relates to various subsidiaries, consolidation adjustments made as well as the capitalisation of borrowing costs.

Segmental statement of profit or loss and other comprehensive income 30 June 2017

	Zondereinde operating segment	Booysendal operating segment	Intercompany eliminations	Zambezi Platinum and the BEE transaction	Other	Total
	R000	R000	R000	R000	R000	R000
Sales revenue	6 395 036	2 574 442	(2 104 293)	–	–	6 865 185
Cost of sales	(6 162 574)	(2 137 031)	2 048 405	–	–	(6 251 200)
Operating costs	(3 717 601)	(1 964 416)	6 000	–	–	(5 676 017)
On mine operations	(2 909 091)	(1 482 640)	6 000	–	–	(4 385 731)
Concentrator operations	(290 863)	(339 910)	–	–	–	(630 773)
Smelting and base metal removal plant costs	(318 807)	–	–	–	–	(318 807)
Chrome processing	(20 468)	(16 415)	–	–	–	(36 883)
Selling and administration	(82 082)	(80 305)	–	–	–	(162 387)
Royalty charges	(32 169)	(12 872)	–	–	–	(45 041)
Share-based payment expenses and profit share scheme	(64 121)	(32 274)	–	–	–	(96 395)
Concentrates purchased	(2 508 386)	–	2 104 293	–	–	(404 093)
Refining and other costs	(120 633)	–	–	–	–	(120 633)
Depreciation and write-offs	(182 650)	(271 666)	1 732	–	–	(452 584)
Change in metal inventories	366 696	99 051	(63 620)	–	–	402 127
Operating profit	232 462	437 411	(55 888)	–	–	613 985
Share of earnings from associate and joint venture	–	–	–	–	4 870	4 870
Investment revenue	126 043	48 196	(2 689)	(19 204)	14 960	167 306
Finance costs excluding preference share dividends	(72 512)	(21 542)	2 689	–	20 180	(71 185)
Net foreign exchange transaction (losses)/gains	(32 564)	(14 165)	–	–	–	(46 729)
Sundry income	64 233	6 815	(7 000)	–	9 313	73 361
Sundry expenditure	(60 587)	(32 402)	1 000	–	(38 854)	(130 843)
Profit/(loss) before preference share dividends	257 075	424 313	(61 888)	(19 204)	10 469	610 765
Amortisation of liquidity fees paid on preference shares	–	–	–	(16 390)	–	(16 390)
Preference share dividends net of amounts capitalised	–	–	–	(1 017 396)	–	(1 017 396)
Loss on derecognition of preference share liability	–	–	–	(901)	–	(901)
Profit/(loss) before tax	257 075	424 313	(61 888)	(1 053 891)	10 469	(423 922)
Taxation	(73 065)	(146 986)	–	–	8 030	(212 021)
Profit/(loss) for the year	184 010	277 327	(61 888)	(1 053 891)	18 499	(635 943)

Segmental statement of profit or loss and other comprehensive income 30 June 2016

	Zondereinde operating segment	Booysendal operating segment	Intercompany eliminations	Zambezi Platinum and the BEE transaction	Other	Total
	R000	R000	R000	R000	R000	R000
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 and profit share scheme	(46 532)	(28 547)	–	–	–	(75 079)
Rehabilitation	(8 568)	6 868	–	–	–	(1 700)
Other	–	–	–	–	(1 815)	(1 815)
Concentrates purchased	(2 194 494)	–	1 843 980	–	–	(350 514)
Refining and other costs	(133 186)	–	–	–	–	(133 186)
Depreciation and write-offs	(191 797)	(213 481)	–	–	1 733	(403 545)
Change in metal inventories	265 763	(42 383)	–	–	(42 624)	180 756
Operating profit	248 125	175 979	–	–	(40 756)	383 348
Share of losses from associate and joint venture	–	–	–	–	(32 253)	(32 253)
Investment revenue	111 066	163 940	(27 223)	–	17 475	265 258
Finance costs excluding preference share dividends	(33 515)	(24 131)	27 223	–	(9 211)	(39 634)
Net foreign exchange transaction (losses)/gains	26 163	–	–	–	–	26 163
Sundry income	131 274	3 233	–	–	20 258	154 765
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 share dividends	–	–	–	(918 806)	–	(918 806)
(Loss)/profit before tax	446 025	286 911	–	(936 894)	(67 411)	(271 369)
Taxation	(162 587)	(82 866)	–	–	8 559	(236 894)
(Loss)/profit for the year	283 438	204 045	–	(936 894)	(58 852)	(508 263)

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For the year ended 30 June 2017

Segmental statement of financial position as at 30 June 2017

	Zondereinde operating segment	Booysendal operating segment	Intercompany eliminations	Zambezi Platinum and the BEE transaction	Other	Total
	R000	R000	R000	R000	R000	R000
Assets						
Non-current assets	14 019 436	12 563 189	(17 869 263)	6 468 175	302 016	15 483 553
Property, plant and equipment	3 323 250	5 672 774	–	–	26 236	9 022 260
Mining properties and mineral resources	116 560	6 474 365	(954 583)	–	–	5 636 342
Interest in associates and joint ventures	–	–	–	–	167 214	167 214
Investment in subsidiaries	10 216 000	–	(10 216 000)	–	–	–
Investments in Northam Platinum Limited	–	–	(6 468 175)	6 468 175	–	–
Other investments	230 505	–	(230 505)	–	–	–
Land and township development	22 749	12 085	–	–	13 695	48 529
Long-term receivables	–	–	–	–	83 745	83 745
Investments held by Northam Platinum Restoration Trust Fund	48 274	53 959	–	–	–	102 233
Environmental Guarantee Investment	54 507	13 597	–	–	–	68 104
Buttonshope Conservancy Trust	–	–	–	–	11 126	11 126
Long-term prepayments	–	336 409	–	–	–	336 409
Other assets	7 591	–	–	–	–	7 591
Current assets	5 433 769	969 737	(2 442 183)	445	141 569	4 103 337
Short-term subsidiary loan	1 838 213	476 691	(2 314 904)	–	–	–
Inventories	1 673 000	162 345	(106 243)	–	–	1 729 102
Trade and other receivables	487 956	70 140	(21 036)	7	11 930	548 997
Cash and cash equivalents	1 396 677	260 561	–	438	129 189	1 786 865
Tax receivable	37 923	–	–	–	450	38 373
Non-current assets held for sale	49 222	–	–	–	–	49 222
Total assets	19 502 427	13 532 926	(20 311 446)	6 468 620	443 585	19 636 112
Equities and liabilities						
Total equity	9 036 935	9 477 739	(8 386 346)	(2 167 943)	131 656	8 092 041
Stated capital	13 778 114	6 955 843	(14 061 967)	–	7 106 124	13 778 114
Treasury shares	–	–	(6 556 123)	–	–	(6 556 123)
(Accumulated loss)/retained earnings	(5 916 974)	20 141	15 034 846	(2 167 943)	(6 974 468)	(4 398)
Non distributable reserves	–	2 501 755	(2 501 755)	–	–	–
Other comprehensive income	2 039	–	(2 039)	–	–	–
Equity-settled share-based payment reserve	1 173 756	–	(299 308)	–	–	874 448
Non-current liabilities	9 005 235	1 871 467	(9 589 159)	8 636 557	5 585	9 929 685
Deferred tax liability	605 265	1 671 516	(1 696 483)	–	5 585	585 883
Long-term provisions	141 284	163 545	–	–	–	304 829
Long-term loans	249 428	–	–	–	–	249 428
Long-term share-based payment liability	52 233	36 406	–	–	–	88 639
Financial guarantee liability	7 535 944	–	(7 535 944)	–	–	-
Domestic medium term debt notes	421 081	–	–	–	–	421 081
Preference share liability	–	–	(356 732)	8 636 557	–	8 279 825
Current liabilities	1 460 257	2 183 720	(2 335 941)	6	306 344	1 614 386
Current portion of long-term loans	13 434	–	–	–	–	13 434
Short-term share-based payment liability	45 988	29 038	–	–	–	75 026
Tax payable	–	438	–	6	102 106	102 550
Subsidiary loans	476 547	1 720 088	(2 335 941)	–	139 306	–
Trade and other payables	778 316	424 924	–	–	64 932	1 268 172
Short-term provisions	145 972	9 232	–	–	–	155 204
Total equity and liabilities	19 502 427	13 532 926	(20 311 446)	6 468 620	443 585	19 636 112

Segmental statement of financial position as at 30 June 2016

	Zondereinde operating segment	Booysendal operating segment	Intercompany eliminations	Zambezi Platinum and the BEE transaction	Other	Total
	R000	R000	R000	R000	R000	R000
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
Equities and liabilities						
Total equity	8 920 888	6 844 567	(13 319 619)	(770 976)	7 053 124	8 727 984
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
Equity-settled share-based payment reserve	–	2 501 755	(2 501 755)	–	–	–
Share of other comprehensive income from associate	1 173 756	–	(299 308)	–	–	874 448
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 loans	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)	6 876 359	7 356 469	18 977 863

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

4. Property, plant and equipment

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

Group	Shafts, mining development and infrastructure R000	Metallurgical and refining plants R000	Land and buildings R000	Other assets R000	Decommissioning asset R000	Assets under construction R000	Total R000
Cost opening balance as at 1 July 2015	5 888 409	2 431 091	443 534	249 434	132 512	67 598	9 212 578
Transfer from mining properties and mineral resources	–	52 641	–	–	–	–	52 641
Additions	284 564	15 529	1 288	636	–	780 824	1 082 841
Transfer from assets under construction	239 675	40 412	7 960	1 742	–	(289 789)	–
Disposals and write-offs	–	(215)	(7 271)	(850)	–	–	(8 336)
Present value of decommissioning asset capitalised	–	–	–	–	35 984	–	35 984
Closing cost as at 30 June 2016	6 412 648	2 539 458	445 511	250 962	168 496	558 633	10 375 708
Transfer to mining properties and mineral resources	(19 038)	–	–	–	–	–	(19 038)
Additions	11 837	1 901	398	251	–	1 528 255	1 542 642
Transfer from assets under construction	654 158	49 813	72 331	39 047	–	(815 349)	–
Disposals and write-offs	(6 572)	–	(337)	(3 315)	–	–	(10 224)
Present value of decommissioning asset capitalised	–	–	–	–	4 530	–	4 530
Borrowing costs capitalised	–	–	–	–	–	76 058	76 058
Closing cost as at 30 June 2017	7 053 033	2 591 172	517 903	286 945	173 026	1 347 597	11 969 676

Group	Shafts, mining development and infrastructure R000	Metallurgical and refining plants R000	Land and buildings R000	Other assets R000	Decommissioning asset R000	Assets under construction R000	Total R000
Accumulated depreciation opening balance as at 1 July 2015	(1 432 770)	(453 257)	(146 813)	(89 591)	(24 795)	–	(2 147 226)
Transfer from mining properties and mineral resources	–	–	(2 853)	–	–	–	(2 853)
Depreciation	(220 649)	(107 665)	(7 093)	(36 379)	(4 008)	–	(375 794)
Disposals and write-offs	–	–	3 751	407	–	–	4 158
Accumulated depreciation balance as at 30 June 2016	(1 653 419)	(560 922)	(153 008)	(125 563)	(28 803)	–	(2 521 715)
Transfer to mining properties and mineral resources	(7 420)	–	–	–	–	–	(7 420)
Depreciation	(281 742)	(92 249)	(9 794)	(38 788)	(3 962)	–	(426 535)
Disposals and write-offs	4 893	–	236	3 125	–	–	8 254
Accumulated depreciation balance as at 30 June 2017	(1 937 688)	(653 171)	(162 566)	(161 226)	(32 765)	–	(2 947 416)
Net book value as at 30 June 2016	4 759 229	1 978 536	292 503	125 399	139 693	558 633	7 853 993
Net book value as at 30 June 2017	5 115 345	1 938 001	355 337	125 719	140 261	1 347 597	9 022 260

During the current year, the group changed the presentation of this note, to give more useful information to the reader. In the prior year only four classes of assets were disclosed, but in the current year six classes are disclosed which we believe better represent the nature of the different classes of assets, including assets under construction.

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

Company	Shafts, mining development and infrastructure R000	Metallurgical and refining plants R000	Land and buildings R000	Other assets R000	Decommissioning asset R000	Assets under construction R000	Total R000
Cost opening balance as at 1 July 2015	2 828 152	692 370	422 839	155 570	67 485	63 475	4 229 891
Transfers from mining properties and mineral resources	7 423	–	–	–	–	–	7 423
Additions	–	–	–	–	–	551 091	551 091
Transfer from assets under construction	76 870	40 412	7 960	1 742	–	(126 984)	–
Disposals and write-offs	–	(26 968)	(7 271)	(849)	–	–	(35 088)
Present value of decommissioning asset capitalised	–	–	–	–	3 024	–	3 024
Cost closing cost as at 30 June 2016	2 912 445	705 814	423 528	156 463	70 509	487 582	4 756 341
Transfers from mining properties and mineral resources	10 119	–	–	–	–	–	10 119
Additions	–	1 802	–	250	–	764 685	766 737
Assets acquired as part of the pooling of interest	–	42 433	–	–	–	–	42 433
Land and buildings transferred to Booysendal Platinum Proprietary Limited	–	–	(97 625)	–	–	–	(97 625)
Transfer from assets under construction	196 279	47 263	70 895	30 347	–	(344 784)	–
Disposals and write-offs	(3 408)	–	(337)	(980)	–	–	(4 725)
Present value of decommissioning asset capitalised	–	–	–	–	(5 821)	–	(5 821)
Interest capitalised	–	–	–	–	–	23 625	23 625
Cost closing cost as at 30 June 2017	3 115 435	797 312	396 461	186 080	64 688	931 108	5 491 084

Company	Shafts, mining development and infrastructure R000	Metallurgical and refining plants R000	Land and buildings R000	Other assets R000	Decommissioning asset R000	Assets under construction R000	Total R000
Accumulated depreciation opening balance as at 1 July 2015	(1 213 301)	(354 302)	(146 607)	(75 166)	(21 502)	–	(1 810 878)
Transfers from mining properties and mineral resources	–	(2 852)	–	–	–	–	(2 852)
Depreciation	(97 242)	(47 745)	(11 079)	(27 191)	(1 436)	–	(184 693)
Disposals and write-offs	–	26 967	4 987	406	–	–	32 360
Accumulated depreciation balance as at 30 June 2016	(1 310 543)	(377 932)	(152 699)	(101 951)	(22 938)	–	(1 966 063)
Transfers from mining properties and mineral resources	(7 110)	–	–	–	–	–	(7 110)
Assets acquired as part of the pooling of interest	–	(18 554)	–	–	–	–	(18 554)
Depreciation	(105 463)	(36 242)	(7 624)	(27 648)	(1 883)	–	(178 860)
Disposals and write-offs	1 729	–	236	790	–	–	2 755
Accumulated depreciation balance as at 30 June 2017	(1 421 387)	(432 728)	(160 087)	(128 809)	(24 821)	–	(2 167 832)
Net book value as at 30 June 2016	1 601 902	327 882	270 829	54 512	47 571	487 582	2 790 278
Net book value as at 30 June 2017	1 694 048	364 584	236 374	57 271	39 867	931 108	3 323 252

During the current year, the group changed the presentation of this note, to give more useful information to the reader. In the prior year only four classes of assets were disclosed, but in the current year six classes are disclosed which we believe better represent the nature of the different classes of assets, including assets under construction.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

5. Mining properties and mineral resources

Group	Current production mineral reserves and resources R000	Project mineral reserves and resources R000	Total R000
Cost opening balance as at 1 July 2015	1 019 706	4 833 671	5 853 377
Transfer to property, plant and equipment	(52 641)	–	(52 641)
Additions	–	55 155	55 155
Cost closing balance as at 30 June 2016	967 065	4 888 826	5 855 891
Transfer from property, plant and equipment	19 038	–	19 038
Additions	21 839	–	21 839
Cost closing balance as at 30 June 2017	1 007 942	4 888 826	5 896 768
Opening accumulated depreciation balance as at 1 July 2015	(216 899)	–	(216 899)
Transfer to property, plant and equipment	2 853	–	2 853
Depreciation	(27 751)	–	(27 751)
Accumulated depreciation closing balance as at 30 June 2016	(241 797)	–	(241 797)
Transfer to property, plant and equipment	7 420	–	7 420
Depreciation	(26 049)	–	(26 049)
Accumulated depreciation closing balance as at 30 June 2017	(260 426)	–	(260 426)
Net book value as at 30 June 2016	725 268	4 888 826	5 614 094
Net book value as at 30 June 2017	747 516	4 888 826	5 636 342

During the year the classification of assets from Mining properties and Mineral resources (reported previously) was changed to Current production mineral reserves and resources (currently being mined) and Project mineral reserves and resources (still subject to development) respectively for more accurate disclosure.

Company	Current production mineral reserves and resources R000	Project mineral reserves and resources R000	Total R000
Cost opening balance as at 1 July 2015	266 314	–	266 314
Transfer to property, plant and equipment	(7 423)	–	(7 423)
Additions	–	–	–
Cost closing balance as at 30 June 2016	258 891	–	258 891
Transfer to property, plant and equipment	(10 119)	–	(10 119)
Additions	21 839	–	21 839
Cost closing balance as at 30 June 2017	270 611	–	270 611
Opening accumulated depreciation balance as at 1 July 2015	(156 952)	–	(156 952)
Transfer to property, plant and equipment	2 852	–	2 852
Depreciation	(3 273)	–	(3 273)
Accumulated depreciation closing balance as at 30 June 2016	(157 373)	–	(157 373)
Transfer to property, plant and equipment	7 110	–	7 110
Depreciation	(3 790)	–	(3 790)
Accumulated depreciation closing balance as at 30 June 2017	(154 053)	–	(154 053)
Net book value as at 30 June 2016	101 518	–	101 518
Net book value as at 30 June 2017	116 558	–	116 558

During the year the classification of assets from Mining properties and Mineral resources (reported previously) was changed to Current production mineral reserves and resources (currently being mined) and Project mineral reserves and resources (still subject to development) respectively for more accurate disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

6. Interest in associates and joint ventures

Interest in associates and joint ventures comprises a 50% interest in the Dwaalkop platinum project (joint venture) and a 30% interest (2016: 20% interest) in SSG Holdings Proprietary Limited (associate). The additional investment in SSG Holdings Proprietary Limited was acquired for R10.7 million, during the year, increasing the investment from 20% to 30%.

As a result of a conclusion of a sales agreement, between the company and Lonmin plc, to sell the 7.5% participation interest in the Pandora joint venture, the investment is no longer equity accounted and disclosed as an associate but classified as a held for sale asset, effective 1 July 2016.

During the previous financial year 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.

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

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Dwaalkop joint venture	136 230	136 230	–	–
Pandora joint venture#	–	45 565	–	36 845
SSG Holdings Proprietary Limited	30 984	10 369	–	–
	167 214	192 164	–	36 845

#The investment in the Pandora joint venture is disclosed as a non-current asset held for sale from 1 July 2016.

Below is a reconciliation of the group's interest in associates and joint ventures as at 30 June 2017:

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000	R000
Opening balance as at 1 July 2016	45 565	136 230	10 369	192 164
Additional investment	–	–	10 745	10 745
Conversion of loan to equity investment	–	–	5 000	5 000
Profit for the year	–	–	4 870	4 870
Reclassification to held for sale assets	(45 565)	–	–	(45 565)
Closing balance as at 30 June 2017	–	136 230	30 984	167 214

Below is a summary of the amounts classified as non-current assets held for sale:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Transfer from interest in associates and joint ventures	45 565	–	36 845	–
Cash calls	4 498	–	4 498	–
IFRS 5 adjustment to fair value less costs to sell	(841)	–	7 879	–
Total non-current assets held for sale	49 222	–	49 222	–

Northam Platinum Limited is still responsible for contributing to cash calls from the Pandora joint venture; contributions made from 1 January 2017 to the transaction date however will be refunded by Eastern Platinum Limited, a subsidiary of Lonmin plc. All other cash calls had to be written off during the year under review.

Below is a reconciliation of the group's interest in associates and joint ventures as at 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
	R000	R000	R000	R000	R000
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)
Closing balance as at 30 June 2016	45 565	136 230	–	10 369	192 164

Below is a reconciliation of the company's interest in associates and joint ventures as at 30 June 2017:

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000	R000
Opening balance as at 1 July 2016	36 845	–	–	36 845
Reclassification to held for sale assets	(36 845)	–	–	(36 845)
Closing balance as at 30 June 2017	–	–	–	–

Northam Platinum Limited is still responsible for contributing to cash calls from the Pandora joint venture; contributions made from 1 January 2017 to the transaction date however will be refunded by Eastern Platinum Limited, a subsidiary of Lonmin plc. All other cash calls had to be written off during the year under review.

Below is a reconciliation of the company's interest in associates and joint ventures as at 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
	R000	R000	R000	R000	R000
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)
Closing balance as at 30 June 2016	36 845	–	–	–	36 845

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

Below is a summary of the statement of profit or loss and other comprehensive income of the various associates and joint ventures, as detailed in their respective accounting records and therefore disclosed at 100%:

Statement of profit or loss and other comprehensive income as at 30 June 2017

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000	R000
Revenue	–	–	503 783	503 783
Cost of sales	–	–	(32 978)	(32 978)
Gross profit	–	–	470 805	470 805
Other income	–	–	1 027	1 027
Operating expense	–	–	(444 468)	(444 468)
Investment revenue	–	–	1 054	1 054
Finance costs	–	–	(5 129)	(5 129)
Profit before taxation	–	–	23 289	23 289
Taxation	–	–	(7 054)	(7 054)
Total comprehensive income for the year	–	–	16 235	16 235

Statement of profit or loss and other comprehensive income as at 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
	R000	R000	R000	R000	R000
Sales	442 793	–	544 286	110 063	1 097 142
Cost of sales and operating expenditure	(531 843)	–	(548 079)	(12 575)	(1 092 497)
Operating (loss)/profit	(89 050)	–	(3 793)	97 488	4 645
Investment income	1 004	–	19 208	1	20 213
Sundry (expenditure)/income	(79 206)	–	11 815	298	(67 093)
Other operating costs	–	–	(173 894)	(94 681)	(268 575)
Finance charges	(1 014)	–	(3 959)	(949)	(5 922)
Profit from discontinued operations	–	–	24 533	–	24 533
(Loss)/profit before tax	(168 266)	–	(126 090)	2 157	(292 199)
Taxation	–	–	27 565	(312)	27 253
(Loss)/profit for the year	(168 266)	–	(98 525)	1 845	(264 946)
Other comprehensive income	–	–	(19 442)	–	(19 442)
Total comprehensive income for the year	(168 266)	–	(117 967)	1 845	(284 388)

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

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

Statement of financial position as at 30 June 2017

	Interest in Pandora joint venture	Interest in Dwaalkop joint venture	Interest in SSG Holdings Proprietary Limited	Total
	R000	R000	R000	R000
Non-current assets	–	–	47 279	47 279
Property, plant and equipment	–	–	38 122	38 122
Goodwill	–	–	4 500	4 500
Deferred tax asset	–	–	4 657	4 657
Current assets	–	–	80 209	80 209
Inventory	–	–	1 625	1 625
Trade and other receivables	–	–	63 103	63 103
Cash and cash equivalents	–	–	15 481	15 481
Total assets	–	–	127 488	127 488
Equity	–	–	32 393	32 393
Non-current liabilities	–	–	22 337	22 337
Finance lease liabilities	–	–	22 337	22 337
Current liabilities	–	–	72 758	72 758
Trade and other payables	–	–	32 015	32 015
Finance lease liabilities	–	–	745	745
Current tax payable	–	–	3 557	3 557
Provisions	–	–	9 219	9 219
Bank overdraft	–	–	27 222	27 222
Total equity and liabilities	–	–	127 488	127 488

NOTES TO THE ANNUAL FINANCIAL STATEMENTS CONTINUED

For the year ended 30 June 2017

Statement of financial position as at 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
	R000	R000	R000	R000	R000
Non-current assets	771 894	–	–	30 850	802 744
Property, plant and equipment	771 894	–	–	17 916	789 810
Goodwill	–	–	–	5 000	5 000
Deferred tax asset	–	–	–	7 934	7 934
Current assets	325 347			52 138	377 485
Inventory	–	–	–	5 808	5 808
Trade and other receivables	112 237	–	–	44 743	156 980
Cash and cash equivalents	21 896	–	–	1 587	23 483
Profit share loans due from participants	191 214	–	–	–	191 214
Total assets	1 097 241	–	–	82 988	1 180 229
Equity	1 019 369	–	–	(1 743)	1 017 626
Non-current liabilities	14 297	–	–	16 646	30 943
Provision for environmental and rehabilitation obligations	14 297	–	–	–	14 297
Long-term liabilities	–	–	–	16 646	16 646
Current liabilities	63 575	-	-	68 085	131 660
Royalties payable	75	–	–	–	75
Trade and other payables	63 500	–	–	48 556	112 056
Provisions	–	–	–	4 541	4 541
Borrowings	–	–	–	14 988	14 988
Total equity and liabilities	1 097 241	–	–	82 988	1 180 229

7. Investment in subsidiaries

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

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Khumama Platinum Proprietary Limited	–	–	10 166 000	10 166 000
Eland Platinum Proprietary Limited	–	–	50 000	–
Mining Technical Services Proprietary Limited	–	–	*	*
Mvelaphanda Resources Proprietary Limited	–	–	–	–
Norplats Properties Proprietary Limited	–	–	*	*
Northam Chrome Proprietary Limited	–	–	–	70 000
Windfall 38 Properties Proprietary Limited	–	–	–	*
Zambezi Platinum (RF) Limited	–	–	*	*
	–	–	10 216 000	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 all entities are incorporated in the Republic of South Africa.

The following investments are held by Northam Platinum Limited:

505 (2016: 505) ordinary shares are held in Khumama Platinum Proprietary Limited representing a 100% equity interest, to the value of R10.2 billion. Khumama Platinum Proprietary Limited holds 100% of the share capital of Booysendal Platinum Proprietary Limited. Management is in the process of simplifying the group and as part of this process, Khumama Platinum Proprietary Limited will be collapsed. Going forward the investment in Khumama Platinum Proprietary Limited will be an investment held directly in Booysendal Platinum Proprietary Limited.

6 000 ordinary shares are held in Eland Platinum Proprietary Limited representing a 100% equity interest to the value of R50.0 million. This investment was made in the current year.

120 (2016: 120) ordinary shares are held in Mining Technical Services Proprietary Limited representing a 100% equity interest and was acquired for R120, and is therefore less than R1 000.

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 previous financial years and is valued at R Nil.

100 (2016: 100) ordinary shares are held in Norplats Properties Proprietary Limited and was acquired for R100, and is therefore less than R1 000.

During the year under review, both the investment in Northam Chrome Proprietary Limited and Windfall 38 Properties Proprietary Limited, representing a 100% equity interest were restructured in terms of the corporate restructuring provisions contained in sections 41 to 47 of the Income Tax Act No. 58 of 1962 (the Act) (which have become known as the 'corporate rules') provide for a deferral of tax where certain specified transactions are undertaken by taxpayers. Such transactions include: Liquidation, winding up and deregistration (section 47): a company distributes all of its assets to another company that is part of the same 'group of companies' for tax purposes or that holds at least 95% of its ordinary share capital, in anticipation of its liquidation, winding up or deregistration. The corporate rules were introduced as a tax relief measure for transactions within groups of companies. Broadly speaking, provided that the requirements of the applicable section are met, the abovementioned transactions can be undertaken with no immediate capital gains tax or income tax implications for either party.

Northam Chrome Proprietary Limited's operations and assets were incorporated in the results of Northam Platinum Limited and is no longer a separate statutory entity. Similarly the operations and assets of Windfall 38 Properties Proprietary Limited is in the process of being incorporated in the results of Booysendal Platinum Proprietary Limited and going forward will no longer be a separate statutory entity.

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.

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For the year ended 30 June 2017

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, they still have control over the entity.

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

Pooling of interest: Northam Chrome Proprietary Limited's operations

Below is a summary of how the results of the Northam Platinum Limited company was derived. Effective 1 July 2017, the results of Northam Chrome Proprietary Limited was included in the results of the company as indicated below:

	Northam Chrome Proprietary Limited	Northam Platinum Limited	Total
	R000	R000	R000
Sales revenue	217 371	6 177 665	6 395 036
Cost of sales	(24 037)	(6 138 537)	(6 162 574)
Operating costs	(24 774)	(3 692 827)	(3 717 601)
Concentrates purchased	–	(2 508 386)	(2 508 386)
Refining and other costs	–	(120 633)	(120 633)
Depreciation and write-offs	(1 802)	(180 848)	(182 650)
Change in metal inventories	2 539	364 157	366 696
Operating profit	193 334	39 128	232 462
Investment revenue	1 382	124 661	126 043
Finance charges excluding preference share dividends	–	(72 512)	(72 512)
Net foreign exchange transaction losses/(gains)	–	(32 564)	(32 564)
Sundry income	–	64 233	64 233
Sundry expenditure	–	(60 587)	(60 587)
Profit before tax	194 716	62 359	257 075
Taxation	(54 139)	(18 926)	(73 065)
Profit for the year	140 577	43 433	184 010

Northam Chrome Proprietary Limited and Northam entered into a corporate restructuring in terms of section 47 of the Income Tax Act. The corporate restructuring provisions contained in sections 41 to 47 of the Income Tax Act No. 58 of 1962 (the Act) (which have become known as the 'corporate rules') provide for a deferral of tax where certain specified transactions are undertaken by taxpayers. Such transactions include: Liquidation, winding up and deregistration (section 47): a company distributes all of its assets to another company that is part of the same 'group of companies' for tax purposes or that holds at least 95% of its ordinary share capital, in anticipation of its liquidation, winding up or deregistration. The corporate rules were introduced as a tax relief measure for transactions within groups of companies. Broadly speaking, provided that the requirements of the applicable section are met, the abovementioned transactions can be undertaken with no immediate capital gains tax or income tax implications for either party.

For tax purposes, the effective date of the transaction was 1 January 2017. However for accounting the results of Northam Chrome Proprietary Limited's operations and business has been incorporated in the results of Northam Platinum effective 1 July 2016.

8. Unlisted investment

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Investment in Rand Mutual Assurance Company Limited	–	6	–	6
	–	6	–	6

The unlisted investment represented 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 were disclosed at cost as the fair value was not available as the shares are not traded in an active market. Management is not planning to dispose of these shares.

During the year the unlisted investment was impaired in full, and included in sundry expenditure (note 40).

9. Other investments

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Investment in Zambezi Platinum (RF) Limited preference shares at cost	–	–	208 672	–
Accrued dividends from Zambezi Platinum (RF) Limited (note 37)	–	–	19 205	–
Mark to market fair value adjustment	–	–	2 628	–
	–	–	230 505	–

Northam Platinum Limited acquired 4 202 454 Zambezi Platinum (RF) Limited preference shares during the year. The average at which these shares were purchased was R49.65 per share. These shares are classified as available for sale and revalued to the closing market value with movements accounted for in other comprehensive income. Accrued dividends are accounted for in profit or loss. Below is the closing market value of the preference shares as at 30 June:

	Group		Company	
	2017	2016	2017	2016
	R	R	R	R
Closing market value	–	–	54.85	44.00

The fair value adjustment has been accounted for as follows:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Fair value accounted through other comprehensive income	–	–	2 628	–
Deferred tax	–	–	(589)	–
	–	–	2 039	–

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For the year ended 30 June 2017

10. Land and township development

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Balance at the beginning of the year	51 341	10 000	18 218	–
Construction in progress and refurbishments relating to Norplats Properties Proprietary Limited	–	12 984	–	–
Acquisitions				
Portion 22 of the Farm Leeukopje	6 764	1 908	6 764	1 908
Portion 4 & 9 of the Farm Koedoesdoorns	297	5 608	297	5 608
Phelobontle Mogwase	370	11 169	370	11 169
Lydenburg extension 78 – Booysendal Platinum Proprietary Limited	66	5 980	–	–
Lydenburg extension 79 – Booysendal Platinum Proprietary Limited	65	5 974	–	–
Norplats Properties Proprietary Limited	804	–	–	–
Disposals				
Phelobontle, Mogwase units	(2 900)	(467)	(2 900)	(467)
Norplats Properties Proprietary Limited units	(8 278)	(1 815)	–	–
Balance at end of year	48 529	51 341	22 749	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	
	2017	2016	2017	2016
Number of properties developed available for sale	415	415	–	–
Houses sold to date since inception of Norplats Properties Proprietary Limited	(421)	(398)	–	–
Properties surrendered/repurchased	39	37	–	–
Closing number of properties available	33	54	–	–

11. Long-term receivables

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Long-term receivables	91 079	95 334	–	–
Current portion of long-term receivables included in trade and other receivables (note 19)	(7 334)	(5 617)	–	–
	83 745	89 717	–	–

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 2017 there were no receivables (2016: R Nil) which were impaired and fully provided for.

Previously the group pledged the instalment sales agreements as security for the loan secured from *Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden NV*. However, during the year, the loan was repaid in full and the balances receivable relating to the instalment sales agreement is no longer pledged as security.

12. Investments held by the 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	
	2017	2016	2017	2016
	R000	R000	R000	R000
Balance at the beginning of the year	93 647	49 092	43 204	38 868
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 (note 37)	8 586	6 087	5 070	2 794
Balance at the end of the year	102 233	93 647	48 274	43 204

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 prior 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, also see note 13.

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For the year ended 30 June 2017

13. Environmental guarantee investment

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

The balance of the fund comprises:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Balance at the beginning of the year	60 345	52 122	49 187	44 137
Contributions made during the year	–	6 000	–	3 000
Income earned during the year (net of fees) (note 39)	7 759	2 223	5 320	2 050
Balance at the end of the year	68 104	60 345	54 507	49 187

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

This investment is managed by Guardrisk Insurance Company Limited.

Below is a summary of the various guarantees issued:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
GR/G/20396/0312/0031	31 000	31 000	31 000	31 000
GR/G/20396/0311/0011	65 900	65 900	–	–
GR/G/20396/0314/165	18 000	18 000	18 000	18 000
GR/G/20396/0315/0231	18 000	18 000	18 000	18 000
GR/G/20396/0315/0232	25 000	25 000	–	–
GR/G/20396/0317/0433	50 000	–	–	–
GR/G/20396/0417/0434	1 908	–	–	–
GR/G/20396/0617/0454	35 000	–	35 000	–
	244 808	157 900	102 000	67 000

14. Buttonshope Conservancy Trust

The balance of the fund comprises:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	R000	**R000**	**R000**	**R000**
Balance at the beginning of the year	10 445	11 037	–	–
Contributions received from Booysendal Platinum Proprietary Limited	425	400	–	–
Interest received during the year	795	701	–	–
Fair value adjustments	(16)	54	–	–
Funds utilised to acquire a property	(398)	(1 289)	–	–
Settlement of outstanding loan balances	–	(403)	–	–
Less expenditure paid during the year	(125)	(55)	–	–
Balance at the end of the year	11 126	10 445	–	–

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 made by Booysendal Platinum Proprietary Limited in terms of the trust agreement.

Funds of R2.9 million (2016: R2.2 million) are invested with Standard Bank Limited in a call account and R8.2 million (2016: R8.2 million) is held in an extra income fund with Stanlib Collective Investments (RF) Limited.

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

On an annual basis Booysendal Platinum Proprietary Limited will donate a fixed amount of R400 000 per annum from F2016 regardless of the operational performance with a fixed increase of R25 000 per annum. During the current year an amount of R425 000 was donated (2016: R400 000).

The Buttonshope Conservancy Trust also owns Portion 1 of Sheeprun 50, property measuring 256.9596 hectares held under title deed T4813/2016.

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For the year ended 30 June 2017

15. Long-term prepayments

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

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Amounts prepaid to Doppelmayr Transport Technology GmbH	336 409	–	–	–
	336 409	–	–	–

16. Other assets

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Transaction costs paid: Nedbank revolving credit facility	8 594	–	8 594	–
Amortisation of transaction costs over a period of 60 months (note 38)	(1 003)	–	(1 003)	–
	7 591	–	7 591	–

Transaction costs was paid for the arrangement of the Nedbank Limited revolving credit facility which is amortised over the period of the facility which is 60 months from inception of the facility, and will be amortised as such.

17. Subsidiary loans

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Long-term subsidiary loans receivable				
Norplats Properties Proprietary Limited	–	–	–	24 456
	–	–	–	24 456

The loan between Northam Platinum Limited and Norplats Properties Proprietary Limited accrued interest at 2.0% below the South African prime interest rate and was repayable once the loan from the *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV* had been repaid by Norplats Properties Proprietary Limited.

However, during the year under review, management repaid the outstanding loan from *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV* in full, and therefore the long-term subsidiary loan was no longer required in terms of the agreement between Northam Platinum Limited and the *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV*.

During the year the outstanding interest was repaid in full and the outstanding balance was transferred to the short-term subsidiary loans receivables as listed below.

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Short-term subsidiary loans receivable				
Booysendal Platinum Proprietary Limited*	–	–	1 720 088	2 262 163
Buttonshope Conservancy Trust	–	–	–	–
Mvelaphanda Resources Proprietary Limited	–	–	–	1 047
Norplats Properties Proprietary Limited	–	–	81 893	37 724
Windfall 38 Properties Proprietary Limited	–	–	9 689	14 590
Khumama Platinum Proprietary Limited*	–	–	–	1
Mining Technical Services Proprietary Limited	–	–	26 543	15 002
	–	–	1 838 213	2 330 527

**These loans will going forward no longer be required, as these loans have either been capitalised or are in the process of being capitalised as part of the restructuring of the Northam group.*

The loan between Northam Platinum Limited and Booysendal Platinum Proprietary Limited does not accrue interest. Regular repayments are however made on the outstanding loan balance. Management is in the process of cleaning up the group and the intermediate holding company, Khumama Platinum Proprietary Limited will be collapsed. The loan between Northam Platinum Limited and Booysendal Platinum Proprietary Limited will therefore be capitalised subsequent to year-end.

The loan between Northam Platinum Limited and Windfall 38 Properties Proprietary Limited previously bore interest at 2.0% below the South African prime interest rate, repayable on demand and therefore stated as current. All accrued interest for the year and previous year was repaid in full. The loan will be transferred in full to Booysendal Platinum Proprietary Limited once all the properties held by Windfall 38 Properties Proprietary Limited have been transferred.

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.

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For the year ended 30 June 2017

18. Inventories

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Metals on hand and in transit at net realisable value				
Platinum	982 568	858 412	976 504	875 758
Palladium	424 903	226 298	422 172	230 792
Rhodium	197 320	122 846	196 268	125 825
Gold	28 163	25 808	28 058	26 470
Total metal inventories	1 632 954	1 233 364	1 623 002	1 258 845
Chrome finished product at cost	–	387	–	–
Consumable stores at cost	96 148	96 519	49 998	49 411
Total inventories at the lower of cost and net realisable value	1 729 102	1 330 270	1 673 000	1 308 256

	oz	oz	oz	oz
Metals on hand and in transit				
Platinum	92 646	62 169	85 139	60 835
Palladium	45 641	28 943	42 047	28 310
Rhodium	18 485	13 358	17 272	13 147
Gold	1 950	1 467	1 850	1 447
	158 722	105 937	146 308	103 739

The metals above include stockpiles, in process metal as well as finished goods. Metal inventory is allocated as follows in the process:

	oz	oz	oz	oz
Metals on hand and in transit				
Stockpile inventory	23 377	8 149	10 963	5 951
Concentrate in process	8 928	1 506	8 928	1 506
Concentrate before the smelter	55 867	28 967	55 867	28 967
Smelter inventory	28 705	15 657	28 705	15 657
Base metal removal plant inventory	4 581	8 689	4 581	8 689
Precious metal refiner inventory	37 138	41 729	37 138	41 729
Finished product inventory on hand	126	1 240	126	1 240
	158 722	105 937	146 308	103 739

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 R444.3 million (2016: R360.8 million) to net realisable value. Inventory to the value of R478.4 million (2016: R927.7 million) is disclosed at net realisable value.

Inventory in the pipeline is considered to be between 60 000 and 70 000 ounces of metal at any given time all inventory over and above pipeline material is considered excess inventory.

No inventories are encumbered.

19. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Trade receivables	283 146	159 603	231 195	137 434
Accrued interest	11 989	24 700	9 712	8 025
Prepayments	44 797	7 306	40 067	6 618
Deposits	2 889	250	164	142
South African Revenue Service – Value added tax	143 775	114 364	117 740	87 656
South African Revenue Service – Mineral royalties	17 258	16 096	17 226	16 096
Current portion of long-term receivables	7 334	5 617	–	–
Receivable from Eland Platinum Proprietary Limited	–	–	13 616	–
Loan to SSG Holdings Proprietary Limited	–	5 000	–	–
Receivable from Northam Zondereinde Community Trust	–	–	2 351	–
Receivable from Northam Booysendal Community Trust	–	–	2 351	–
Receivable from Northam Employee Trust	–	–	2 352	–
Interest-free home loans	6 367	4 449	4 764	4 162
Other	31 442	37 819	46 418	14 220
	548 997	375 204	487 956	274 353

The interest-free home loans to employees relate to the employee home ownership scheme. Non-interest bearing loans are provided to qualifying employees. These loans are repayable over 20 years from grant date. The average remaining repayment period is between 10 and 20 years. The market-related effective interest rate is the South African prime interest rate. These loans are secured by a second bond over residential properties.

The exposure to foreign currency denominated balances as at 30 June were as follows:

	Group		Company	
	2017	2016	2017	2016
	USD000	USD000	USD000	USD000
US dollars	13 279	6 351	13 279	6 351

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 2017 R Nil was impaired (2016: R Nil). The table below summarises the maturity profile of the company and group's trade and other receivables:

Neither past due nor impaired	452 542	264 234	400 766	189 080
30 to 60 days	48 565	44 704	45 579	44 318
60 to 90 days	21 885	5 903	17 921	5 903
More than 90 days*	26 005	60 363	23 690	35 052
	548 997	375 204	487 956	274 353

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

Trade receivables and advances by country are as follows:

South Africa	372 347	277 640	311 306	176 789
United Kingdom	40 510	–	40 510	–
Australia	3 749	–	3 749	–
Germany	63 232	46 973	63 232	46 973
Japan	3 288	4 176	3 288	4 176
United States of America	65 871	46 415	65 871	46 415
	548 997	375 204	487 956	274 353

Refer to note 46 for fair value and financial risk disclosure.

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For the year ended 30 June 2017

20. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Cash at bank and on hand	478 974	543 197	468 213	542 018
Restricted cash	103 949	109 521	23 000	23 000
Short-term deposits	1 203 942	2 452 362	905 464	1 089 399
	1 786 865	3 105 080	1 396 677	1 654 417

The exposure to foreign currency denominated balances as at 30 June were as follows:

	Group		Company	
	2017	2016	2017	2016
	USD000	USD000	USD000	USD000
US dollars	35 655	36 636	35 655	36 636

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

The weighted average effective interest rate on short-term deposits was 8.2% (30 June 2016: 8.2%) and these deposits have a maximum maturity of 90 days (30 June 2016: 90 days).

At 30 June 2017 the group had R1.0 billion (30 June 2016: R1.0 billion) of undrawn committed borrowing facilities.

Restricted cash includes a guarantee of R23.0 million relating to an electricity supply agreement between Northam Platinum Limited and Eskom Holdings SOC Limited. Restricted cash also includes money ringfenced for the benefit of the Northam Employee Trust, the Northam Zondereinde Community Trust, the Northam Booysendal Community Trust and Zambezi Platinum (RF) Limited which may only be spent in terms of the various Trust deeds and memorandum of incorporation.

Previously included in restricted cash was an amount of R8.5 million that was 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*. During the year, the loan was repaid in full and the pledged amount is therefore no longer required. Management is currently exploring various options with regards to Norplats Properties Proprietary Limited.

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

Also refer to note 46 for fair value and financial risk disclosure.

21. Stated capital

	Group		Company	
	2017	**2016**	**2017**	**2016**
	Number of shares	**Number of shares**	**Number of share**	**Number of shares**
Authorised share capital				
2 000 000 000 share capital at no par value				
Issued share capital				
Issued share capital	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	
	2017	**2016**	**2017**	**2016**
	R000	**R000**	**R000**	**R000**
Issued share capital	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.

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For the year ended 30 June 2017

22. Equity-settled share-based payment reserve

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Equity-settled share payment reserve	874 448	874 448	1 173 756	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 grant date.

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

The BEE shares issued to the Northam Employees' Trust vested immediately on grant date.

There were no new equity-settled share-based payment transactions during the current or previous year and therefore no changes to the above reserve.

23. Deferred tax asset and liability

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	R000	**R000**	**R000**	**R000**
Deferred tax assets				
Employee benefits relating to leave pay and bonus provisions	70 513	52 343	61 624	52 343
Decommissioning and environmental restoration provisions	85 352	35 309	39 560	35 309
Share-based payment liability	45 826	27 115	27 502	27 115
Metal inventory	11 096	–	–	–
Deferred income	39 200	–	19 600	–
Calculated tax loss	–	965	–	–
	251 987	115 732	148 286	114 767
Deferred tax liabilities				
Property, plant and equipment	(803 660)	(685 832)	(725 865)	(683 621)
Metal inventory	–	(2 049)	(13 580)	(13 984)
Restoration trust fund	(28 625)	(12 097)	(13 517)	(12 097)
Items accounted for directly through other comprehensive income	–	–	(589)	–
Section 24C allowances in respect of long-term receivables	(5 585)	(6 391)	–	–
	(837 870)	(706 369)	(753 551)	(709 702)
Net deferred tax liability	(585 883)	(590 637)	(605 265)	(594 935)
The charge in the deferred tax balance is reconciled as follows:				
Net deferred tax liability at the beginning of the year	(446 305)	(521 452)	(594 935)	(527 234)
Items accounted for directly through other comprehensive income	–	–	(589)	–
Charge for the year	(139 578)	(69 185)	(9 741)	(67 701)
Temporary difference in respect of employee benefits	10 945	3 215	9 281	4 019
Temporary difference in respect of decommissioning and environmental restoration provisions	12 885	3 246	4 251	3 246
Temporary difference in respect of share-based payment liabilities	6 324	(3 184)	387	(3 184)
Temporary difference in respect of deferred income	39 200	–	19 600	–
Calculated tax loss	(965)	(595)	–	–
Temporary differences in respect of property, plant and equipment	(219 851)	(73 759)	(42 244)	(61 339)
Depreciation component included in metals on hand and in transit	13 482	2 706	404	(9 229)
Temporary differences in respect of restoration trust fund	(2 404)	(1 214)	(1 420)	(1 214)
Section 24C allowance in respect of long-term receivables	806	400	–	–
Net deferred tax liability	(585 883)	(590 637)	(605 265)	(594 935)

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.

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For the year ended 30 June 2017

Booysendal Platinum Proprietary Limited deferred tax asset

The below disclosure has been included for completeness as Booysendal Platinum Proprietary Limited was in a net deferred tax asset position in the prior year.

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.

In the current year Booysendal Platinum Proprietary Limited is in a net deferred tax liability position and therefore incorporated in the group results disclosed on the previous page.

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

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Deferred tax assets				
Property, plant and equipment (unredeemed capex)	–	102 023		
Employee benefits relating to leave pay and bonus provisions	8 889	7 225		
Decommissioning and environmental restoration provisions	45 792	37 158		
Deferred income	19 600	–		
Share-based payment liability	18 325	12 387		
	92 606	158 793		
Deferred tax liabilities				
Property, plant and equipment	(77 796)	–		
Metal inventory	(5 072)	(337)		
Restoration trust fund	(15 108)	(14 124)		
	(97 976)	(14 461)		
Net deferred tax (liability)/asset	(5 370)	144 332		
The charge in the deferred tax balance is reconciled as follows:				
Deferred tax asset at the beginning of the year	144 332	172 611		
Charge for the year	(149 702)	(28 279)		
Temporary differences in respect of property, plant and equipment	(179 819)	(42 643)		
Temporary difference in respect of employee benefits	1 664	2 065		
Temporary difference in respect of decommissioning and environmental restoration provisions	8 634	16 800		
Temporary difference in respect of share-based payment liabilities	5 938	6 150		
Temporary difference in respect of deferred income	19 600	–		
Depreciation component included in metals on hand and in transit	(4 735)	610		
Temporary differences in respect of restoration trust fund	(984)	(11 261)		
Net deferred tax (liability)/asset	(5 370)	144 332		

24. Long-term provisions

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Rehabilitation and decommissioning liability provision	304 829	258 808	141 284	126 101
Long-term portion of leave pay provision (refer note 32)	–	14 012	–	13 215
	304 829	272 820	141 284	139 316
Below is a breakdown of the rehabilitation and decommission liability provision				
Provision for decommissioning costs				
Balance at the beginning of the year	208 279	149 968	98 169	95 145
Additional provision acquired with the acquisition of the Everest mineral reserves which was fully funded	–	22 327	–	–
Unwinding of discount	35 238	–	18 037	–
Change in estimate and capitalisation of decommissioning costs	4 530	35 984	(5 821)	3 024
	248 047	208 279	110 385	98 169
Provision for restoration costs				
Balance at the beginning of the year	50 529	37 249	27 932	19 364
Additional provision acquired with the acquisition of the Everest mineral reserves which was fully funded	–	11 580	–	–
Unwinding of discount	6 253	1 700	2 967	8 568
	56 782	50 529	30 899	27 932
Total rehabilitation and decommissioning liability provision	304 829	258 808	141 284	126 101

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 over the remaining life of the Zondereinde mine and over the remaining life of the Booysendal mine. 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 an alternative use.

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For the year ended 30 June 2017

The present value of the environmental restoration obligation is determined by applying a pre-tax discount rate of 10.62% (2016: 10.62%) and a long-term inflation rate of 8.71% (2016: 8.71%) 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		Company	
	2017	**2016**	**2017**	**2016**
	R000	**R000**	**R000**	**R000**
Undiscounted decommissioning obligations based on the Department of Mineral Resources rates	181 083	166 574	99 599	91 619
Undiscounted restoration obligations on the Department of Mineral Resources rates	88 255	81 184	53 379	49 102
Total rehabilitation obligations	269 338	247 758	152 978	140 721
Less funds held by Northam Platinum Restoration Trust Fund (note 12)	(102 233)	(93 647)	(48 274)	(43 204)
Environmental insurance guarantees (note 13)	(244 808)	(157 900)	(102 000)	(67 000)
Total (overfunded)/unfunded current rehabilitation obligation	(77 703)	(3 789)	2 704	30 517

The group has procured the issue of an insurance guarantee for R244.8 million (2016: R157.9 million) in respect of the unfunded decommissioning and restoration costs, of which R102.0 million (2016: 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 or financial products as approved by the Department of Mineral Resources in terms of legislation.

25. Long-term loans

	Group		Company	
	2017	**2016**	**2017**	**2016**
	R000	**R000**	**R000**	**R000**
Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV	–	39 964	–	–
Security of supply contribution	38 992	–	38 992	–
Heraeus Deutschland GmbH & Co. KG	223 870	248 750	223 870	248 750
Total long-term loans	262 862	288 714	262 862	248 750
Current portion of *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV*	–	(3 801)	–	–
Current portion of security of supply contribution	(4 034)	–	(4 034)	–
Current portion of Heraeus Deutschland GmbH & Co. KG	(9 400)	(9 400)	(9 400)	(9 400)
	249 428	275 513	249 428	239 350

The exposure to foreign currency denominated balances as at 30 June was as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	€000	**€000**	**€000**	**€000**
Amounts denominated in € included in long-term loans	10 000	10 000	10 000	10 000

A decision was taken to repay the loan from the *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV* during the current year. The loan was repayable in equal bi-annual instalments over 15 years, bore interest at 3.5% above JIBAR, with the last payment due 30 September 2026. The group previously pledged the instalment sales agreement as security for the loan as referred to in the long-term receivable note. The loan was repaid due to the restrictive requirements, which was not conducive to achieving the housing strategy of the group.

The security of supply contribution relates to amounts received in advance for the supply of future product.

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 is included in the balance above. In terms of an agreement entered into by the company and Heraeus Deutschland GmbH & Co. KG 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 is 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 cost to the furnace.

The present value of these annual payments amounted to R74.7 million and is included in the table above.

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For the year ended 30 June 2017

26. Financial guarantee liability

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
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.

27. Domestic medium term debt notes

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Opening balance	425 000	1 370 000	425 000	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	425 000	425 000	425 000
Transaction costs relating to the R175.0 million issue	(1 256)	(1 256)	(1 256)	(1 256)
Amortisation of transaction costs over 60 months	292	41	292	41
Transaction costs relating to the R250.0 million issue	(4 627)	(4 627)	(4 627)	(4 627)
Amortisation of transaction costs over 36 months	1 672	129	1 672	129
	421 081	419 287	421 081	419 287

The following term debt has been raised under the R2.0 billion domestic medium term note programme dated 3 August 2012:

On 11 May 2016, five year notes to the value of R175.0 million were issued under the notes programme. A fixed coupon rate of 13.5%. Interest will be payable on a bi-annual basis in May and November of every year. The funds are used for general corporate purposes.

In addition, on 9 June 2016 a further R250.0 million worth of 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. These funds are used towards partially financing existing and future developments at Booysendal.

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

28. Preference share liability

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Opening balance	7 575 697	6 656 891	–	–
Accrued preference share dividends	1 060 861	918 806	–	–
Preference shares liability relating to Zambezi Platinum (RF) Limited	8 636 558	7 575 697	–	–
Derecognition of Zambezi Platinum (RF) Limited preference shares through the investment in the preference shares together with the accrued dividends	(226 976)	–	–	–
Liquidity fees amortised over the 10 year lock-in period relating to the black economic empowerment transaction	(129 757)	(146 148)	–	–
	8 279 825	7 429 549	–	–

On 18 May 2015, 159 905 453 cumulative redeemable preference shares were issued by Zambezi Platinum (RF) Limited at an issue price of R41 per share. 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. Transaction costs are included in the initial measurement of the financial liability.

The liquidity fees are amortised over the 10-year lock-in period.

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For the year ended 30 June 2017

29. Share-based payment liability

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Total share-based payment liability	163 665	141 077	98 221	96 838
Short-term portion of share-based payment liability	(75 026)	(56 704)	(45 988)	(44 197)
Long-term share-based payment liability	88 639	84 373	52 233	52 641
The movement in the share-based payment liability is made up as follows:				
Opening balance	141 077	130 485	96 838	108 210
Share-based payment expense during the year (note 36)	96 083	64 175	63 809	35 629
Options/incentive shares cash settled during the year	(73 495)	(53 583)	(62 426)	(47 001)
Total share-based payment liability	163 665	141 077	98 221	96 838

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

Share option scheme (the scheme)

Grant date Expiry date Exercise price in ZAR	5 Nov 2009 4 Nov 2016 36.95	1 July 2010 30 June 2017 45.59	12 Oct 2010 11 Oct 2017 46.57	Claw back 40.00	Total
Opening balance 1 July 2016	265 000	–	1 795 000	80 767	2 140 767
Options forfeited during the year	(12 500)	–	–	(497)	(12 997)
Options exercised during the year	(252 500)	–	(1 592 500)	(72 332)	(1 917 332)
July	–	–	(90 000)	(3 534)	(93 534)
August	(45 000)	–	(25 000)	(2 746)	(72 746)
September	(182 500)	–	(370 000)	(21 684)	(574 184)
October	–	–	(347 500)	(13 544)	(361 044)
November	(25 000)	–	–	(980)	(25 980)
December	–	–	(45 000)	(1 767)	(46 767)
January	–	–	(471 500)	(18 515)	(490 015)
February	–	–	(243 500)	(9 562)	(253 062)
March	–	–	–	–	–
April	–	–	–	–	–
May	–	–	–	–	–
June	–	–	–	–	–
Balance as at 30 June 2017	–	–	202 500	7 938	210 438

Grant date Expiry date Exercise price in ZAR	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	Claw back 40.00	Total
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. The vesting conditions are the same as the outstanding options to which the claw back options relate to.

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.

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For the year ended 30 June 2017

The following table lists the inputs to the model used for the share option scheme for the year ended 30 June 2017:

Grant date	12 Oct 2010
Dividend yield (%)	–
Expected volatility (%)	46.60
Risk-free interest rate (%)	7.51
Expected life of share options (years)	0.25
Spot price (ZAR)	40.45
Model used*	Market value

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

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

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

Share incentive plan (the SIP)

Below is an analysis of share incentives held as at 30 June 2017:

Retention shares	15 Nov 2013 Share award	4 Nov 2014 Share award	11 Nov 2015 Share award	8 Nov 2016 Share award	Total
Balance 1 July 2016	–	600 200	811 800	–	1 412 000
Shares awarded during the year	–	–	–	550 400	550 400
Shares forfeited	–	(16 340)	(36 660)	(22 100)	(75 100)
Shares cash settled during the year	–	(56 160)	(66 040)	(19 400)	(141 600)
Balance at 30 June 2017	–	527 700	709 100	508 900	1 745 700
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

Performance shares	6 Nov 2012 Share award	15 Nov 2013 Share award	4 Nov 2014 Share award	11 Nov 2015 Share award	8 Nov 2016 Share award	Total
Balance 1 July 2016	–	897 000	1 775 100	2 405 300	–	5 077 400
Shares awarded during the year	–	–	–	–	1 626 600	1 626 600
Shares forfeited/adjusted for performance conditions met during the year	–	(415 800)	(47 840)	(108 860)	(65 000)	(637 500)
Shares cash settled during the year	–	(481 200)	(166 160)	(195 740)	(57 000)	(900 100)
Balance at 30 June 2017	–	–	1 561 100	2 100 700	1 504 600	5 166 400
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.

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For the year ended 30 June 2017

The following table lists the inputs to the model used for the share incentive plan for the year ended 30 June 2017:

	4 Nov 2014 Retention shares	4 Nov 2014 Performance shares	11 Nov 2015 Retention shares	11 Nov 2015 Performance shares	8 Nov 2016 Retention shares	8 Nov 2016 Performance shares
Dividend yield (%)	–	–	–	–	–	–
Forfeiture rate (%)	0.9	0.9	0.9	0.9	0.9	0.9
Expected life of share awards (years)	0.25	0.35	1.37	1.37	2.36	2.36
Spot price (ZAR)	40.45	40.45	40.45	40.45	40.45	40.45
Model used*	Market value	Market value	Market value	Market value	Market value	Market value

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

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

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

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.

Lock-in and incentive mechanism (LIM)

Northam was requested by certain of its key institutional shareholders to consider the creation of a mechanism which would appropriately incentivise Northam's senior management to address the financial risks associated with the guarantee provided by Northam in favour of the Zambezi preference shareholders. A lock-in and incentive mechanism (LIM) which is specifically structured to incentivise the mitigation of those risks introduced by and unique to the guarantee, as well as, retaining key members of Northam's senior management as employees until the redemption of the Zambezi Platinum (RF) Limited preference shares (preference shares) in May 2025 was approved.

The SIP incentivises Northam's management over the short to medium term (three years) and is primarily focused on motivating the achievement by management of various technical and financial targets. Although these measures are appropriate and essential to the viability of the group, the SIP does not allow for performance measures relating to the guarantee liability. This requires a long-term incentive mechanism premised on the exact variables which will determine the guarantee liability.

It is further recognised that Northam's market position relative to its peers has altered significantly with Northam having become a sizable and respected market participant. This success increases the risk of Northam losing members of its senior management, making it a strategic imperative for the company to retain management and prevent the loss of critical skills before the redemption date. In the circumstances, Northam and the relevant committees of its board of directors have resolved to amend the rules to incorporate the LIM, with a view to appropriately incentivising the management team in order to prevent the guarantee liability from materialising and simultaneously lock-in their skill-set until the redemption date. This objective is consistent with the interests of Northam's shareholders.

The LIM comprises two separate mechanisms structured with specific reference to the terms of the BEE transaction and, more specifically, the potential guarantee liability.

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Long-term BEE transaction incentive plan (BIP)

The BIP addresses the long-term incentivisation and retention of its participants by aligning their interests with shareholders through equity participation. The BIP is to be implemented through the SIP, which has been amended to incorporate the specific elements of the BIP. The BIP will be implemented in addition to the SIP and will not replace or affect the SIP.

The company will limit participants in the BIP to the key members of Northam's current and future key executive management team including, the chief executive officer (CEO), chief financial officer (CFO), chief commercial officer (CCO), chief geologist (CG), chief technical officer (CTO), executive officer HR (EHR) and the senior general managers of Booysendal and Zondereinde mines (GM) (participants). The positions of the CG and CTO have not been filled and remain subject to the employment of suitable candidates by the group and the BEE CPS allocated to these positions will not be issued in the event that they are not filled.

In terms of the BIP an aggregate of 5 million shares will be conditionally awarded to the participants through the creation and award of 5 000 000 BEE CPS under the SIP. The CEO has been allocated 1 500 000 BEE CPS, the CFO has been allocated 700 000 BEE CPS, both the CTO and EHR have been allocated 500 000 BEE CPS and each GM have been allocated 200 000 BEE CPS. The shares were valued taking into account a forfeiture rate of 0% and the year-end share price of R40.45 as well as the years to maturity. The aggregate number of BEE CPS issued represents less than 1% of Northam's current issued share capital and may be settled in cash or shares at the election of the independent committee of the board responsible for administering the SIP at that time.

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

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

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Opening balance	–	–	–	–
Shares awarded during the year	3 600 000	–	3 600 000	–
Balance as at 30 June 2017	3 600 000	–	3 600 000	–

The following table lists the inputs to the model used for the long-term BEE transaction incentive plan for the year ended 30 June 2017:

	BEE shares
Dividend yield (%)	–
Forfeiture rate (%)	–
Expected life of share awards (years)	7.92
Spot price (ZAR)	40.45
Model used*	Market value

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

30. Revolving credit facility

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Revolving credit facility	–	–	–	–

The group has a revolving credit facility with Nedbank Limited. The facility is effective from November 2016, to the value of R1.0 billion for the first 18 months after which the facility will increase to R1.5 billion. Commitment fees are payable on the revolving credit facility amounting to 0.99% per annum on the unutilised portion of the facility.

Interest accrues at JIBAR plus 3.30% on any outstanding loan balance.

The facility will expire after a period of 60 months.

31. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Trade payables	503 007	362 996	199 797	155 558
Accruals	367 363	302 171	334 931	237 196
South African Revenue Service – Value added tax	11 024	13 278	–	–
South African Revenue Service – Mineral royalties	–	51	–	–
Accrued interest and commitment fees	5 741	4 782	5 741	4 782
Accrued interest on the *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden* loan	–	1 136	–	–
Amounts payable to Booysendal Platinum Proprietary Limited	–	–	476 547	363 618
Employee related accruals	193 690	142 289	157 242	111 168
Provisional pricing payables	122 802	–	73 251	–
Other	64 545	51 232	7 354	13 036
	1 268 172	877 935	1 254 863	885 358

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.

The carrying value of trade and other payables approximate their fair value.

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

	Group		Company	
	2017	2016	2017	2016
	€000	€000	€000	€000
Amounts denominated in € included in trade and other payables	288	1 241	–	1 241

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32. Short-term provisions

Short-term provisions consist of the provision for leave pay:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Balance at the beginning of the year	125 788	127 270	131 015	120 464
Additional amounts raised	197 246	284 088	173 831	274 664
Provision for leave pay utilised	(167 830)	(271 558)	(158 874)	(264 113)
Total leave pay provision at the end of the year	155 204	139 800	145 972	131 015
Long-term portion allocated to long-term provisions (note 24)	–	(14 012)	–	(13 215)
Short-term portion	155 204	125 788	145 972	117 800

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.

33. Other long-term employee benefits

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

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Assets at fair market value as at 1 July	112 427	97 635	112 427	97 635
Interest income	8 702	7 784	8 702	7 784
Employer contributions	312	10 914	312	10 914
Benefits paid	(1 687)	(989)	(1 687)	(989)
Actuarial loss	(5 234)	(2 565)	(5 234)	(2 565)
Administration costs	(339)	(352)	(339)	(352)
Assets at fair market value as at 30 June	114 181	112 427	114 181	112 427
Unrecognised due to asset ceiling limit*	76 172	82 811	76 172	82 811
Below is a breakdown of other long-term employee benefits:				
Other long-term employee benefit as at 1 July	29 616	16 579	29 616	16 579
Service costs	12 167	10 320	12 167	10 320
Interest cost	3 167	1 980	3 167	1 980
Actuarial (gain)/loss	(4 915)	2 078	(4 915)	2 078
Benefits	(1 687)	(989)	(1 687)	(989)
Administration costs	(339)	(352)	(339)	(352)
Other long-term employee benefit as at 30 June	38 009	29 616	38 009	29 616
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.

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For the year ended 30 June 2017

34. Revenue

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Sales revenue (note 35)	6 865 185	6 097 070	6 395 036	5 740 467
Investment revenue (note 37)	167 306	265 258	126 043	109 480
Sundry revenue – dividends received (note 39)	–	–	–	127 024
Sundry revenue - treatment charges (note 39)	18 846	42 313	18 846	42 313
	7 051 337	6 404 641	6 539 925	6 019 284

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

35. Sales revenue

Sales revenue comprises revenue from the following metals:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Platinum	3 692 945	3 731 417	3 692 945	3 731 417
Palladium	1 316 374	1 122 284	1 316 374	1 122 284
Rhodium	453 084	442 998	453 084	442 998
Gold	99 322	92 151	99 322	92 151
Chrome	925 294	354 653	455 145	–
Housing revenue	–	1 950	–	–
Other	378 166	351 617	378 166	351 617
	6 865 185	6 097 070	6 395 036	5 740 467

Revenue per metal and per segment:

	Zondereinde segment	Booysendal segment	Intercompany elimination	Total
	2017	2017	2017	2017
	R000	R000	R000	R000
Platinum	3 692 945	1 284 164	(1 284 164)	3 692 945
Palladium	1 316 374	500 433	(500 433)	1 316 374
Rhodium	453 084	189 076	(189 076)	453 084
Gold	99 322	19 328	(19 328)	99 322
Chrome	455 145	470 149	–	925 294
Other	378 166	111 292	(111 292)	378 166
	6 395 036	2 574 442	(2 104 293)	6 865 185

	Zondereinde segment*	Booysendal segment	Intercompany elimination	Other	Total
	2016	2016	2016	2016	2016
	R000	R000	R000	R000	R000
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*

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

	Zondereinde segment	Booysendal segment	Total
	2017	2017	2017
	R000	R000	R000
Europe	2 896 100	–	2 896 100
Japan	1 079 020	–	1 079 020
North America	1 088 496	–	1 088 496
Australia	42 303	–	42 303
South Africa	1 289 117	470 149	1 759 266
	6 395 036	470 149	6 865 185

	Zondereinde segment	Booysendal segment	Other	Total
	2016	2016	2016	2016
	R000	R000	R000	R000
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

The following customers each account for more than 10% of the total sales revenue of the group, either in the current or prior year:

	2017	2016
	R000	R000
Customer 1	658 404	1 170 826
Customer 2	1 079 020	1 153 243
Customer 3	660 461	826 262
Customer 4	784 459	793 239
Customer 5	634 894	725 989
Customer 6	1 391 378	186 357
Customer 7	925 294	354 653
	6 133 910	5 210 569

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36. Operating costs

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Labour	1 906 518	1 776 055	1 733 561	1 614 436
Stores	1 072 836	941 567	923 642	836 821
Utilities	703 898	638 304	564 702	512 683
Sundries and contractors	1 992 765	1 649 607	495 696	457 726
Rehabilitation costs	–	1 700	–	8 568
	5 676 017	5 007 233	3 717 601	3 430 234

Below are the operating costs per segment.

	Zondereinde segment	Booysendal segment	Intercompany	Total
	2017	2017	2017	2017
	R000	R000	R000	R000
Labour	1 733 561	172 957	–	1 906 518
Stores	923 642	149 194	–	1 072 836
Utilities	564 702	139 196	–	703 898
Sundries and contractors	495 696	1 503 069	(6 000)	1 992 765
	3 717 601	1 964 416	(6 000)	5 676 017

	Zondereinde segment*	Booysendal segment	Other	Total
	2016	2016	2016	2016
	R000	R000	R000	R000
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

** The Zondereinde segment includes the operations of Northam Chrome Proprietary Limited*

Labour costs included in operating costs

The aggregate earnings and benefits to employees, including directors, amounted to:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Salaries, wages and other benefits	1 608 649	1 504 405	1 478 292	1 381 047
Contributions to retirement benefit funds	128 674	123 964	120 002	115 853
Contributions to health care funds	73 112	68 831	71 458	67 227
Share-based payment expense (Note 29)	96 083	64 175	63 809	35 629
Employee empowerment scheme	–	10 914	–	10 914
	1 906 518	1 772 289	1 733 561	1 610 670
Fees paid to non-executive directors	4 216	3 766	4 216	3 766
	1 910 734	1 776 055	1 737 777	1 614 436

Key management compensation is disclosed in the related party note (note 47).

37. Investment revenue

Investment revenue consists of the following:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Interest received on cash and cash equivalents	96 847	193 663	77 277	29 801
Dividend income received from short-term investments	47 942	2 649	18 094	1 018
Interest and liquidation dividends received from subsidiaries	–	–	3 891	27 223
Interest received on instalment sales agreements	9 768	10 201	–	–
Interest received relating to the Northam Platinum Restoration Trust Fund	8 586	6 087	5 070	2 794
Interest received relating to the Buttonshope Conservancy Trust	686	755	–	–
Interest from insurance contingency fund	–	47 808	–	–
Accrued dividends from Zambezi Platinum (RF) Limited	–	–	19 205	–
Deemed interest on the interest free home loans	456	–	370	–
Interest received from the South African Revenue Service	3 017	3 104	2 134	–
Other financial instruments	4	991	2	48 644
	167 306	265 258	126 043	109 480

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For the year ended 30 June 2017

38. Finance costs excluding preference share dividends

Finance costs consists of the following:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Finance costs relating to the domestic medium term debt notes	(51 797)	(28 283)	(51 797)	(28 283)
Amounts capitalised in terms of IAS23 Borrowing costs	51 797	–	23 625	–
Commitment fees and borrowing facilities	(7 435)	(5 014)	(7 435)	(5 014)
Interest on the loan from the *Nederlandse Financierings Maatschappij voor Ontwikkelingslanden NV*	(3 402)	(4 447)	–	–
Amortisation of the transaction costs relating to the domestic medium term debt notes	(1 794)	(170)	(1 794)	(170)
Amortisation of the transaction costs relating to the revolving credit facility	(1 003)	–	(1 003)	–
Unwinding of rehabilitation liability	(41 491)	–	(21 004)	–
Unwinding of research and development liability	(7 990)	–	(7 990)	–
Other financial instruments	(8 070)	(1 720)	(5 114)	(48)
	(71 185)	(39 634)	(72 512)	(33 515)

39. Sundry income

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Dividends received	–	–	–	127 024
Treatment charges in respect of concentrate purchased	18 846	42 313	18 846	42 313
Rent received	6 647	5 981	4 516	5 950
Sale of scrap	5 652	4 677	3 407	3 041
Insurance claim/refund	–	59 595	–	59 030
Profit on sale of property, plant and equipment	1 762	57	1 762	57
Profit on sale of Trans Hex Group Limited shares	–	–	–	14 210
Write back of impairment of Trans Hex Group Limited shares	–	34 122	–	–
Accommodation and housing income	11 286	–	2 895	–
Business rescue proceeds from Valditime Proprietary Limited settlement	7 654	–	7 654	–
Write back of impairment of Pandora joint venture	–	–	7 879	–
Environmental guarantee investment income	7 759	2 223	5 320	2 050
Management fees received from associate	2 644	–	–	–
Other	11 111	5 797	11 954	2 707
	73 361	154 765	64 233	256 382

40. Sundry expenditure

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Amortisation of participation interest in the Pandora joint venture	–	(2 600)	–	(2 600)
Impairment of investments in associates	–	(20 512)	–	(20 512)
Corporate action costs and once-off project costs	(56 541)	(7 756)	(55 570)	(7 756)
Booysendal land management	(5 452)	(3 324)	–	–
Booysendal South care and maintenance	(23 983)	(28 084)	–	–
Eland care and maintenance	(11 982)	–	–	–
Loss on sale of investment in Trans Hex Group Limited	–	(21 024)	–	–
Accommodation and housing expenses	(14 551)	–	(2 900)	–
Black Economic Empowerment Trust operating costs	(8 546)	–	–	–
Donation to the Northam Employee Trust	–	–	(1 000)	(1 000)
Administrative costs relating to Zambezi Platinum (RF) Limited	(552)	(3 076)	(552)	(3 076)
Other expenditure	(9 236)	(5 746)	(565)	(2 145)
	(130 843)	(92 122)	(60 587)	(37 089)

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For the year ended 30 June 2017

41. Taxation

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Current income tax				
Current income tax charge	70 327	148 505	63 204	49 035
Adjustment in respect of current income tax of previous years	(219)	(7 680)	–	(7 748)
	70 108	140 825	63 204	41 287
Deferred tax				
Relating to origination and reversal of temporary differences	139 578	96 069	9 741	67 701
Other	2 335	–	120	–
	141 913	96 069	9 861	67 701
Income tax expense reported in profit or loss	212 021	236 894	73 065	108 988
Taxation comprises:				
Non-mining tax	70 327	148 313	63 204	48 843
Adjustment in respect of prior years	(219)	(7 680)	–	(7 748)
Deferred tax	141 913	96 069	9 861	67 701
Capital gains tax	–	192	–	192
	212 021	236 894	73 065	108 988
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
Adjustments in respect of prior years' normal and deferred tax	(7.8)	(2.8)	3.8	(2.1)
Dividend income received	–	–	–	9.3
Tax on capital contributions from third party	–	(5.8)	–	(4.2)
Impairment of investment in joint venture	–	(2.1)	–	(1.5)
Exempt income received	5.2	–	(7.1)	–
Expenditure incurred which is not deductible	(7.0)	(7.1)	3.7	(0.2)
Corporate action costs	–	(0.8)	–	(0.6)
Amortisation of liquidity fees paid on preference shares	(1.2)	(1.9)	–	–
Preference share dividends disallowable	(67.2)	(94.8)	–	–
Capital gains tax	–	–	–	(0.1)
Effective tax rate	(50.0)	(87.3)	28.4	28.6

The current rate of mining tax applicable to the company is 28% (2016: 28%). Non-mining income is subject to a rate of 28% (2016: 28%). Deferred tax is provided at the statutory rate of 28% for all temporary differences. Dividend withholding tax is levied at 20% (2016: 15%) for local shareholders, who are not companies.

Capital gains tax at an effective rate of 22.4% (2016: 22.4%) is payable on any gains realised on the disposal of investments or mining properties.

42. 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	
	2017	**2016**	**2017**	**2016**
	R000	**R000**	**R000**	**R000**
Loss attributable to shareholders	(635 943)	(508 263)		
Profit on the sale of property, plant and equipment	(1 762)	(57)		
Taxation impact	493	16		
Impairment of associate's assets	–	11 185		
Taxation impact	–	(3 132)		
Loss on sale of investment in associate	–	21 024		
Taxation impact	–	–		
IFRS 5 adjustment to fair value less cost to sell	841	–		
Taxation impact	–	–		
Reversal of impairment of investments and receivable balance	–	(13 610)		
Taxation impact	–	–		
Headline loss	(636 371)	(492 837)		

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

Dividends per share (cents)	–	–	–	–

The weighted average number of ordinary shares in issue outside the group for the purpose of calculating the loss per share and the weighted average number of ordinary shares for diluted earnings per share are calculated as the number of shares in issue less the treasury shares held:

Average number of ordinary shares in issue during the year	349 875 759	349 875 759
Average number of potentially diluted ordinary shares in issue	349 875 759	349 875 759
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	(181.8)	(145.3)
Fully diluted loss per share in cents	(181.8)	(145.3)
Headline loss per share in cents	(181.9)	(140.9)
Fully diluted headline loss per share in cents	(181.9)	(140.9)

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43. Cash generated from operations

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
(Loss)/profit before taxation	(423 922)	(271 369)	257 075	381 606
Adjusted for non-cash items:				
Profit on sale of property, plant and equipment	(1 762)	(57)	(1 762)	(57)
Depreciation and write-offs	452 584	403 545	182 650	187 966
Changes in long-term provisions	4 530	51 703	(5 821)	24 807
Changes in long-term receivables	5 972	4 786	–	–
Changes in short-term provisions	15 404	(1 482)	14 957	(2 664)
Share of (earnings)/losses from associates	(4 870)	32 253	–	–
Amortisation of participation interest in the Pandora joint venture	–	2 600	–	2 600
Loss/(profit) on sale of investment in associates	–	21 024	–	(14 210)
Finance charges on preference shares	1 017 396	918 806	–	–
Liquidity fees on the preference shares	16 390	18 088	–	–
Loss on derecognition of preference share liability	901	–	–	–
Reversal of impairment of investment in associates	–	(13 610)	–	20 512
IFRS 5 adjustment to fair value less costs to sell	841	–	(7 879)	–
Net foreign exchange movement	46 729	–	32 564	–
Other	(1 521)	1 395	(5 717)	–
Movement in share-based payment liability	22 588	10 592	1 383	(11 372)
Finance charges excluding preference share dividends	71 185	39 634	72 512	33 515
Investment revenue	(167 306)	(265 258)	(106 838)	(109 480)
Dividends received	–	–	–	(127 024)
	1 055 139	952 650	433 124	386 199

44. Change in working capital

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Inventories	(398 832)	(203 720)	(364 744)	(262 903)
Trade and other receivables	(173 793)	123 650	(213 603)	7 144
Trade and other payables	390 237	(82 061)	369 505	200 055
	(182 388)	(162 131)	(208 842)	(55 704)

45. Taxation paid

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Balance owing at the beginning of the year	46 847	81 377	(45 716)	(11 624)
Profit or loss charge	70 108	140 825	63 204	41 287
Balance owing at the end of the year	(64 177)	(46 847)	37 923	45 716
	52 778	175 355	55 411	75 379

46. Financial risk management objectives and policies

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

Financial risk management is carried out by the finance department. Policies are approved by the board of directors, which sets guidelines to identify, evaluate and hedge financial risks in cooperation with the operating units.

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

The group operates on international commodity markets and is therefore exposed to foreign exchange risk primarily with respect to the US dollar. Foreign exchange risks arises from future commercial transactions and are recognised both in financial assets and liabilities. To manage foreign exchange risks arising from future commercial transactions, the group, from time to time, may use forward exchange contracts within board-approval limits.

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The 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.

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The following table demonstrates the sensitivity to a possible change in exchange rates with all other variables held constant, of the group's profit before tax due to changes in the fair value of monetary assets and liabilities, with a debit to profit or loss being disclosed in brackets.

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Weakening by 10% of USD	63 884	63 213	63 884	63 213
Strengthening by 10% of USD	(63 884)	(63 213)	(63 884)	(63 213)
Weakening by 10% of €	(15 350)	(18 352)	(14 920)	(18 352)
Strengthening by 10% of €	15 350	18 352	14 920	18 352
At year-end the foreign currency value of items under their respective statement of financial position classifications were as follows:				
Accounts receivable: USD	13 279	6 351	13 279	6 351
Cash and cash equivalents: USD	35 655	36 636	35 655	36 636
Accounts payable: €	(288)	(1 241)	–	(1 241)
Long-term loans: €	(10 000)	(10 000)	(10 000)	(10 000)
Exchange rates at year-end				
ZAR/USD	13.06	14.71	13.06	14.71
ZAR/€	14.92	16.33	14.92	16.33

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. PGMs are sold to third party clients, with prices being fixed based on contractual terms relating to the month in which the product was sold. Trade receivables relating to PGM debtors settle the outstanding receivable balance between 2 – 5 days.

For nickel, copper and chrome receivables, there is a commodity price risk that is retained. The following is an indication of the effect that changes in the nickel, copper and chrome prices would have on the profit before tax, based on the outstanding accounts receivable balance at year-end:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Weakening by 10% of the respective commodity prices	516	3 201	3 472	3 201
Strengthening by 10% of the respective commodity prices	(516)	(3 201)	(3 472)	(3 201)
At year-end the balances outstanding relating to provisional prices receivables amounted to:				
Nickel receivable	30 398	29 328	30 398	29 328
Copper receivable	3 749	2 292	3 749	2 292
Chrome receivable	35 593	–	15 595	–
Chrome payable	(64 576)	–	(15 025)	–

The group did not enter into any commodity 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, 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.

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

With regard to trade and other receivables, the group has policies in place to ensure that sales are only made to customers with an appropriate credit history. Trade debtors comprise a number of customers, dispersed across different geographical areas. Credit evaluations are performed on the financial conditions of these and other receivables from time to time. Trade receivables are presented in the statement of financial position net of any provision for impairment.

Credit risk relating to loans mainly consists of employee housing loans (note 19). These loans are secured by a second bond over residential properties.

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, preference shares and DMTN's 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	
	2017	2016	2017	2016
	R000	R000	R000	R000
Cash and cash equivalents				
Increase of 1%	17 867	31 051	13 967	16 544
Decrease of 1%	(17 867)	(31 051)	(13 967)	(16 544)
Floating rate borrowings				
Increase of 1%	(87 009)	(78 888)	(4 211)	(4 193)
Decrease of 1%	87 009	78 888	4 211	4 193

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

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Fair value

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

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

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

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

Level 2 – a technique where all inputs that have an impact on the value are observable, either directly or indirectly.

Level 3 – a technique where all inputs that have an impact on the value are no observable.

The following assets and liabilities are measured at fair value:

	Carrying amount	Fair value	Carrying amount	Fair value
	2017	2017	2016	2016
	R000	R000	R000	R000
Non-current assets held for sale	49 222	49 222	–	–

The non-current asset held for sale is classified within level 3 of the fair value hierarchy. For further information on this classification, refer to note 6. The fair value was determined based on the sales value as per the signed agreement plus the arrangement to reimburse all cash calls. As at 30 June 2017, the amount is considered to be fully recoverable and the carrying value therefore equals the fair value.

With regards to financial instruments the carrying amount of financial assets and financial liabilities approximate their fair value with the exception of the following:

	Carrying amount	Fair value	Carrying amount	Fair value
	2017	2017	2016	2016
	R000	R000	R000	R000
Financial guarantee (company results)	(7 535 944)	(1 941 405)	(7 535 944)	(770 976)
Preference share liability (group results)	(8 279 825)	(8 540 309)	(7 429 549)	(7 035 839)

The preference share liability is classified as level 1, whereas the financial guarantee is determined as level 2 using the fair value of the Northam shares are compared to the preference share liability.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities. The group has undrawn general banking facilities which were not drawn at year-end (no amounts drawn as at 30 June 2016).

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:

Under the domestic medium term note programme (dated 3 August 2012), 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 has a revolving credit facility with Nedbank Limited. The facility is effective from November 2016, to the value of R1.0 billion for the first 18 months after which the facility will increase to R1.5 billion. Commitment fees are payable on the revolving credit facility amounting to 0.99% per annum on the unutilised portion of the facility. Interest accrues at JIBAR plus 3.30% on any outstanding loan balance. The facility will expire after a period of 60 months.

Previously 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.

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.

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

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The maturity profile of the group's financial liabilities is set out below, into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date representing the undiscounted contractual cash flows:

	Payable on demand	1 – 6 months	More than 6 months	More than a year	Total
	2017	2017	2017	2017	2017
Group	**R000**	**R000**	**R000**	**R000**	**R000**
Trade payables	503 007	–	–	–	503 007
Accrued interest on the domestic medium term notes	–	5 741	–	–	5 741
Accruals	–	367 363	–	–	367 363
Employee related accruals	–	193 690	–	–	193 690
Provisional pricing payables	–	122 802	–	–	122 802
Other	–	–	–	64 545	64 545
Long-term loans	–	149 168	9 400	159 800	318 368
Domestic medium term debt notes	–	25 825	25 825	523 900	575 550
Preference share liability*	–	–	–	23 951 323	23 951 323
	503 007	864 589	35 225	24 699 568	26 102 389

** 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.*

	Payable on demand	1 – 6 months	More than 6 months	More than a year	Total
	2016	2016	2016	2016	2016
Group	**R000**	**R000**	**R000**	**R000**	**R000**
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 NV* loan	–	1 136	–	–	1 136
Accruals	–	302 171	–	–	302 171
Employee related accruals	–	142 289	–	–	142 289
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	489 787	29 889	25 437 861	26 320 533

** 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.*

	Payable on demand	1 – 6 months	More than 6 months	More than a year	Total
	2017	2017	2017	2017	2017
Company	R000	R000	R000	R000	R000
Trade payables	199 797	–	–	–	199 797
Accrued interest on the domestic medium term notes	–	5 741	–	–	5 741
Accruals	–	334 931	–	–	334 931
Amounts payable to Booysendal Platinum Proprietary Limited	–	476 547	–	–	476 547
Employee related accruals	–	157 242	–	–	157 242
Provisional pricing payables	–	73 251	–	–	73 251
Other	–	7 354	–	–	7 354
Long-term loans	–	149 168	9 400	159 800	318 368
Domestic medium term debt notes	–	25 825	25 825	523 900	575 550
	199 797	1 230 059	35 225	683 700	2 148 781

	Payable on demand	1 – 6 months	More than 6 months	More than a year	Total
	2016	2016	2016	2016	2016
Company	R000	R000	R000	R000	R000
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
Employee related accruals	–	111 168	–	–	111 168
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	751 989	25 825	767 186	1 700 558

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Capital management (including equity risk)

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

The 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.

It is important to note that the groups BEE partner, Zambezi Platinum (RF) Limited own 31.4% of the issued capital of Northam Platinum Limited. Zambezi Platinum (RF) Limited's prospects are however limited in nature in that they are dependent on the prospects of the Northam Platinum Limited share price and the returns attributable to the preference shares are constant and fluctuate only in accordance with prevailing interest rates. Various characteristics of the preference shares, such as the Northam guarantee and redemption payment structure, provide the holders of the Zambezi preference shares with additional security regarding the recoverability of their dividends and capital.

The preference shareholders retain equity risk as a result of the redemption being ultimately underpinned by the value of Northam Platinum Limited share performance and/or Northam Platinum Limited's ability to continue as a going concern. The preference shares therefore present their holders with a combination of the risks and rewards associated with equity and debt instruments.

Northam Platinum Limited's prospects for growth and continued profitability are subject to various external and internal factors which cannot be accurately predicted, forecasted or controlled by Zambezi Platinum (RF) Limited as an investor in Northam Platinum Limited.

The redemption of the 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).

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 Platinum Limited shares before the redemption amount becomes due or making payment directly to the preference shareholders. The manner of settlement is not contractually specified and is at the discretion of Northam Platinum Limited.

Therefore, should the Northam Platinum Limited share price not increase in value over the next 10 years there could be a significant dilution in value for all Northam Platinum Limited shareholders, should additional shares be issued to the preference shareholders.

No changes were made in the objectives, policies or processes during the years ended 30 June 2017 and 30 June 2016.

Categories of financial instruments

The following table summarises the classification of financial instruments for the group and company:

	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non- financial instruments	Total
	2017	2017	2017	2017	2017
Group	**R000**	**R000**	**R000**	**R000**	**R000**
Long-term receivables	–	83 745	–	–	83 745
Investment in the Northam Platinum Restoration Trust Fund	–	102 233	–	–	102 233
Environmental Conservancy Trust	–	68 104	–	–	68 104
Buttonshope Conservancy Trust	–	11 126	–	–	11 126
Other assets	–	–	–	7 591	7 591
Trade and other receivables	–	340 278	–	208 719	548 997
Cash and cash equivalents	–	1 786 865	–	–	1 786 865
Preference share liability	–	–	(8 279 825)	–	(8 279 825)
Long-term loans	–	–	(249 428)	–	(249 428)
Domestic medium term debt notes	–	–	(421 081)	–	(421 081)
Current portion of long-term loans	–	–	(13 434)	–	(13 434)
Trade and other payables	–	–	(1 257 148)	(11 024)	(1 268 172)

	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non- financial instruments	Total
	2016	2016	2016	2016	2016
Group	**R000**	**R000**	**R000**	**R000**	**R000**
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)

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	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non- financial instruments	Total
	2017	2017	2017	2017	2017
Company	R000	R000	R000	R000	R000
Other investment: investment in Zambezi Platinum (RF) Limited preference shares	230 505	–	–	–	230 505
Investment in the Northam Platinum Restoration Trust Fund	–	48 274	–	–	48 274
Environmental Conservancy Trust	–	54 507	–	–	54 507
Other assets	–	–	–	7 591	7 591
Subsidiary loans receivable	–	1 838 213	–	–	1 838 213
Trade and other receivables	–	312 759	–	175 197	487 956
Cash and cash equivalents	–	1 396 677	–	–	1 396 677
Long-term loans	–	–	(249 428)	–	(249 428)
Financial guarantee liability	–	–	(7 535 944)	–	(7 535 944)
Domestic medium term debt notes	–	–	(421 081)	–	(421 081)
Current portion of long-term loans	–	–	(13 434)	–	(13 434)
Trade and other payables	–	–	(1 254 864)	–	(1 254 864)

	Available for sale investment	Loans and receivables	Financial liabilities at amortised cost	Non- financial instruments	Total
	2016	2016	2016	2016	2016
Company	R000	R000	R000	R000	R000
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)

47. Related parties

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

	Effective holding	Share capital and premium	Investment	Indebtedness	Indebtedness
	2017	2017	2017	2017	2016
	%	R000	R000	R000	R000
Mining Technical Services Proprietary Limited	100.0	***	*	26 543	15 002
Khumama Platinum Proprietary Limited#	100.0	7 106 126	10 166 000	–	1
Booysendal Platinum Proprietary Limited#	100.0	6 955 843	**	1 720 088	2 262 163
Eland Platinum Proprietary Limited	100.0	50 000	50 000	–	–
Mvelaphanda Resources Proprietary Limited	100.0	4 358	–	–	1 047
Northam Chrome Proprietary Limited	–	–	–	–	–
Windfall 38 Properties Proprietary Limited	–	***	*	9 689	14 590
Norplats Properties Proprietary Limited	–	***	*	81 893	62 180
Zambezi Platinum (RF) Limited	N/A	–	****	–	–
Northam Zondereinde Community Trust	–	–	–	–	–
Northam Booysendal Community Trust	–	–	–	–	–
Northam Employee Trust	–	–	–	–	–
Buttonshope Conservancy Trust	–	–	–	–	–
Northam Restoration Trust Fund	–	–	–	–	–
			10 216 000	1 838 213	2 354 983

***** Investment held in Zambezi Platinum (RF) Limited preference shares*
**** Issued capital is less than R1 000*
*** Indirectly held subsidiary through Khumama Platinum Proprietary Limited*
** Investment less than R1 000*

#These loans will no longer be required, as these loans have either been capitalised or is in the process of being capitalised as part of the restructuring of the Northam group.

Below is a summary of the various transactions and other balances outstanding from group companies, which was eliminated on consolidation:

	Revenue interest and dividends received	Concentrate purchased	Operating as well as sundry costs	Trade and other receivables	Trade and other payables
	2017	2017	2017	2017	2017
	R000	R000	R000	R000	R000
Mining Technical Services Proprietary Limited	–	–	(3 000)	–	–
Khumama Platinum Proprietary Limited	–	–	(1)	–	–
Booysendal Platinum Proprietary Limited	–	(2 104 293)	–	–	(476 547)
Eland Platinum Proprietary Limited	–	–	–	13 616	–
Windfall 38 Properties Proprietary Limited	2 329	–	–	–	–
Norplats Properties Proprietary Limited	1 560	–	–	–	–
Zambezi Platinum (RF) Limited	–	–	(552)	–	–
Northam Zondereinde Community Trust	–	–	–	2 351	–
Northam Booysendal Community Trust	–	–	–	2 351	–
Northam Employee Trust	–	–	–	2 352	–

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For the year ended 30 June 2017

Below is a summary of the various transactions and other balances outstanding from group companies, which was eliminated on consolidation:

	Revenue interest and dividends received	Concentrate purchased	Operating as well as sundry costs	Trade and other receivables	Trade and other payables
	2016	2016	2016	2016	2016
	R000	R000	R000	R000	R000
Booysendal Platinum Proprietary Limited	24 113	(1 843 980)	–	–	(363 618)
Northam Chrome Proprietary Limited	127 024	–	–	–	–
Windfall 38 Properties Proprietary Limited	1 168	–	–	–	–
Norplats Properties Proprietary Limited	1 942	–	–	–	–
Zambezi Platinum (RF) Limited	–	–	(3 076)	–	–

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 has signed a letter of guarantee concerning both these facilities.

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 Mvelaphanda Resources Proprietary Limited 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.

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	Remuneration package	Performance bonus	Benefits	Gain on share-based payments	Total
	2017	2017	2017	2017	2017	2017
	R000	R000	R000	R000	R000	R000
Executive						
PA Dunne	–	7 291	6 217	191	–	13 699
AZ Khumalo	–	3 555	3 018	168	3 158	9 899
Non-executive						
PL Zim	409	–	–	–	–	409
R Havenstein	825	–	–	–	–	825
CK Chabedi	624	–	–	–	–	624
HH Hickey	418	–	–	–	–	418
TE Kgosi	732	–	–	–	–	732
AR Martin	245	–	–	–	–	245
KB Mosehla	515	–	–	–	–	515
TI Mvusi	284	–	–	–	–	284
JG Smithies	164	–	–	–	–	164
	4 216	10 846	9 235	359	3 158	27 814

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

	Fees	Remuneration package	Performance bonus	Benefits	Gain on share-based payments	Total
	2016	2016	2016	2016	2016	2016
	R000	R000	R000	R000	R000	R000
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

No individuals other than executive directors are considered to be prescribed officers. Details of the non-executive fees are disclosed in the directors report.

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For the year ended 30 June 2017

Details of share options granted to directors

A summary of the options held by executive directors at 30 June 2017 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	62 500
Claw back rights options	40.00	2 450
Number of options held at 30 June 2017		64 950

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

Details of share incentives granted to directors

Below is an analysis of share incentives held as at 30 June 2017:

	4 Nov 2014 Share award	11 Nov 2015 Share award	8 Nov 2016 Share award	Total
Retention shares and performance shares				
PA Dunne				
Balance at 1 July 2016	150 300	193 200	–	343 500
Retention shares awarded during the year	–	–	42 900	42 900
Performance shares awarded during the year	–	–	127 200	127 200
Shares cash settled during the year	–	–	–	–
Balance at 30 June 2017	150 300	193 200	170 100	513 600
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

Below is an analysis of share incentives held as at 30 June 2017:

	6 Nov 2012 Share award	15 Nov 2013 Share award	4 Nov 2014 Share award	11 Nov 2015 Share award	8 Nov 2016 Share award	Total
Retention shares and performance shares						
AZ Khumalo						
Balance at 1 July 2016	–	78 000	150 300	193 200	–	421 500
Retention shares awarded during the year	–	–	–	–	20 900	20 900
Performance shares awarded during the year	–	–	–	–	62 000	62 000
Shares adjusted for performance conditions met during the year	–	(20 280)	–	–	–	(20 280)
Shares cash settled during the year	–	(57 720)	–	–	–	(57 720)
Balance at 30 June 2017	–	–	150 300	193 200	82 900	426 400
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 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

Details of lock in and incentive mechanism (LIM) shares granted to directors

Summary of the LIM shares held by executive directors at 30 June 2017 are as follows:

	PA Dunne	AZ Khumalo
Balance at 1 July 2016	–	–
Shares awarded during the year	1 500 000	700 000
Balance at 30 June 2017	1 500 000	700 000

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For the year ended 30 June 2017

48. Commitments

At year-end the group and company had the following commitments arising in the ordinary course of business:

	Group		Company	
	2017	2016	2017	2016
	R000	R000	R000	R000
Capital expenditure – Booysendal mine				
Authorised but not contracted	273 288	404 054	–	–
Contracted	1 076 712	209 849	–	–
Capital expenditure – Zondereinde mine				
Authorised but not contracted	313 436	189 785	313 436	189 785
Contracted	1 385 807	660 939	1 385 807	660 939
Information Technology – outsource service provider				
Due within one year	24 104	20 903	15 536	15 458
Due within two to five years	4 055	2 441	2 408	2 016
Operating lease rentals – office equipment				
Due within one year	2 615	1 359	1 774	1 183
Due within two to five years	2 657	314	1 431	315
Operating lease rentals – premises as lessee				
Due within one year	5 414	5 307	5 414	2 352
Due within two to five years	15 772	21 186	15 772	9 269
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	–	–
Bank guarantee issued	75 970	50 717	50 580	50 717

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

49. Events after the reporting period

Subsequent to year-end, an agreement was entered into to purchase a suite of PGM recycling equipment and the associated premises from A-1 Specialized Services Inc., a recycler of PGMs. The business is located in the state of Pennsylvania, United States of America. The total value of the transaction amounts to USD10.7 million in cash.

In addition to the above, the section 102 Ministerial Consent relating to the approval for the purchase of the Tumela block mineral resources from Anglo American Platinum Limited for R1.0 billion was obtained.

Apart from this transaction, there have been no other events subsequent to the year-end, which require additional disclosure or adjustment to these financial results.