Annual financial statements

The financial statements set out on pages 31 to 58 were approved by the board of directors on 12 September 2003 and are signed on its behalf by:

T M G Sexwale
Chairman

B R van Rooyen
Director

Company secretary's confirmation

In terms of Section 268G (d) of the Companies Act I confirm that to the best of my knowledge the company has lodged with the Registrar of Companies all such returns as are required by a public company in terms of the Companies Act and that all such returns are true, correct and up to date in respect of the financial year reported upon.

S J van der Spuy
Company Secretary
12 September 2003

Report of the independent auditors

To the members of Northam Platinum Limited

We have audited the annual financial statements for the year ended 30 June 2003 as set out on pages 31 to 58. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on the financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining on a test basis evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion the financial statements fairly present in all material respects the financial position of the company at 30 June 2003 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

Ernst + Young

Ernst & Young
Registered Accountants and Auditors
Chartered Accountants (S.A.)

Johannesburg
12 September 2003

Directors' report

The directors have pleasure in submitting their report for the year ended 30 June 2003. The operational performance of the company is set out in the general manager's report, whilst the nature of business is described in the corporate profile on the inside front cover.

Corporate governance

The directors endorse the Code of Corporate Practices and Conduct set out in the second King Report on Corporate Governance (King 2) that was released in March 2002. The directors are of the view that the company now substantially adheres to the Code of Corporate Practices and Conduct contained in King 2, as is more fully explained in the corporate governance report on page 24.

Mining licences

The company's mining licences cover an area of approximately 7 625 hectares on the farms Aapieskraal 377 KQ, Amandelbult 383 KQ, Elandsfontein 386 KQ, Grootkuil 376 KQ, Kopje Alleen 422 KQ, Middeldrift 379 KQ, Vrugbaar 381 KQ and 387 KQ, Witvley 423 KQ and Zondereinde 384 KQ.

Property

A register of land and buildings is available for inspection at the registered office of the company during normal business hours.

Financial results

The accounting policies, balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the financial statements on pages 39 to 58 reflect the financial results and position of the company.

Dividends

Dividends totalling 90 cents per share (F2002: 170 cents per share) absorbing R208 385 000 (F2002: R392 646 000) were declared. Details are as follows:

Interim dividend (No 9) – 90 cents per share

Declaration date:	5 February 2003
Last day to trade cum div:	21 February 2003
Commencement of trading ex div:	24 February 2003
Record date:	28 February 2003
Payment date:	3 March 2003

No final dividend was declared.

Shareholders who have dematerialised their shares receive payment electronically as provided for by STRATE. For those shareholders who have not yet dematerialised their shares, or who may intend not to do so, the company operates an electronic funds transmission service, whereby dividends may be electronically transferred to members' accounts. These shareholders are encouraged to mandate this method of payment for all future dividends.

Share capital

The authorised share capital of the company remains unchanged at R3 500 000 (F2002: R3 500 000) divided into 350 000 000 (F2002: 350 000 000) shares of one cent each.

During the year 624 000 shares were allotted and issued to participants of the Northam Share Option Scheme, for an aggregate consideration of R6 742 000, resulting in the issued share capital at 30 June 2003 being 231 538 500 (2002: 230 914 500) shares of one cent each.

At the forthcoming annual general meeting, members will be asked to place the authorised but unissued shares in the capital of the company, other than those shares that are reserved for purposes of the Northam Share Option Scheme, under the control of the directors in terms of Section 221(2) of the Companies Act, 1973 and the Listings Requirements of the JSE Securities Exchange South Africa.

Repayment of share premium

At the annual general meeting that was held on 7 November 2002, shareholders ratified the repayment of Share Premium in the amount of 75 cents per share (Capital Repayment No 1). Subsequent to this repayment, the following repayments of share premium have taken place:

Directors' report

Capital repayment No 2 – 20 cents per share

Last day to trade cum distribution:	2 May 2003
Commencement of trading ex distribution:	5 May 2003
Record date:	9 May 2003
Payment date:	12 May 2003

Proposed capital repayment

No 3 – 35 cents per share

Shareholders are referred to the circular to be mailed to shareholders on or about 15 September 2003 regarding the proposed capital repayment. The salient details are as follows:

Date of general meeting:	1 October 2003
Last day to trade cum distribution:	10 October 2003
Commencement of trading ex distribution:	13 October 2003
Record date:	17 October 2003
Payment date:	20 October 2003

At the forthcoming annual general meeting shareholders will be asked to grant the directors a general authority to distribute up to a maximum of 20% of the company's issued share capital in terms of the Listings Requirements of the JSE Securities Exchange South Africa and subject to the requirements of Section 90 of the Companies Act, 1973, as amended. The text of the resolution appears in the notice of annual general meeting on page 59.

Proposed acquisition of company's own shares

The Companies Act permits a company and its subsidiaries to acquire its own shares and for such subsidiaries to acquire shares of its holding company. Accordingly the directors have agreed to propose that shareholders be requested at the forthcoming annual general meeting to consider a special resolution granting the company a general authority to repurchase its own shares.

The text of the proposed special resolution, as well as the reasons therefor and effect thereof, appears in the notice of annual general meeting on page 59, which forms part of this report. A statement by the directors regarding the effect of the maximum repurchase permitted, also appears in the said notice. The general authority, if granted, will be subject to certain terms and conditions as set out in the aforementioned special resolution and will provide the directors with the necessary flexibility to procure the repurchase of the company's shares from time to time should such repurchase, in view of prevailing market conditions, be opportune and be deemed to be in the best interests of the company.

Borrowing powers

In terms of the articles of association, the directors may borrow for purposes of the company, such sums as they deem fit.

STRATE (Share Transactions Totally Electronic)

The company transferred to the STRATE environment during September 2001. Shareholders who have not already dematerialised their shares (certificated shareholders) are strongly 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 Securities Exchange South Africa unless the shares have been dematerialised.

Proposed amendment to articles of association

It is proposed to amend article 78 of the company's articles of association as certain provisions contained in this article, as it now stands, are no longer required. At the forthcoming annual general meeting of the company shareholders will accordingly be requested to approve a special resolution to amend this article.

The text of the proposed special resolution, as well as the reasons therefor and effect thereof, appears in the notice of annual general meeting on page 59, which forms part of this report.

Northam Share Option Scheme (the Scheme)

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

Options are offered at the prevailing price on the JSE Securities Exchange South Africa on the day before the offer. In terms of the rules of the Scheme, option holders may exercise 50% of their options two years after the offer date and 100% of their options three years after the offer date. Options not exercised within five years of the offer date shall lapse.

In terms of the rules of the Scheme, 11 550 000 unissued shares are reserved for participants of the scheme, and the maximum number of options that any one participant may hold is limited to 0.4% of the issued share capital of the company prevailing from time to time. At the date of this report, 0.4% of the issued capital equated to 926 000 shares.

A summary of the shares held under option at 30 June 2003 is as follows:

Earliest and latest exercise date	Price per share (cents)	Total number of options
1 March 2001 and 29 February 2004	420	25 000
10 March 2001 and 9 March 2004	400	15 000
29 July 2001 and 28 July 2004	520	25 000
9 November 2001 and 8 November 2004	600	142 000
7 November 2002 and 6 November 2005	1500	345 000
20 November 2003 and 19 November 2006	1200	1 491 000
Number of options held at 30 June 2002		2 043 000
New options granted during the year		
– at R12.00 per share		109 000
– at R20.00 per share		3 420 000
– at R17.30 per share		60 000
Number of options forfeited during the year		340 000
Number of options exercised during the year		624 000
Number of options held at 30 June 2003		4 668 000

At 30 June 2003, the outstanding options were exercisable as follows:

Earliest and latest exercise date	**Price per share (cents)**	**Total number of options**	**Options vested at 30 June 2003**	**Options exercisable in F2004**	**Options exercisable thereafter**
9 November 2001 and 8 November 2004	600	35 000	35 000	–	–
7 November 2002 and 6 November 2005	1 500	218 000	64 000	154 000	–
20 November 2003 and 19 November 2006	1 200	1 275 000	–	637 500	637 500
18 November 2004 and 17 November 2007	2 000	3 080 000	–	–	3 080 000
23 January 2005 and 22 January 2008	1 730	60 000	–	–	60 000
		4 668 000	99 000	791 500	3 777 500

Directors' report

Salient details of the options exercised during the year under review are as follows:

Exercise date	Number of options exercised	Exercise price R	Consideration R000
July 2002	15 000	4.00	60
August 2002	25 000	5.20	130
August 2002	15 000	6.00	90
August 2002	75 000	12.00	900
August 2002	20 000	15.00	300
November 2002	45 000	6.00	270
November 2002	82 500	15.00	1 237
December 2002	25 000	4.20	105
December 2002	24 500	6.00	147
December 2002	250 000	12.00	3 000
December 2002	24 500	15.00	368
February 2003	22 500	6.00	135
Total	624 000		6 742

Included in the tables above are the following regarding options issued and exercised by directors during the year:

	Balance at 1 July 2002		Granted during the year		Exercised during the year		Forfeited during the year	
	No of options	Price R	No of options	Price R	No of options	Price R	No of options	Price R
I C Watson	25 000	4.20			25 000	4.20		
	17 000	6.00			17 000	6.00		
	17 000	15.00			17 000	15.00		
	141 000	12.00	109 000	12.00	250 000	12.00		
			300 000	20.00			300 000	20.00
	200 000		409 000		309 000		300 000	

Gains realised by directors on options exercised during the year:

	Number of shares	Subscription price – cents	Market price – cents	Share option gain R000
I C Watson	25 000	420	1 885	366
	17 000	600	1 885	219
	17 000	1 500	1 885	65
	250 000	1 200	1 885	1 713
	309 000			2 363

Directorate

The following changes have taken place since the publication of the 2002 annual report dated 26 September 2002:

16 December 2002 – Mr I C Watson retired as managing director.

1 July 2003 – Mr R Havenstein was appointed a director in place of Mr B E Davison who resigned with effect from 30 June 2003.

The composition of the board of directors, as well as of board appointed committees, at the date of this report, is reflected on pages 25, 26 and 28.

The directors retiring by rotation in terms of the provisions of the company's articles of association are Messrs. E Molobi, R H H van Kerckhoven and M J Willcox who, being eligible and available, offer themselves for re-election. Furthermore, any director appointed during the course of a year shall retain office only until the next annual general meeting. Accordingly, members will be requested at the forthcoming annual general meeting, to consider resolutions providing for the re-election of Messrs. R Havenstein, E Molobi, R H H van Kerckhoven and M J Willcox.

Brief summaries of their curricula vitae appear on page 28.

Directors' fees

In terms of the articles of association the fees for services as directors are determined by the company in general meeting. The current level of fees paid to directors for their services is as follows:

Board fees

- Board chairman – R80 000 per annum.
- Board members – R40 000 per annum.
- Board meeting attendance fees – R3 000 per meeting.

Board appointed committees

- Committee chairmen – R40 000 per annum.
- Committee members – R20 000 per annum.
- Committee meeting attendance fees – R2 000 per meeting.

These fees are waived by executive directors.

Directors' report

Directors' remuneration

The directors' remuneration for the year was as follows:

	Fees R000	Remuneration package R000	Performance bonus R000	Gain on share options exercised R000	Total R000
2003					
Executive					
I C Watson	–	1 439*	103	2 363	3 905
Non-executive					
M E Beckett	106				106
B E Davison	73				73
D T G Emmett	83				83
A S Malone	76				76
E Molobi	76				76
T M G Sexwale	141				141
R H H van Kerckhoven	103				103
B R van Rooyen	145				145
M J Willcox	81				81
	884	1 439	103	2 363	4 789
2002					
Executive					
I C Watson	–	1 250	188	–	1 438
Non-executive					
M E Beckett	111				111
B E Davison	77				77
D T G Emmett	81				81
A S Malone	81				81
E Molobi	73				73
T M G Sexwale	141				141
R H H van Kerckhoven	105				105
B R van Rooyen	133				133
M J Willcox	99				99
	901	1 250	188	–	2 339

* Includes leave pay

Service contracts

None of the directors has a service contract with the company.

Directors' interests

According to information available to the company after reasonable inquiry, the interests of the directors and their families in the shares of the company at 30 June 2003 were as follows:

	30 June 2003			30 June 2002		
Name	**Direct Beneficial Holding**	**Indirect non-beneficial holding**	**Total**	Direct beneficial holding	Indirect non beneficial holding	Total
M E Beckett	**30 000**	**–**	**30 000**	30 000	–	30 000
A S Malone	**55 000**	**–**	**55 000**	40 432	–	40 432
T M G Sexwale	**–**	**6 757 959**	**6 757 959**	–	6 155 536	6 155 536
R H H van Kerckhoven	**5 145**	**–**	**5 145**	5 145	–	5 145
B R van Rooyen	**37 462**	**–**	**37 462**	37 462	–	37 462
M J Willcox	**–**	**1 351 592**	**1 351 592**	–	1 230 516	1 230 516
	127 607	**8 109 551**	**8 237 158**	113 039	7 386 052	7 499 091

At 30 June 2003, there were no indirect beneficial nor any direct non-beneficial holdings by directors.

Since 30 June 2003 and up to the date of this report, there have been no changes to the directors' shareholdings.

Analysis of shareholders at 30 June 2003

Shareholding range	Number of holders	Total Shareholding	Percentage holding
1 – 5 000	6 609	5 602 947	2.4
5 001 – 10 000	382	2 960 385	1.3
10 001 – 50 000	388	8 849 730	3.8
50 001 – 100 000	66	4 686 964	2.0
100 001 – 1 000 000	172	51 538 582	22.3
1 000 001 and over	29	157 899 892	68.2
	7 646	231 538 500	100.0

Category of shareholder	Number of holders	Total Shareholding	Percentage holding
Individuals	7 466	19 879 402	8.6
Companies	2	103 823 821	44.8
Pension and provident funds	64	50 209 873	21.7
Banks and insurance companies	12	12 602 376	5.4
Unit trusts and other managed funds	77	36 953 007	16.0
Investment trusts and other corporate bodies	25	8 070 021	3.5
Total	7 646	231 538 500	100.0

Directors' report

Major shareholders at 30 June 2003

To the best of the knowledge of the directors, and after reasonable enquiry, shareholders' holdings and holdings under management in excess of five per cent of the share capital of the company were as follows:

Owner	Number of shares	Percentage holding
Anglo American Platinum Corporation Limited	52 095 516	22.5
Mvelaphanda Resources Limited	51 728 305	22.3

Fund manager	Number of shares	Percentage holding
Allan Gray Limited	58 417 914	25.2
Stanlib Limited	18 174 553	7.8

Shareholder spread

The company's shareholder spread is set out below.

	Number of shareholders in SA		Number of shareholders other than in SA		Total shareholders	
Shareholder type	Nominal number	Percentage holding	Nominal number	Percentage holding	Nominal number	Percentage holding
Public	7 115	54.83	525	0.28	7 640	55.11
Directors	3	0.04	1	0.01	4	0.05
Other (any who fall outside the scope of the above)	2	44.84			2	44.84
Total	7 120	99.71	526	0.29	7 646	100.00

Northam Platinum Restoration Trust Fund

The Northam Platinum Restoration Trust Fund was established in 1996 to assist the company in making financial provision for the environmental rehabilitation of the mine, in terms of the Minerals Act, 1991, upon cessation of its mining operations.

Details of the contributions made and provisions raised are disclosed in notes 3 and 7 of the notes to the financial statements.

In addition, the company has registered a bond over certain areas of its property in favour of the Fund in order to secure payment of its obligations.

Special resolutions

Details of special resolutions passed by the company during the year are available upon request.

Going concern

Mining entities have a finite life that depends on geological and technical factors as well as commodity prices and other economic factors. Taking account of the outlook for these factors as contained in the chairman's letter and general manager's report as well as the company's present financial resources, the directors believe that the company is a going concern. The annual financial statements have accordingly been prepared on this basis.

Company secretary

Mr S J van der Spuy continues in office as company secretary. Relevant details appear on page 64 of this report.

Transfer secretaries

During the year the company's transfer secretaries, Computershare Investor Services Limited changed its name to Computershare Limited – Investor Services Division.

Listing

The company's shares are listed in the Resources – Mining [Platinum] sector of the JSE Securities Exchange South Africa.

Post balance sheet events

Shareholders are referred to the cautionary announcement published in the press on Thursday 7 August 2003. Shareholders will be informed of further developments in due course.

No material changes, other than those highlighted in this report, have taken place in the affairs of the company between the end of the financial year and the date of this report.

Accounting policies

The financial statements have been prepared on the historical cost basis except for financial instruments that are fairly valued in accordance with International Financial Reporting Standards and South African Statements of Generally Accepted Accounting Practice. The financial statements incorporate the following accounting policies which have been applied on a basis consistent with the previous year. Accounting policies have been added for the accounting treatment of derivative instruments and leased metal, as the company entered into derivative instrument and metal leasing arrangements for the first time during 2003.

1 Mining and other fixed assets

1.1 Mining assets

Mining assets are recorded at cost of acquisition less impairments in value.

1.2 Mine development costs

Capitalised mine development costs include expenditure incurred to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of the mine. Costs include interest capitalised during the construction period until commercial production is reached where 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 quantities. Development costs to maintain production are recognised as an expense when incurred. Mine development costs are depreciated on a straight-line basis over the estimated economic life of the mine based on measured and indicated resources.

1.3 Mining plant and equipment

Mining plant and equipment is depreciated on a straight-line basis over the lesser of the estimated economic life of the mine based on measured and indicated resources or their expected useful lives in five-year bands.

1.4 Mineral rights and mineral leases

Mineral rights and mineral leases are depreciated on a straight-line basis over the estimated economic life of the mine based on measured and indicated resources.

1.5 Office equipment furniture and vehicles

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.

1.6 Land

Land is recorded at cost of acquisition less impairments in value.

1.7 Impairment

An annual impairment review of mining and non-mining assets is carried out by comparing the net book value of assets with their recoverable amount. The recoverable amount is the higher of value in use and net realisable value.

The value in use of mining assets is determined by applying a discount rate to the anticipated pre-tax cash flow for the remaining useful life of the assets. The discount rate used is the company's weighted average cost of capital as determined by the capital asset pricing model.

Value in use of non-mining assets is determined with reference to market values.

Where the recoverable amount is less than the book value of the assets, the impairment, when identified, is charged against income to reduce the carrying amount of the affected assets to their recoverable amounts.

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

2 Financial instruments

Financial instruments recognised on the balance sheet include investments, cash and cash equivalents, accounts receivable, accounts payable, borrowings and certain derivative instruments.

2.1 Investments

Investments are carried at fair value or at cost less impairments where fair value, cannot be reliably measured.

Accounting policies

2.2 Accounts receivable

Accounts receivable are stated at their gross invoice value less payments received and where appropriate provision for doubtful debts to reflect the fair value of the expected inflow of economic resources.

2.3 Cash and cash equivalents

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

The book value of cash and cash equivalents approximates their fair value. Negotiable instruments are recorded initially at cost and marked to market at reporting intervals. Any gain or loss arising from mark to market or a change from book value to fair value is included in the determination of investment income.

2.4 Accounts payable

Accounts payable are stated at the recognised obligation less payments made and adjustments made to reflect the fair value of the expected outflow of economic resources.

2.5 Borrowings

Borrowings are stated at the recognised obligation less payments made and adjustments made to reflect the fair value of the expected outflow of economic resources.

2.6 Derivative instruments

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

Derivatives are initially measured at cost and associated transaction costs are charged to the income statement when incurred. Subsequently these instruments are measured as set out below:

- All forward and option contracts outstanding at financial reporting dates are marked to market and any changes in their fair value is included in net sundry revenue.
- Gains and losses on all other contracts not spanning a financial reporting date are recognized and included in net sundry revenue at the time that the contracts expire.

3 Commodity contracts

Contracts that are entered into and continue to meet the company's expected purchase, sale or usage requirements that were designated for that purpose at their inception and are expected to be settled by delivery are recognized in the financial period when they are delivered into.

4 Inventories

4.1 Stores

Stores consist of consumable and maintenance stores and are valued at average cost. Stores are under continual review and are written down in regard to age, condition and utility.

4.2 Metal on hand

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

5 Deferred tax

Deferred tax is provided at current rates using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of the assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognized when it is probable that future taxable profits will be available against which the deferred tax assets can be utilized in the foreseeable future.

6 Provisions

6.1 Environmental rehabilitation provisions

6.1.1 Decommissioning provision

Provision is made for the present value of the estimated future decommissioning costs at the end of the mine's life. When this provision gives rise to future economic benefits, a mining asset is recognised, otherwise the costs are charged to the income statement.

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

The increase in the decommissioning provision due to the passage of time is recognised as an expense.

6.1.2 Environmental restoration provision

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

The estimates are discounted at a pre-tax 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 an expense.

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.

The company makes annual contributions to a dedicated trust fund to fund the expenditure on future decommissioning and restoration. Income earned by the fund is credited to the company's income statement in the period to which it relates.

6.2 Other provisions

Provisions are recognised where the company 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.

7 Foreign currencies

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 balance sheet date. Profits and losses arising on the translation of foreign currencies, whether realised or unrealised, are credited to or charged against income.

8 Revenue recognition

Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue can be measured reliably.

8.1 Metal sales

Revenue from the sale of metal is accounted for on the accrual basis when the risks and rewards of ownership have passed. Adjustments arising between the date of recognition of the revenue and the date of settlement are recognised in the period in which the adjustment arises.

8.2 Interest income

Interest income is recognised on a time proportionate basis that takes into account the effective yield and an appropriate accrual is made at each accounting date.

9 Leased metal

When metal is leased to fulfil marketing commitments the equivalent cost of production is charged to cost of sales in the income statement and is reflected in the balance sheet as a current liability. On the maturity of the lease the liability is credited to cost of sales.

Accounting policies

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

10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition construction or development of a fixed asset that requires a substantial period of time to prepare for its intended use are capitalised. Other borrowing costs are recognised as an expense when incurred.

11 Employee benefits

11.1 Short-term employee benefits

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

11.2 Equity compensation plans

Where employees exercise options in terms of the rules of the Northam Share Option 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. The directors procure a listing of these shares on the stock exchange where the company's shares are listed and quoted.

11.3 Retirement benefits

Eligible employees are members of various defined contribution schemes.

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

11.4 Medical benefits

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

11.5 Post-retirement medical costs

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

Employer contributions in respect of current service is recognised as an expense during the period in which the employees' services are rendered. These contributions cease when the employees' service terminates.

12 Operating leases

Operating lease rentals are recognized as an expense when due for payment.

13 Dividends declared

Dividends proposed and related taxation thereon are recognised in the period in which the dividend is declared.

AS AT
30 JUNE 2003

Balance sheet

	Note	2003 R000	2002 R000
Non-current assets			
Fixed assets	1	**1 334 203**	1 249 774
Unlisted investments	2	**183**	173
Northam Platinum Restoration Trust Fund	3	**10 462**	8 568
		1 344 848	1 258 515
Current assets		**747 907**	1 038 062
Inventories	4	**339 156**	249 252
Accounts receivable		**113 776**	57 497
Cash and cash equivalents		**294 975**	731 313
TOTAL ASSETS		**2 092 755**	2 296 577
Financed by			
Share capital	5	**2 078 129**	2 290 993
Accumulated loss		**(562 621)**	(398 085)
Shareholders' equity		**1 515 508**	1 892 908
Non-current liabilities		**341 765**	258 496
Deferred tax	6	**330 323**	249 103
Long term provisions	7	**11 442**	9 393
Current liabilities		**235 482**	145 173
Accounts payable		**173 032**	124 550
Tax		**62 450**	20 623
TOTAL EQUITY AND LIABILITIES		**2 092 755**	2 296 577

FOR THE YEAR ENDED 30 JUNE 2003

Income statement

	Note	2003 R000	2002 R000
Total revenue	8	**1 562 801**	1 633 560
Sales revenue	21	**1 471 999**	1 560 685
Cost of sales		**1 086 571**	975 549
– operating costs	9	**1 004 327**	803 514
– refining and other costs		**68 549**	41 394
– leased metal cost		**14 149**	–
– depreciation and impairments	10	**89 059**	99 451
– change in metal inventories		**(89 513)**	31 190
Operating profit		**385 428**	585 136
Investment income	11	**64 140**	52 023
Net sundry revenue	12	**23 946**	20 793
Profit before tax		**473 514**	657 952
Tax	13	**198 601**	259 121
Net income for the year		**274 913**	398 831
		Cents	Cents
Earnings per share	14	**118.8**	172.8
Fully diluted earnings per share	14	**116.9**	171.4
Headline earnings per share	14	**118.7**	176.1
Dividends per share		**90.0**	170.0

FOR THE
YEAR ENDED
30 JUNE 2003

Statement of changes in equity

	Share capital R000	Share premium R000	Accumulated loss R000	Total R000
Balance at 30 June 2001	2 306	2 287 107	(323 974)	1 965 439
Net income for the year			398 831	398 831
Dividends distributed			(472 942)	(472 942)
Issue of new shares	3	1 577		1 580
Balance at 30 June 2002	2 309	2 288 684	(398 085)	1 892 908
Net income for the year			274 913	274 913
Dividends distributed			(439 449)	(439 449)
Repayment of share premium		(219 606)		(219 606)
Issue of new shares	6	6 736		6 742
Balance at 30 June 2003	2 315	2 075 814	(562 621)	1 515 508
Note	5	5		

FOR THE
YEAR ENDED
30 JUNE 2003

Cash flow statement

	Note	2003 R000	2002 R000
Cash generated by operating activities		**390 040**	747 481
Cash generated from operations	15	**500 170**	706 849
Interest income		**63 125**	51 286
Change in working capital	16	**(97 701)**	58 522
Tax paid	17	**(75 554)**	(69 176)
Cash utilised in investing activities		**(172 171)**	(87 575)
Property, development and equipment			
– additions to maintain operations		**(175 758)**	(90 170)
– disposals		**3 597**	2 645
Investments			
– additions		**(14)**	(50)
– disposals		**4**	–
Cash generated by operating and investing activities		**217 869**	659 906
Cash effects of financing activities		**(654 207)**	(472 802)
Net proceeds of share issue		**6 742**	1 580
Share premium repaid		**(219 606)**	–
Increase in Restoration Trust Fund		**(1 894)**	(1 440)
Dividends paid		**(439 449)**	(472 942)
Net cash flow		**(436 338)**	187 104
Cash and cash equivalents at beginning of year		**731 313**	544 209
Cash and cash equivalents at end of year		**294 975**	731 313

Notes to the financial statements

	Mining properties R000	Plant and equipment R000	Decommissioning asset R000	Motor vehicles R000	Total R000
1. Fixed assets					
30 June 2003					
Property, plant and equipment					
– at cost	262 953	2 201 005	6 943	12 337	2 483 238
– accumulated depreciation	45 010	1 099 617	2 054	2 354	1 149 035
	217 943	1 101 388	4 889	9 983	1 334 203
Reconciliation of movement in fixed assets					
– balace at beginning of year	228 573	1 010 007	4 292	6 902	1 249 774
– additions	236	167 207		8 315	175 758
– present value of decommissioning asset capitalised (note 7)			822		822
– disposals				(5 044)	(5 044)
– depreciation charged for the year	(10 866)	(75 826)	(225)	(2 142)	(89 059)
– depreciation on disposals during the year				1 952	1 952
– balance at end of year	217 943	1 101 388	4 889	9 983	1 334 203
30 June 2002					
Property plant and equipment					
Property plant and equipment					
– at cost	262 717	2 033 798	6 121	9 066	2 311 702
– accumulated depreciation	34 144	1 023 791	1 829	2 164	1 061 928
	228 573	1 010 007	4 292	6 902	1 249 774
Reconciliation of movement in fixed assets					
– balance at beginning of year	239 431	1 011 701	4 434	5 593	1 261 159
– reallocations		628		(628)	
– additions		84 185		5 985	90 170
– present value of decommissioning of asset capitalised (note 7)			61		61
– disposals		(49)		(3 490)	(3 539)
– depreciation charged for the year	(10 858)	(75 231)	(203)	(1 912)	(88 204)
– depreciation on disposals during the year		20		1 354	1 374
– impairments		(11 247)			(11 247)
– balance at end of year	228 573	1 010 007	4 292	6 902	1 249 774

Fixed property has been secured by a notarial bond in favour of Northam Platinum Restoration Trust Fund to meet future decommissioning and restoration costs (see note 3).

Notes to the financial statements

	2003 R000	2002 R000
2. Unlisted investments		
Book value	**183**	173

The unlisted investments comprising equity investments in various mining industry service organisations are valued by the directors at R183 000 (2002 – R173 000)

3. Northam Platinum Restoration Trust Fund

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

The balance in the fund was as follows:

	2003 R000	2002 R000
– balance at beginning of year	**8 568**	7 128
– contributions made during the year	**879**	703
– net income earned during the year	**1 015**	737
– balance at end of year	**10 462**	8 568

In addition the company has passed a notarial bond for R27.3 million over certain of the mine's freehold property in favour of the fund to ensure that the fund will be able to meet future rehabilitation obligations.

	2003 R000	2002 R000
4. Inventories		
Metals on hand and in transit	**304 985**	215 472
Consumable stores	**34 171**	33 780
	339 156	249 252
5. Share capital		
Authorised		
350 000 000 (2002 – 350 000 000) shares of 1 cent each	**3 500**	3 500
Issued		
231 538 500 (2002 : 230 914 500) shares of 1 cent each	**2 315**	2 309
Share premium	**2 075 814**	2 288 684
	2 078 129	2 290 993

The unissued shares other than those reserved for the Northam Platinum Share Option Scheme are under the control of the directors until the date of the next annual general meeting.

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

	2003 R000	2002 R000
6. Deferred tax		
The principal components of the deferred tax liability/(asset) are as follows:		
Deferred tax liability		
– fixed assets	**328 869**	250 877
– metal stocks	**7 358**	7 167
– other assets	**5 010**	–
	341 237	258 044
Deferred tax asset		
– employee benefits	**10 620**	8 694
– decommissioning and environmental restoration	**294**	247
	10 914	8 941
Net deferred tax liability/(asset)	**330 323**	249 103
The change in the deferred tax balance is reconciled as follows:		
Deferred tax liability at beginning of year	**249 103**	69 723
– charge for the year	**81 220**	179 380
– temporary differences in respect of fixed assets	**77 992**	181 714
– depreciation component included in metals on hand and in transit	**191**	(1 189)
– temporary difference in respect of accounts receivable	**5 010**	(109)
– temporary difference in respect of employee benefits	**(1 926)**	(1 104)
– temporary difference in respect of long-term provisions	**(47)**	68
Deferred tax liability at end of year	**330 323**	249 103

Notes to the financial statements

	2003 R000	2002 R000
7. Long term provisions		
Provision for decommissioning costs		
– balance at beginning of year	**9 025**	7 903
– present value of decommissioning asset capitalised (note 1)	**822**	61
– unwinding of discount (note 9)	**632**	553
– charged to operating costs (note 9)	**487**	508
– balance at end of year	**10 966**	9 025
Provision for restoration costs		
– balance at beginning of year	**368**	276
– unwinding of discount (note 9)	**26**	19
– charged to operating costs (note 9)	**82**	73
– balance at end of year	**476**	368
Environmental rehabilitation obligation at year end	**11 442**	9 393
Environmental rehabilitation obligation before funding	**11 442**	9 393
Less: Northam Platinum Restoration Trust Fund (note 3)	**10 462**	8 568
Net environmental obligation	**980**	825
Future value of decommissioning obligation	**42 435**	37 370
Future value of restoration obligation	**4 314**	4 070
Future value of rehabilitation obligation	**46 749**	41 440

The future value of the environmental rehabilitation obligation will be paid over to the Northam Platinum Restoration Trust Fund (note 3) over the remaining life of the mine which is currently estimated at 20 years.

The present value of the enviromental restoration obligation is determined by applying a pre-tax discount rate of 10% over the remaining life of the mine.

	2003 R000	2002 R000
8. Total revenue		
Total revenue comprises:		
– sales revenue	**1 471 999**	1 560 685
– net investment income	**64 140**	52 023
– sundry revenue	**26 662**	20 852
	1 562 801	1 633 560
9. Operating costs		
Operating costs comprise mining and concentrating costs excluding depreciation and consist of the following principal categories:		
– labour	**401 860**	331 903
– stores	**346 201**	260 471
– utilities	**81 217**	74 832
– sundries	**173 822**	135 155
– provision for decommissioning and restoration costs (note 7)		
– unwinding of discount	**658**	572
– inflation adjustment	**569**	581
	1 004 327	803 514
Operating costs include the following:		
Auditors remuneration		
– external audit fees – current year	**574**	425
– external audit fees – prior year adjustment	**73**	51
– internal audit fees	**1 694**	2 279
– expenses	**94**	223
Directors' remuneration		
– non executive fees	**884**	901
– executive remuneration	**1 542**	1 438
Operating lease rentals		
– office equipment	**364**	357
– premises	**355**	552

Details of directors' remuneration are contained in the directors' report on page 36

Notes to the financial statements

	2003 R000	2002 R000
10. Depreciation and impairments		
Depreciation of mining properties plant and equipment consists of the following:		
– mining property	**10 866**	10 858
– plant and equipment	**75 826**	75 231
– decommissioning asset	**225**	203
– vehicles	**2 142**	1 912
Impairments		
– plant and equipment	**–**	11 247
	89 059	99 451
11. Investment income		
Investment income consists of the following:		
– interest received	**63 125**	51 286
– growth in Northam Platinum Restoration Trust Fund	**1 015**	737
	64 140	52 023
12. Net sundry revenue		
Net sundry revenue is arrived at as follows:		
– impairment of unlisted investments	**–**	(59)
– gain/(loss) on translation of foreign currencies	**(2 318)**	16 775
– hedging profits (realised)	**6 628**	–
– hedging profits (unrealised)	**16 700**	–
– metal leasing costs	**(280)**	–
– profit on sale of fixed assets	**505**	480
– toll treatment revenue – net	**1 263**	2 452
– other	**1 448**	1 145
	23 946	20 793

	2003 R000	2002 R000
13. Tax		
Non mining tax	**22 757**	20 623
Mining tax	**39 693**	
Deferred tax	**81 220**	179 380
	143 670	200 003
Secondary tax on companies	**54 931**	59 118
	198 601	259 121
The tax charge is reconciled as follows:		
Tax at statutory rates	**142 054**	197 386
Other adjustments	**1 616**	2 617
	143 670	200 003

13.1 State's share of profit

The formula for determining the State's share of profit is:

$$Y = 15 - \frac{120}{X}$$

where Y = the percentage of divisible profit payable to the State and X = the ratio of mining profit (after deduction of redeemable capital expenditure) to mining revenue expressed as a percentage.

The amount as determined by the above formula is subject to a surcharge of 1.25%.

No provision has been made for State's share of profit as the company had estimated unredeemed capital expenditure of R1 422 497 000 (2002: R1 714 552 000) at 30 June 2003.

13.2 Mining tax

The current rate of mining tax applicable to the company is 30%.

No provision was made for mining tax in 2002 as the company had estimated unredeemed capital expenditure of R171 886 000

13.3 Non-mining tax

Non-mining revenue is subject to a rate of 30%.

13.4 Secondary tax on companies

Secondary tax on companies is levied at the rate of 12.5% of net dividends declared.

13.5 Deferred tax is provided at the statutory rate of 30% for all temporary differences.

13.6 Capital gains tax at an effective rate of 15% is payable on any gains realised on the disposal of mining properties.

Notes to the financial statements

	2003 R000	2002 R000
14. Earnings per share		
Earnings and headline earnings per share is based on profit attributable to members and an average of 231 313 068 (2002: 230 744 049) shares in issue during the year. Headline earnings are reconciled to net income for the year as follows:		
Net income for the year	**274 913**	398 831
Impairments – plant and equipment	**–**	11 247
Impairments – unlisted investments	**–**	59
Profit on sale of fixed assets	**(505)**	(480)
Tax effect	**152**	(3 230)
Headline earnings	**274 560**	406 427
Fully diluted earnings per share is based on the profit attributable to members and an average of 235 108 275 (2002: 232 696 600) shares in issue during the year.		
The number of fully diluted shares are calculated as follows:		
Average number of ordinary shares in issue during the year	**231 313 068**	230 744 049
Average number of Northam Share Option Scheme options outstanding during the year	**3 795 207**	1 952 551
	235 108 275	232 696 600
15. Cash generated from operations		
Profit before taxation and interest paid	**473 514**	657 952
Adjusted for non cash items		
– impairment of unlisted investment	**–**	59
– profit on disposal of fixed assets	**(505)**	(480)
– Depreciation and impairments	**89 059**	99 451
– Increase in long-term provisions	**1 227**	1 153
Interest received	**(63 125)**	(51 286)
	500 170	706 849
16. Change in working capital		
Inventories	**(89 904)**	34 962
Accounts receivable	**(56 279)**	(3 414)
Accounts payable	**48 482**	26 974
	(97 701)	58 522

	2003 R000	2002 R000
17. Tax paid		
Balance owing at beginning of year	**20 623**	10 058
Charge per income statement	**117 381**	79 741
Balance owing at end of year	**(62 450)**	(20 623)
	75 554	69 176
18. Commitments		
Capital expenditure – plant and equipment		
Authorised but not contracted	**106 387**	89 760
Contracted	**23 644**	7 259
Information Technology Outsource Service Providers		
Due within one year	**7 314**	6 661
Due within two to five years	**26 993**	25 524
Thereafter	**1 388**	7 666
Operating lease rentals – office equipment		
Due within one year	**167**	184
Due within two to five years	**438**	465
Thereafter	**–**	19
Operating lease – premises		
Due within one year	**390**	355
Due within two to five years	**204**	594

19. Retirement benefits

The company participates in a number of retirement benefit plans for its eligible employees.

These defined contribution plans are governed by the Pension Fund Act of 1956.

	2003 R000	2002 R000
Contributions made during the year were as follows :	**33 849**	24 844

Notes to the financial statements

	2003 R000	2002 R000
20. Related parties		
(a) The company sold under contract nickel sulphate to Anglo American Platinum Corporation Limited who holds an equity interest of 22.5% (2002 – 22.5%). The contract was concluded at arms length.		
– value of sales during the year	**46 958**	38 512
– included in accounts receivable	**12 523**	4 229
(b) The company treated under a toll treatment contract flotation concentrates for Anglo American Platinum Corporation Limited. The contract was concluded at arms length.		
– treatment revenue received during the year	**4 599**	8 796
– included in accounts receivable	–	2 277
(c) As reported on page 25, the company's internal audit function is undertaken on commercial terms by Anglo Platinum Management Services (Pty) Limited.		
– fee paid included in operating costs	**1 160**	–

21. Segmental reporting

The company's primary segment reporting format is by business segment and it's secondary reporting format by geographical location of customers. This reflects the predominant risks and rates of return that affect the company.

Business segment: The directors consider that there is only one business segment and accordingly the disclosures required by AC 115 (IAS 14) Segment Reporting are given in the income statement balance sheet and notes thereto.

Geographic segment: By location of customers:

	2003 R000	2002 R000
Segment revenue		
Europe	**673 511**	706 013
Japan	**290 283**	304 342
North America	**390 318**	451 893
South Africa	**117 887**	98 437
	1 471 999	1 560 685
Segment debtors		
Europe	**23 883**	16 250
North America	**13 150**	4 943
South Africa	**76 743**	36 304
	113 776	57 497

	2003	2002
22. Financial instruments		
(a) Foreign currency risk management. The company incurs currency risk as a result of sales and refining cost transactions which are denominated in a currency other than the company's reporting currency. The currencies giving rise to these risks are primarily the US Dollar and the Euro. No forward exchange contracts were entered into during the year. At the year end the company did not consider that there was any significant foreign currency risk.		
At year end the the foreign currency value of items under their respective balance sheet classifications was as follows:		
– accounts receivable – US$	**2 853**	2 045
– cash and cash equivalents – US$	**17**	3 310
– accounts payable – Euro	**1 297**	881
Exchange rates at year end		
Rand/Dollar	**7.57**	10.27
Rand/Euro	**8.66**	10.25
(b) Commodity price risk The company is subject to commodity price risks as a result of the prices at which it sells its products being determined by reference to international commodity exchanges. During the year, in order to mitigate the effects of anticipated declines in the commodity prices, the company entered into various hedging contracts. The net fair value of the hedging contracts that were outstanding at year end is recognised as a financial asset in terms of AC 133 (IAS 39).		
At year end the aggregate outstanding contracts were as follows:		
Platinum		
– period	July 2003 to September 2003	Not applicable
– average quantity hedged per month – oz	**5 000**	–
– average contract price (US$/oz)	**661.45**	–
– fair value price at year end (US$/oz)	**660.92**	–
– unrealised gain recognised – US$000	**8**	–
– R000	**60**	–
Palladium		
– period	July 2003 to February 2004	Not applicable
– average quantity hedged per month – oz	**4 250**	–
– average contract price (US$/oz)	**244.43**	–
– fair value price at year end (US$/oz)	**179.74**	–
– unrealised gain recognised – US$000	**2 199**	–
– R000	**16 640**	–

Notes to the financial statements

	2003	2002

(b) Commodity price risk (continued)

Hedging

Subsequent to the end of the financial year the company has hedged a further 33 500 oz of platinum at an average price of $669/oz for delivery by the end of February 2004.

(c) Credit risk management

The company only deposits surplus cash with major banks of high quality credit standing.

Trade accounts receivable comprise a small customer base with whom the company has long standing business relations. Payment is received within 7 days of delivery.

The granting of credit is made on application and is approved by the general manager. At the year end the company did not consider there to be any significant concentration of credit risk.

(d) Interest rate management

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

At the year end there were no borrowings

(e) Fair value

Management is of the opinion that the book value of financial instruments approximates fair value.

23. Comparative figures

Certain comparative figures have been restated to facilitate comparisons.