## 1. Key accounting estimates, assumptions and judgments (continued)

### 1.2 Provisions (continued)

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

### 1.3 Useful lives and residual values of property, plant and equipment

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

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

### 1.4 Life of mine and estimation of reserves

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

## 2. Property, plant and equipment

| | Mining, plant and equipment R000 | Pre-production mine development costs R000 | Decommis-sioning asset R000 | Motor vehicles R000 | Total R000 |
|---|---|---|---|---|---|
| **Group – 30 June 2010** | | | | | |
| Property, plant and equipment | | | | | |
| – at cost | 3 637 695 | 165 732 | 47 918 | 21 011 | 3 872 356 |
| – accumulated depreciation | (1 919 219) | – | (11 203) | (3 873) | (1 934 295) |
| – balance at end of year | 1 718 476 | 165 732 | 36 715 | 17 138 | 1 938 061 |
| Reconciliation of movement in property plant and equipment | | | | | |
| – balance at beginning of year | 1 654 545 | 35 868 | 38 874 | 7 822 | 1 737 109 |
| – additions to maintain operations | 218 402 | – | – | 13 079 | 231 481 |
| – additions to expand operations | – | 129 864 | – | 2 519 | 132 383 |
| – disposals | (2 316) | – | – | (6 654) | (8 970) |
| – depreciation charged for the year | (154 471) | – | (2 159) | (2 295) | (158 925) |
| – depreciation on disposals during the year | 2 316 | – | – | 2 667 | 4 983 |
| – balance at end of year | 1 718 476 | 165 732 | 36 715 | 17 138 | 1 938 061 |
| **Group – 30 June 2009** | | | | | |
| Property, plant and equipment | | | | | |
| – at cost | 3 421 608 | 35 868 | 47 918 | 12 068 | 3 517 462 |
| – accumulated depreciation | (1 767 063) | – | (9 044) | (4 246) | (1 780 353) |
| – balance at end of year | 1 654 545 | 35 868 | 38 874 | 7 822 | 1 737 109 |
| Reconciliation of movement in property, plant and equipment | | | | | |
| – balance at beginning of year | 1 475 161 | – | 40 196 | 7 736 | 1 523 093 |
| – additions to maintain operations | 328 071 | 35 868 | – | 3 505 | 367 444 |
| – present value of decommissioning asset capitalised (note 19) | – | – | 816 | – | 816 |
| – disposals | (1 370) | – | – | (2 348) | (3 718) |
| – depreciation charged for the year | (131 976) | – | (2 138) | (1 661) | (135 775) |
| – impairment of assets | (16 711) | – | – | – | (16 711) |
| – depreciation on disposals during the year | 1 370 | – | – | 590 | 1 960 |
| – balance at end of year | 1 654 545 | 35 868 | 38 874 | 7 822 | 1 737 109 |

*A register containing the information required by paragraph 22(3) of Schedule to the Companies Act is available for inspection at the registered address of the company.*

# Notes to the annual financial statements (continued)

for the year ended 30 June 2010

| | Mining, plant and equipment R000 | Pre-production mine development costs R000 | Decommissioning asset R000 | Motor vehicles R000 | Total R000 |
|---|---|---|---|---|---|

## 2. Property, plant and equipment (continued)

### Company – 30 June 2010

| | Mining, plant and equipment R000 | Pre-production mine development costs R000 | Decommissioning asset R000 | Motor vehicles R000 | Total R000 |
|---|---|---|---|---|---|
| Property, plant and equipment | | | | | |
| – at cost | 3 637 695 | – | 47 918 | 18 183 | 3 703 796 |
| – accumulated depreciation | (1 919 219) | – | (11 203) | (3 873) | (1 934 295) |
| **– balance at end of year** | **1 718 476** | **–** | **36 715** | **14 310** | **1 769 501** |
| Reconciliation of movement in property, plant and equipment | | | | | |
| – balance at beginning of year | 1 654 545 | – | 38 874 | 7 513 | 1 700 932 |
| – additions to maintain operations | 218 402 | – | – | 13 079 | 231 481 |
| – present value of decommissioning asset capitalised (note 19) | – | – | – | – | – |
| – disposals | (2 316) | – | – | (6 654) | (8 970) |
| – depreciation charged for the year | (154 471) | – | (2 159) | (2 295) | (158 925) |
| – impairment of assets | – | – | – | – | – |
| – depreciation on disposals during the year | 2 316 | – | – | 2 667 | 4 983 |
| **– balance at end of year** | **1 718 476** | **–** | **36 715** | **14 310** | **1 769 501** |

### Company – 30 June 2009

| | Mining, plant and equipment R000 | Pre-production mine development costs R000 | Decommissioning asset R000 | Motor vehicles R000 | Total R000 |
|---|---|---|---|---|---|
| Property, plant and equipment | | | | | |
| – at cost | 3 421 608 | – | 47 918 | 11 759 | 3 481 285 |
| – accumulated depreciation | (1 767 063) | – | (9 044) | (4 246) | (1 780 353) |
| – balance at end of year | 1 654 545 | – | 38 874 | 7 513 | 1 700 932 |
| Reconciliation of movement in property, plant and equipment | | | | | |
| – balance at beginning of year | 1 475 161 | – | 40 196 | 7 736 | 1 523 093 |
| – additions to maintain operations | 328 071 | – | – | 3 196 | 331 267 |
| – present value of decommissioning asset capitalised (note 19) | – | – | 816 | – | 816 |
| – disposals | (1 370) | – | – | (2 348) | (3 718) |
| – depreciation charged for the year | (131 976) | – | (2 138) | (1 661) | (135 775) |
| – impairment of assets | (16 711) | – | – | – | (16 711) |
| – depreciation on disposals during the year | 1 370 | – | – | 590 | 1 960 |
| – balance at end of year | 1 654 545 | – | 38 874 | 7 513 | 1 700 932 |

*A register containing the information required by paragraph 22(3) of Schedule to the Companies Act is available for inspection at the registered address of the company.*

## 3. Mining properties and mineral resources

| | Mining properties R000 | Mineral resources* R000 | Total R000 |
|---|---|---|---|
| **Group – 30 June 2010** | | | |
| – at cost | 271 674 | 5 570 023 | 5 841 697 |
| – accumulated depreciation | (119 038) | – | (119 038) |
| – balance at end of year | 152 636 | 5 570 023 | 5 722 659 |
| Reconciliation of movement in mining properties | | | |
| – balance at beginning of year | 152 387 | 5 566 000 | 5 718 387 |
| – additions to expand operations | 9 104 | 4 023 | 13 127 |
| – disposals | (434) | – | (434) |
| – depreciation charged for the year | (8 421) | – | (8 421) |
| – balance at end of year | 152 636 | 5 570 023 | 5 722 659 |
| **Group – 30 June 2009** | | | |
| – at cost | 263 004 | 5 566 000 | 5 829 004 |
| – accumulated depreciation | (110 617) | – | (110 617) |
| – balance at end of year | 152 387 | 5 566 000 | 5 718 387 |
| Reconciliation of movement in mining properties | | | |
| – balance at beginning of year | 160 808 | – | 160 808 |
| – additions | – | 5 566 000 | 5 566 000 |
| – depreciation charged for the year | (8 421) | – | (8 421) |
| – balance at end of year | 152 387 | 5 566 000 | 5 718 387 |

*Certain mining 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 8).*

*A register containing the information required by paragraph 22(3) of Schedule to the Companies Act is available for inspection at the registered address of the company.*

* *The mineral resource relates to the mining titles that were acquired from Mvelaphanda Resources Limited with the Booysendal asset.*

| | Mining properties R000 | Mineral resource R000 | Total R000 |
|---|---|---|---|

## 3. Mining properties and mineral resource (continued)

### Company – 30 June 2010

| | Mining properties R000 | Mineral resource R000 | Total R000 |
|---|---|---|---|
| – at cost | **262 570** | **–** | **262 570** |
| – accumulated depreciation | **(119 038)** | **–** | **(119 038)** |
| **– balance at end of year** | **143 532** | **–** | **143 532** |
| Reconciliation of movement in mining properties | | | |
| – balance at beginning of year | **152 387** | **–** | **152 387** |
| – depreciation charged for the year | **(8 421)** | **–** | **(8 421)** |
| – disposal during the year | **(434)** | **–** | **(434)** |
| **– balance at end of year** | **143 532** | **–** | **143 532** |

### Company – 30 June 2009

| | Mining properties R000 | Mineral resource R000 | Total R000 |
|---|---|---|---|
| – at cost | 263 004 | – | 263 004 |
| – accumulated depreciation | (110 617) | – | (110 617) |
| **– balance at end of year** | 152 387 | – | 152 387 |
| Reconciliation of movement in mining properties | | | |
| – balance at beginning of year | 160 808 | – | 160 808 |
| – depreciation charged for the year | (8 421) | – | (8 421) |
| **– balance at end of year** | 152 387 | – | 152 387 |

*Certain mining 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 8).*

*A register containing the information required by paragraph 22(3) of Schedule to the Companies Act is available for inspection at the registered address of the company.*

## 4. Interest in associate

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| Investment in associate comprises a 7.5% (2009: 7.5%) interest in the Pandora joint venture. Details of group's share of the comprehensive income and financial position are set out in Annexure 2, which forms part of these notes. | **129 741** | 130 106 | **52 733** | 55 333 |

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|

## 5. Investments in subsidiaries

| | | | | |
|---|---|---|---|---|
| Khumama Platinum (Proprietary) Limited | | | **5 566 000** | 5 566 000 |
| Norplats Properties (Proprietary) Limited | | | ***** | * |
| Windfall 38 Properties (Proprietary) Limited | | | ***** | – |
| – balance at end of year | | | **5 566 000** | 5 566 000 |

** The company holds 100 ordinary shares of par value R1 each at a cost of R100 (2009: R100) representing a 100% equity interest in Norplats Properties (Proprietary) Limited. The company holds 100 ordinary shares of par value R1 each at a cost of R100 representing a 100% equity interest in Windfall 38 Properties (Proprietary) Limited.*

Windfall 38 Properties (Proprietary) Limited was acquired during the year.

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

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

## 6. Unlisted investment

| | | | | |
|---|---|---|---|---|
| Available for sale investment | **6** | 6 | **6** | 6 |

The investment, comprising equity investments in a mining industry service organisation, Rand Mutual Assurance Limited and is valued by the directors at R5 663 (2009: R5 880)

The fair value of the unquoted shares has been estimated as the latest transaction value.

## 7. Township land and development

| | | | | |
|---|---|---|---|---|
| – balance at beginning of year | **59 345** | 36 905 | **–** | – |
| – construction in progress | **4 460** | 6 440 | **–** | – |
| – acquisitions | **–** | 16 000 | **–** | – |
| – balance at end of year | **63 805** | 59 345 | **–** | – |

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

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|

## 8. Investments held by Northam Platinum Restoration Trust Fund

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

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| The balance of the fund comprises: | | | | |
| – balance at beginning of year | **24 893** | 21 820 | **24 893** | 21 820 |
| – contributions made during the year | **354** | 740 | **354** | 740 |
| – income earned during the year (note 26) | **2 012** | 2 333 | **2 012** | 2 333 |
| – balance at end of year | **27 259** | 24 893 | **27 259** | 24 893 |

The assets of the Fund are separately administered and the group's right of access to these funds are restricted. In addition, the company has passed a notarial bond for R27.3 million (2009: R27.3 million) over certain of of the mine's freehold property in favour of the fund to ensure that the fund will be able to meet future rehabilitation obligations.

## 9. Environmental Guarantee Investment

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| The balance of the fund comprises: | | | | |
| – balance at beginning of year | **15 895** | 12 900 | **15 895** | 12 900 |
| – contributions made during the year | **3 000** | 3 000 | **3 000** | 3 000 |
| – management fees | **(150)** | (350) | **(150)** | (350) |
| – income earned during the year (note 26) | **2 018** | 345 | **2 018** | 345 |
| – balance at end of year | **20 763** | 15 895 | **20 763** | 15 895 |

The Environmental Guarantee Investment policy was issued in terms of the insurance guarantee for R24.0 million (2009: R24.0 million).

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|

## 10. Toro Employee Empowerment Trust

| | | | | |
|---|---|---|---|---|
| The balance of the fund comprises: | | | | |
| – balance at beginning of year | **46 602** | – | – | – |
| – contributions made during the year | **21 543** | 45 044 | – | – |
| – income earned during the year (note 19) | **1 691** | 1 558 | – | – |
| – less payments to beneficiaries (note 19) | **(506)** | – | – | – |
| – balance at end of year | **69 330** | 46 602 | | |

## 11. Subsidiary loans

| | | | | |
|---|---|---|---|---|
| Norplats Properties (Proprietary) Limited | | | **54 536** | 58 178 |
| Micawber 278 (Proprietary) Limited | | | **233 825** | 205 976 |
| Broadbrush Investments 2 (Proprietary) Limited | | | **10 261** | – |
| Windfall 38 Properties (Proprietary) Limited | | | **171** | – |
| | | | **298 793** | 264 154 |

The loans are unsecured and interest free, repayable on demand and therefore stated as current. Details of the subsidiaries are set out in Annexure 3, which forms part of these notes.

## 12. Inventories

| | | | | |
|---|---|---|---|---|
| Inventory comprises: | | | | |
| Metals on hand and in transit – at cost | **479 236** | 413 567 | **479 236** | 413 567 |
| Consumable stores – at cost | **42 226** | 54 687 | **42 226** | 54 687 |
| Total inventories at the lower of cost and net realisable value | **521 462** | 468 254 | **521 462** | 468 254 |

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

| | | | | |
|---|---|---|---|---|
| The amount of write-downs of consumable stores recognised as an expense in cost of sales | **1 111** | 1 014 | **1 111** | 1 014 |

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| **13. Trade and other receivables** | | | | |
| Trade and other receivables comprise: | | | | |
| Trade receivables | **202 047** | 161 900 | **202 047** | 161 900 |
| Prepayments | **1 800** | 2 183 | **1 800** | 2 183 |
| Receiver of revenue – value added tax | **86 051** | 35 189 | **59 953** | 35 189 |
| Other | **28 156** | 27 578 | **17 061** | 24 287 |
| | **318 054** | 226 850 | **280 861** | 223 559 |

Trade receivables are unsecured, non-interest-bearing and are generally on 30 day terms. As at June 2010 there were no receivables (2009: RNil) which were impaired and fully provided for.

The age analysis of trade receivables as at 30 June 2010 is set out in Annexure 1, which forms part of these notes.

## 14. Investment in escrow

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| Capital funds | **627 963** | – | – | – |
| Funds payable to Anglo Platinum Limited | **(536 505)** | – | – | – |
| | **91 458** | – | – | – |

The capital funds are held in escrow pending the transfer of certain new order mining licences in respect of the Booysendal extension to Micawber 278 (Proprietary) Limited (Micawber). Upon the transfer the capital funds are payable to Anglo Platinum, while the balance, representing interest earned,is payable to Micawber.

Should the new order mining licence not be transferred to Micawber for any reason, the capital funds are payable to Micawber.

## 15. Cash and cash equivalents

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| Cash and cash equivalents comprise: | | | | |
| Cash at banks and on hand | **68 024** | 230 119 | **55 940** | 51 275 |
| Short-term deposits | **1 118 685** | 690 784 | **1 118 685** | 690 784 |
| | **1 186 709** | 920 903 | **1 174 625** | 742 059 |

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

Short term deposits earned interest during the year at rates varying between 6% and 8% (2009: 8% and 12%), whilst cash at bank earned interest at rates varying between 2% and 4% (2009: 6% and 8%).

| | 2010 R000 | 2010 Number of shares | 2009 R000 | 2009 Number of shares |
|---|---|---|---|---|
| | Group and company | Group and company | Group and company | Group and company |

## 16. Share capital and share premium

| | | | | |
|---|---|---|---|---|
| Authorised | 5 450 | 545 000 000 | 4 750 | 475 000 000 |
| **Issued** | | | | |
| At 1 July 2008 | 2 387 | 238 687 500 | 2 387 | 238 687 500 |
| Shares allotted and issued to Mvelaphanda Resources Limited pursuant to the acquisition of Booysendal | 1 210 | 121 000 000 | 1 210 | 121 000 000 |
| Shares issued during the year for cash on the exercise of share options | 2 | 222 000 | 2 | 222 000 |
| At 1 July 2009 | 3 599 | 359 909 500 | 3 599 | 359 909 500 |
| Shares issued during the year for cash on the exercise of share options | 7 | 732 500 | – | – |
| At 30 June 2010 | 3 606 | 360 642 000 | 3 599 | 359 909 500 |
| Share premium | 7 634 880 | | 7 619 369 | |
| | 7 638 486 | 360 642 000 | 7 622 968 | 359 909 500 |

During the year 732 500 (2009: 222 000) shares were alloted and issued it terms of the rules of Northam Share Option Scheme resulted in issued share capital increasing to 360 642 000 (2009: 359 909 500).

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.

## 17. Equity compensation reserve

| | 2010 R000 | 2009 R000 | 2010 R000 | 2009 R000 |
|---|---|---|---|---|
| | Group | Group | Company | Company |
| – balance at beginning of year | 55 177 | 27 584 | 55 177 | 27 584 |
| – increase in equity compensation reserve | 60 582 | 30 181 | 60 582 | 30 181 |
| – transfer to retained earnings | (2 953) | (2 588) | (2 953) | (2 588) |
| – balance at the end of year | 112 806 | 55 177 | 112 806 | 55 177 |

Options are offered at the volume weighted average price at which Northam shares traded on the JSE up to the trading day immediately preceding the offer date. In terms of the rules of the Northam Share Option Scheme, option holders may exercise 50% of their options two years after the offer date and 100% of their options three years after the offer date. Options not exercised within seven years of the offer date shall lapse. (See annexure 5).

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| **18. Deferred tax liability** | | | | |
| The principal components of the deferred tax are as follows: | | | | |
| Deferred tax liabilities | | | | |
| – property, plant and equipment | **475 872** | 457 389 | **475 872** | 457 389 |
| – metal inventory | **6 917** | 2 187 | **6 917** | 2 187 |
| | **482 789** | 459 576 | **482 789** | 459 576 |
| Deferred tax assets | | | | |
| – employee benefits relating to leave pay provisions | **(21 822)** | (19 270) | **(21 822)** | (19 270) |
| – decommissioning and environmental restoration provisions | **(13 755)** | (11 485) | **(13 755)** | (11 485) |
| | **(35 577)** | (30 755) | **(35 577)** | (30 755) |
| Net deferred tax liability | **447 212** | 428 821 | **447 212** | 428 821 |
| The charge in the deferred tax balance is reconciled as follows: | | | | |
| Deferred tax liability at beginning of year | **428 821** | 388 055 | **428 821** | 388 055 |
| – charge for the year (per note 28) | **18 391** | 40 766 | **18 391** | 40 766 |
| – temporary differences in respect of property, plant and equipment | **18 483** | 44 211 | **18 483** | 44 211 |
| – depreciation component included in metals on hand and in transit | **4 730** | (11 038) | **4 730** | (11 038) |
| – temporary difference in respect of employee benefits | **(2 552)** | 6 821 | **(2 552)** | 6 821 |
| – temporary difference in respect of long-term provisions | **(2 270)** | 772 | **(2 270)** | 772 |
| Net deferred tax liability at end of year | **447 212** | 428 821 | **447 212** | 428 821 |
| **19. Long-term provisions** | | | | |
| Provision for decommissioning costs | | | | |
| – balance at beginning of year | **47 881** | 49 583 | **47 881** | 49 583 |
| – present value of decommissioning asset capitalised (note 2) | **–** | 816 | **–** | 816 |
| – additional provision raised (note 23) | **6 009** | – | **6 009** | – |
| – unwinding of discount (note 23) | **3 864** | (2 518) | **3 864** | (2 518) |
| – balance at end of year | **57 754** | 47 881 | **57 754** | 47 881 |
| Provision for restoration costs | | | | |
| – balance at beginning of year | **5 957** | 6 275 | **5 957** | 6 275 |
| – additional provision raised (note 23) | **756** | – | **756** | – |
| – unwinding of discount (note 23) | **481** | (318) | **481** | (318) |
| – balance at end of year | **7 194** | 5 957 | **7 194** | 5 957 |
| Provisions at year end | **64 948** | 53 838 | **64 948** | 53 838 |

| | 2010<br>R000<br>Group | 2009<br>R000<br>Group | 2010<br>R000<br>Company | 2009<br>R000<br>Company |
|---|---|---|---|---|

## 19. Long-term provisions (continued)

| | | | | |
|---|---|---|---|---|
| Provision for Toro Employee Empowerment Trust | | | | |
| – balance at beginning of year | **46 602** | 30 000 | **–** | – |
| – provided for during year | **23 234** | 16 602 | **–** | – |
| – amount utilised | **(506)** | – | **–** | – |
| – balance at end of year | **69 330** | 46 602 | **–** | – |

The company entered into an agreement with the representative unions at the Northam mine in terms of which the company has undertaken to contribute 4% of its after tax profits to the Toro Employee Empowerment Trust, providing the Northam mine's 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 with effect from 2013.

| | | | | |
|---|---|---|---|---|
| Total long-term provisions | **134 278** | 100 440 | **64 948** | 53 838 |

In terms of, *inter alia*, the Mineral and Petroleum Resources Development Act no 28, of 2002, the company is required to make financial provision for its decommissioning and restoration costs that will be incurred upon the cessation of mining activities. The future value of environmental obligation will be paid over to Northam Platinum Restoration Trust Fund (note 8) over the remaining life of the mine which is currently estimated at 18 years. Financial provision is not however required to be made for the decommissioning of certain structures, such as housing, which may have alternative use.

| | | | | |
|---|---|---|---|---|
| Provisions before funding | **64 948** | 53 838 | **64 948** | 53 838 |
| Less: Northam Platinum Restoration Trust Fund (note 8) | **(27 259)** | (24 893) | **(27 259)** | (24 893) |
| Less: Environmental Guarantee Investment (note 9) | **(20 763)** | (15 895) | **(20 763)** | (15 895) |
| Net present Value of Unfunded environmental rehabilitation obligations | **16 926** | 13 050 | **16 926** | 13 050 |

The future value of the environmental rehabilitation obligation will be paid over to the Northam Platinum Restoration Trust Fund (note 8) over the remaining life of the mine, which is currently estimated at 18 years.

The present value of the environmental restoration obligation is determined by applying a pre-tax discount rate of 8.07% (2009: 8.18%) over the remaining life of the mine.

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|

## 19. Long-term provisions (continued)

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| The decommissioning and restoration costs are reviewed on an annual basis, and at the balance sheet date the net unfunded future obligations were as follows: | | | | |
| Undiscounted decommissioning obligations | **78 699** | 69 072 | **78 699** | 69 072 |
| Undiscounted restoration obligations | **9 802** | 8 593 | **9 802** | 8 593 |
| Total decommissioning and restoration obligation | **88 501** | 77 665 | **88 501** | 77 665 |
| Less: Obligation not requiring financial provision | **(34 237)** | (30 066) | **(34 237)** | (30 066) |
| | **54 264** | 47 599 | **54 264** | 47 599 |
| Less: Funds held by Northam Platinum Restoration Trust Fund (note 8) | **(27 259)** | (24 893) | **(27 259)** | (24 893) |
| Less: Environmental Guarantee Investment (note 9) | **(20 763)** | (15 895) | **(20 763)** | (15 895) |
| Total unfunded future rehabilitation obligations | **6 242** | 6 811 | **6 242** | 6 811 |

The company has procured the issue of an insurance guarantee for R24.0 million (2009: R24.0 million) in respect of the unfunded decommissioning and restoration costs.

## 20. Trade and other payables

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| Trade and other payables comprise: | | | | |
| Trade payables | **145 442** | 83 821 | **145 442** | 83 821 |
| Accruals | **255 278** | 207 893 | **255 278** | 207 893 |
| Accrual for acquisition of participating interest in Pandora joint venture | **65 000** | 65 000 | **65 000** | 65 000 |
| Receiver of revenue – value added tax | **548** | – | **–** | – |
| Other | **96 576** | 60 935 | **87 420** | 58 191 |
| | **562 844** | 417 649 | **553 140** | 414 905 |

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

## 21. Short-term provisions

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| Provision for leave pay | | | | |
| – balance at beginning of year | **68 822** | 63 183 | **68 822** | 63 183 |
| – additional amounts raised | **88 939** | 52 941 | **88 939** | 52 941 |
| – utilised | **(79 828)** | (47 302) | **(79 828)** | (47 302) |
| – balance at end of year | **77 933** | 68 822 | **77 933** | 68 822 |

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 statement of financial position date based on the basic cost of employment and available leave entitlement at that date.

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|

## 21. Short-term provisions (continued)

The provision for compensated absences is recognised when the employee renders service. The provision is updated on a monthly basis.

| | | | | |
|---|---|---|---|---|
| Provision for Toro Employee Empowerment Trust | | | | |
| – balance at beginning of year | – | 30 000 | – | 30 000 |
| – utilised | – | (30 000) | – | (30 000) |
| – balance at end of year | – | – | – | – |
| Total short-term provisions | 77 933 | 68 822 | 77 933 | 68 822 |

The company has entered into an agreement with the representative unions at the Northam mine in terms of which the company has undertaken to contribute 4% of its after tax profits to the Toro Employee Empowerment Trust, providing the Northam mine's 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 with effect from 2013.

## 22. Total revenue and sales revenue

| | | | | |
|---|---|---|---|---|
| Total revenue comprises: | | | | |
| – sales revenue | 3 945 083 | 3 186 042 | 3 945 083 | 3 186 042 |
| – investment revenue (note 26) | 167 655 | 130 417 | 75 534 | 115 814 |
| – sundry income (note 27) | 21 260 | 19 764 | 21 260 | 19 764 |
| | 4 133 998 | 3 336 223 | 4 041 877 | 3 321 620 |

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

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| **23. Operating costs** | | | | |
| Operating costs comprise mining and concentrating costs, excluding depreciation, and consist of the following principal prime cost categories: | | | | |
| – labour (note 34) | **974 701** | 824 278 | **974 701** | 824 278 |
| – stores | **649 992** | 599 636 | **649 992** | 599 636 |
| – utilities | **208 478** | 140 577 | **208 478** | 140 577 |
| – sundries | **386 088** | 344 234 | **386 088** | 344 234 |
| – provision for decommissioning and restoration costs (note 19) | **9 873** | (2 518) | **9 873** | (2 518) |
| – provision for restoration costs (note 19) | **1 237** | (318) | **1 237** | (318) |
| | **2 230 369** | 1 905 889 | **2 230 369** | 1 905 889 |
| The analysis of operating costs by principal activity is as follows: | | | | |
| – mining operations | **1 662 892** | 1 517 962 | **1 662 892** | 1 517 962 |
| – smelter operations | **98 724** | 75 019 | **98 724** | 75 019 |
| – base metal removal plant operations | **87 719** | 70 957 | **87 719** | 70 957 |
| – overheads | **369 924** | 244 787 | **369 924** | 244 787 |
| – provision for decommissioning and restoration costs (note 19) | **9 873** | (2 518) | **9 873** | (2 518) |
| – provision for restoration costs (note 19) | **1 237** | (318) | **1 237** | (318) |
| | **2 230 369** | 1 905 889 | **2 230 369** | 1 905 889 |
| Operating costs include the following: | | | | |
| External auditors remuneration | | | | |
| – current year | **1 514** | 1 570 | **1 514** | 1 570 |
| – prior year adjustment | **613** | 212 | **613** | 212 |
| Internal audit fees | | | | |
| – current year | **2 252** | 2 001 | **2 252** | 2 001 |
| – prior year adjustment | **146** | – | **146** | – |
| Directors' remuneration | | | | |
| – non executive fees (note 34) | **2 540** | 1 643 | **2 540** | 1 643 |
| – executive remuneration | **4 951** | 8 709 | **4 951** | 8 709 |
| Share based payment expense (note 17) | **60 582** | 30 181 | **60 582** | 30 181 |
| Operating lease payments | | | | |
| – office equipment | **500** | 244 | **500** | 244 |
| – premises | **590** | 597 | **590** | 597 |

Details of directors' remuneration are contained in the directors' report on page 55.

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|

## 24. Depreciation and impairments

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| Depreciation of mining properties, plant and equipment consists of the following: | | | | |
| – mining property | 8 421 | 8 421 | 8 421 | 8 421 |
| – plant and equipment | 154 471 | 131 976 | 154 471 | 131 976 |
| – decommissioning asset | 2 159 | 2 138 | 2 159 | 2 138 |
| – vehicles | 2 295 | 1 661 | 2 295 | 1 661 |
| – impairment of assets | – | 16 711 | – | 16 711 |
| | 167 346 | 160 907 | 167 346 | 160 907 |

## 25. Share of earnings and distributions from associate

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| Income and distributions received from Pandora joint venture (refer annexure 2) | 12 440 | 72 606 | 10 205 | – |

## 26. Investment revenue

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| Investment income consists of the following: | | | | |
| – interest received on cash and cash equivalents | 163 625 | 127 739 | 71 504 | 113 136 |
| – growth in Northam Platinum Restoration Trust Fund (note 8) | 2 012 | 2 333 | 2 012 | 2 333 |
| – growth in Environmental Contingency Fund (note 9) | 2 018 | 345 | 2 018 | 345 |
| | 167 655 | 130 417 | 75 534 | 115 814 |

## 27. Sundry income/(expenditure)

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| Net sundry income/(expenditure) is arrived taking into account the following: | | | | |
| – rent received | 1 232 | 1 218 | 1 232 | 1 218 |
| – royalties received from chrome recovery plant | 5 853 | 14 836 | 5 853 | 14 836 |
| – sale of scrap | 2 228 | 2 656 | 2 228 | 2 656 |
| – other income | 578 | 365 | 578 | 365 |
| – treatment charges in respect of concentrates purchased | 11 369 | 689 | 11 369 | 689 |
| Sundry revenue | 21 260 | 19 764 | 21 260 | 19 764 |
| Other sundry income/(expenditure) | | | | |
| – foreign currency hedging profit | – | 5 476 | – | 5 476 |
| – metal hedging loss | – | (9 454) | – | (9 454) |
| – profit/(loss) on sale of property, plant and equipment | 822 | (41) | 822 | (41) |
| – currency translation (loss)/gain | (7 416) | 2 128 | (7 416) | 2 128 |
| – cost incurred in relation to expression of interest by Impala Platinum Holdings Limited | – | (16 108) | – | (16 108) |
| – cost incurred in relation to implementation of Booysendal transaction | – | (7 309) | – | (7 309) |
| – depreciation of participation interest | (2 600) | (2 167) | (2 600) | (2 167) |
| – dividends forfeited | 131 | 193 | 131 | 193 |
| – other (expenditure)/income | (2 640) | 1 088 | (2 415) | (2 080) |
| | 9 557 | (6 430) | 9 782 | (9 598) |

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| **28. Taxation** | | | | |
| Current taxation | **319 991** | 343 258 | **294 243** | 338 855 |
| Deferred (note 18) | **18 391** | 40 766 | **18 391** | 40 766 |
| Current year's tax charge | **338 382** | 384 024 | **312 634** | 379 621 |
| Adjustment in respect of prior years | **(4 781)** | – | **(4 781)** | – |
| | **333 601** | 384 024 | **307 853** | 379 621 |
| Taxation comprises: | | | | |
| – mining tax | **237 465** | 247 750 | **237 465** | 243 347 |
| – non mining tax | **47 608** | 31 037 | **21 860** | 31 037 |
| – state's share of profits | **30 660** | 7 580 | **30 660** | 7 580 |
| – tax on share of earnings from associate – current year | **867** | 1 357 | **867** | 1 357 |
| – tax on share of earnings from associate – previous years | **–** | 16 088 | **–** | 16 088 |
| – secondary tax on companies | **21 616** | 80 212 | **21 616** | 80 212 |
| – capital gains tax | **166** | – | **166** | – |
| Adjustment in respect of prior years | **(4 781)** | – | **(4 781)** | – |
| | **333 601** | 384 024 | **307 853** | 379 621 |
| A reconciliation of the standard rate of South African tax compared with that charged in the statement of comprehensive income is set out below: | % | % | % | % |
| – South African normal tax | **28.0** | 28.0 | **28.0** | 28.0 |
| – State's share of profits | **3.1** | 0.7 | **3.5** | 0.8 |
| – secondary tax on companies | **2.2** | 7.9 | **2.5** | 8.7 |
| – expenditure disallowed and other adjustments | **0.9** | 1.3 | **1.0** | 3.6 |
| – effective tax rate | **34.2** | 37.9 | **35.0** | 41.1 |

### 28.1 State's share of profit

The formula for determining the State's share of profit is:
Y = 15 – 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%.

### 28.2 Mining tax

The current rate of mining tax applicable to the company is 28% (2009: 28%).

### 28.3 Non-mining tax

Non-mining income is subject to a rate of 28% (2009: 28%).

### 28.4 Deferred tax

Deferred tax is provided at the statutory rate of 28% for all temporary differences (2009: 28%).

### 28.5 Secondary tax on companies

Secondary tax on companies is levied at the rate of 10% of net dividends declared (2009: 10%).

### 28.6 Capital gains tax

Capital gains tax, at an effective rate of 14% (2009: 14%), is payable on any gains realised on the disposal of investments or mining properties.

### 28.7 Tax on share of earnings from associate

Mining and non-mining income is subject to a rate of 28% (F2009:28%).

| | 2010<br>R000<br>Group | 2009<br>R000<br>Group | 2010<br>R000<br>Company | 2009<br>R000<br>Company |
|---|---|---|---|---|

## 29. Earnings per share

Basic earnings per share amounts are calculated dividing earnings for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares of 360 291 885 (2009: 343 162 299) outstanding during the year. Headline earnings per share are based on headline earnings and are reconciled to profit attributable to shareholders as follows:

| | 2010 Group | 2009 Group | 2010 Company | 2009 Company |
|---|---|---|---|---|
| Earnings attributable to shareholders | **641 026** | 630 482 | **572 643** | 544 508 |
| Loss/(profit) on sale of property, plant and equipment | **(822)** | 41 | **(822)** | 41 |
| Tax effect | **230** | (11) | **230** | (11) |
| Pre-acquisition profits relating to Pandora (negative goodwill) | **–** | (67 847) | **–** | (67 847) |
| Tax effect | **–** | 16 060 | **–** | 16 060 |
| Impairment effect | **–** | 16 711 | **–** | 16 711 |
| Tax effect | **–** | (4 679) | **–** | (4 679) |
| Headline earnings | **640 434** | 590 757 | **572 051** | 504 783 |

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

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

| | 2010 Group | 2009 Group | 2010 Company | 2009 Company |
|---|---|---|---|---|
| Dividends per share (cents) | **40.00** | 78.00 | **40.00** | 78.00 |

The number of potential diluted shares are calculated as follows:

| | 2010 Group | 2009 Group | 2010 Company | 2009 Company |
|---|---|---|---|---|
| Average number of ordinary shares in issue during the year | **360 291 885** | 343 162 299 | **360 291 885** | 343 162 299 |
| Average number of Northam Share Option Scheme options outstanding during the year | **172 611** | 416 980 | **172 611** | 416 980 |
| Average number of potential diluted ordinary shares in issue | **360 464 496** | 343 579 279 | **360 464 496** | 343 579 279 |

The company's authorised ordinary share capital was increased from 475 000 000 to 545 000 000 during the year.

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|

## 30. Cash generated from operations

| | 2010 Group | 2009 Group | 2010 Company | 2009 Company |
|---|---|---|---|---|
| Profit before taxation | 974 627 | 1 014 506 | 880 496 | 924 129 |
| Adjusted for non-cash items | | | | |
| – (profit)/loss on disposal of property, plant and equipment | (822) | 41 | (822) | 41 |
| – depreciation and impairment | 167 346 | 160 907 | 167 346 | 160 907 |
| – increase/(decrease) in long-term provisions | 33 838 | 43 766 | 11 110 | (2 836) |
| – share based payment expense | 60 582 | 30 181 | 60 582 | 30 181 |
| – share of profit from associate | (9 840) | (72 606) | (10 205) | – |
| – depreciation of participation interest | – | – | 2 600 | 2 167 |
| Interest received | (163 625) | (127 739) | (71 504) | (113 136) |
| Investment in escrow | (91 458) | – | – | – |
| | 970 648 | 1 049 056 | 1 039 603 | 1 001 453 |

## 31. Change in working capital

| | 2010 Group | 2009 Group | 2010 Company | 2009 Company |
|---|---|---|---|---|
| Inventories | (53 208) | 36 726 | (53 208) | 36 726 |
| Trade and other receivables | (91 204) | 132 414 | (57 302) | 135 634 |
| Trade and other payables | 145 195 | 188 200 | 138 235 | 185 530 |
| | 783 | 357 340 | 27 725 | 357 890 |

## 32. Taxation paid

| | 2010 Group | 2009 Group | 2010 Company | 2009 Company |
|---|---|---|---|---|
| Balance owing at beginning of year | 432 | 449 110 | 460 | 449 110 |
| Charge per statement of comprehensive income excluding deferred tax | 315 210 | 343 258 | 289 462 | 338 855 |
| Balance owing at end of year | (33 886) | (432) | (33 091) | (460) |
| | 281 756 | 791 936 | 256 831 | 787 505 |

| | 2010<br>R000<br>Group | 2009<br>R000<br>Group | 2010<br>R000<br>Company | 2009<br>R000<br>Company |
|---|---|---|---|---|

## 33. Commitments

| | | | | |
|---|---|---|---|---|
| Capital expenditure – Booysendal mine | | | | |
| Authorised but not contracted | 3 597 045 | – | – | – |
| Contracted | 46 955 | – | – | – |
| Capital expenditure – Zondereinde mine | | | | |
| Authorised but not contracted | 330 499 | 191 504 | 330 499 | 191 504 |
| Contracted | 16 318 | 45 046 | 16 318 | 45 046 |
| Information Technology Outsource Service Providers | | | | |
| Due within one year | 11 241 | 10 933 | 11 241 | 10 933 |
| Due within two to five years | 21 418 | 29 353 | 21 418 | 29 353 |
| Operating lease rentals – office equipment | | | | |
| Due within one year | 214 | 300 | 214 | 300 |
| Due within two to five years | 8 | 176 | 8 | 176 |
| Operating lease – premises | | | | |
| Due within one year | 459 | 651 | 459 | 651 |
| Due within two to five years | – | 459 | – | 459 |
| Housing development | | | | |
| Contracted | 2 395 | – | 2 395 | – |
| Unutilised loan facility granted to subsidiary | | | 51 207 | 270 000 |
| Bank guarantees issued | 60 457 | 33 284 | 60 457 | 33 284 |

The commitments in respect of the Zondereinde mine and the other commitments will be financed out of operating cash flows. The Booysendal commitment will be funded from a combination of internal retentions and debt as more fully described in the financial review and directors' report.

## 34. Employee benefits

| | | | | |
|---|---|---|---|---|
| The aggregate earnings and benefits of employees, including directors, were: | | | | |
| – salaries, wages and other benefits | 774 483 | 680 594 | 774 483 | 680 594 |
| – contributions to retirement benefit funds | 68 211 | 61 042 | 68 211 | 61 042 |
| – contributions to health-care funds | 45 079 | 37 417 | 45 079 | 37 417 |
| – share based payment expense | 60 582 | 30 181 | 60 582 | 30 181 |
| – employee empowerment scheme | 26 346 | 15 044 | 26 346 | 15 044 |
| | 974 701 | 824 278 | 974 701 | 824 278 |
| – fees paid to non-executive directors | 2 540 | 1 643 | 2 540 | 1 643 |
| | 977 241 | 825 921 | 977 241 | 825 921 |
| Included in salaries, wages and other benefits are the following amounts in respect of retrenchment benefits and termination costs | 439 | 729 | 439 | 729 |

# Notes to the annual financial statements (continued)

for the year ended 30 June 2010

| | 2010<br>R000<br>Group | 2009<br>R000<br>Group | 2010<br>R000<br>Company | 2009<br>R000<br>Company |
|---|---|---|---|---|

## 35. Related parties

The group, in the ordinary course of business, enters into various sale, purchase and lease transactions with a large number of entities, some of whom are related parties. All transactions were concluded on an arms length basis apart from interest free loans provided by the company to Broad Brush Investments 2 (Proprietary) Limited, Micawber 278 (Proprietary) Limited and Norplats Properties (Proprietary) Limited.

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

## 36. Segmental reporting

As a result of adopting IFRS 8, the identification of the group's reportable segment has changed. In the prior years, the group's primary segment reporting format was by business segment and its secondary reporting format by geographical location of customers. Two business segments were identified, the Zondereinde mine and the Booysendal mine. The group's management looks at the performance of the Zondereinde and Booysendal mines when allocating resources and assessing the segment performance.

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

## 37. Financial risk management objectives and policies

The group's principal financial liabilities, comprise trade and other payables, and loans given. The main purpose of these financial liabilities are to raise finance for the group's operations. The group has various financial assets such as trade and other receivables, 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 cash flow interest rate risk, liquidity risk, foreign currency risk, commodity price risk and credit risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below:

### (a) Market risk

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

### (b) Foreign currency risk

Foreign currency risk is the risk that the fair value or future 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. All the group's sales are denominated in currencies other than functional currency of the group, whilst 96% of costs are denominated in the group's functional currency.

## 37. Financial risk management objectives and policies (continued)

### (b) Foreign currency risk (continued)

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

| | 2010 R000 Group | 2009 R000 Group | 2010 R000 Company | 2009 R000 Company |
|---|---|---|---|---|
| – weakening by 10% | **20 064** | 33 716 | **20 064** | 33 716 |
| – strengthening by 10% | **(20 064)** | (33 716) | **(20 064)** | (33 716) |
| At year end the foreign currency value of items under their respective balance sheet classifications were as follows: | | | | |
| – accounts receivable – US$ | **18 574** | 14 670 | **18 574** | 14 670 |
| – cash and cash equivalents – US$ | **6 613** | 29 289 | **6 613** | 29 289 |
| – accounts payable – € | **819** | 576 | **819** | 576 |
| Exchange rates at year end | | | | |
| ZAR/US$ | **7.66** | 7.67 | **7.66** | 7.67 |
| ZAR/€ | **9.41** | 10.77 | **9.41** | 10.77 |

### (c) Commodity price risk

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

| | | | | |
|---|---|---|---|---|
| The following is an indication of the effect that changes in the commodity prices would have on the profit before tax: | | | | |
| – increase of 10% | **20 205** | 11 252 | **20 205** | 11 252 |
| – decrease of 10% | **(20 205)** | (11 252) | **(20 205)** | (11 252) |

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

### (d) Credit risk

Credit risk is the risk that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities with banks and financial institutions.The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to impairment of receivables is not significant. There are no significant concentrations of credit risk within the group.

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

## 37. Financial risk management objectives and policies (continued)

### (e) Interest rate risk

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

As part of the process of managing the group'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.

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.

| | 2010<br>R000<br>Group | 2009<br>R000<br>Group | 2010<br>R000<br>Company | 2009<br>R000<br>Company |
|---|---|---|---|---|
| – increase of 1% | **11 867** | 9 209 | **11 746** | 7 421 |
| – decrease of 1% | **(11 867)** | (9 209) | **(11 746)** | (7 421) |

### (f) Fair value

Management is of the opinion that the book value of financial instruments approximates fair value, except for the loans to subsidiaries which are stated at cost.

### (g) Liquidity risk

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

They assist the group in monitoring its risk to a shortage of funds by only depositing its surplus cash funds with major banks of high credit standing. They consider and monitor the maturity and returns of all financial investments. Management performs regular projected cash flow forecasts for the group. The group does not have any borrowings and all trade accounts payable are due within 30 days. The maturity profile of the group's financial liabilities is set out in Annexure 1, which forms part of these notes.

### (h) Capital management

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

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. All equity items are managed as capital. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to share holders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2010 and 30 June 2009.

### (i) Categories of financial instruments

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

## 37. Financial risk management objectives and policies (continued)

### (j) Fair value hierarchy

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

As at 30 June 2010 the group held the following financial instruments measured at fair value:

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

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

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

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

| | Group at 30 June 2010 | | | |
|---|---|---|---|---|
| Assets measured at fair value | Level 1 R000 | Level 2 R000 | Level 3 R000 | Total R000 |
| Available for sale investments | – | 6 | – | 6 |
| Investments held by Northam Platinum Restoration Trust Fund | – | 27 259 | – | 27 259 |
| Environmental Guarantee Investment | – | 20 763 | – | 20 763 |

| | Group at 30 June 2009 | | | |
|---|---|---|---|---|
| Assets measured at fair value | Level 1 R000 | Level 2 R000 | Level 3 R000 | Total R000 |
| Available for sale investments | – | 6 | – | 6 |
| Investments held by Northam Platinum Restoration Trust Fund | – | 24 893 | – | 24 893 |
| Environmental Guarantee Investment | – | 15 895 | – | 15 895 |

| | Company at 30 June 2010 | | | |
|---|---|---|---|---|
| Assets measured at fair value | Level 1 R000 | Level 2 R000 | Level 3 R000 | Total R000 |
| Available for sale investments | – | 6 | – | 6 |
| Investments held by Northam Platinum Restoration Trust Fund | – | 27 259 | – | 27 259 |
| Environmental Guarantee Investment | – | 20 763 | – | 20 763 |

| | Company at 30 June 2009 | | | |
|---|---|---|---|---|
| Assets measured at fair value | Level 1 R000 | Level 2 R000 | Level 3 R000 | Total R000 |
| Available for sale investments | – | 6 | – | 6 |
| Investments held by Northam Platinum Restoration Trust Fund | – | 24 893 | – | 24 893 |
| Environmental Guarantee Investment | – | 15 895 | – | 15 895 |