ALEXKOR

MODERN, GROWING AND SUCCESSFUL COMMUNITIES

INTEGRATED REPORT 2019

for the year ended 31 March

CONTENTS

OUR APPROACH TO REPORTING

REPORTING PHILOSOPHY AND APPROACH

Our adherence to integrated reporting standards provides a transparent and comprehensive report, reflecting the financial, operational, social and sustainability performance of Alexkor for the year ended 31 March 2019.

This enables stakeholders to understand and appreciate Alexkor's dual mandate of commercial and social objectives and how the company has implemented its strategy to fulfil this mandate considering:

- The economic, regulatory and political contexts.
- Trade-offs between competing objectives.
- How our governance structures support our strategic objectives and govern our operational performance.
- The risks and challenges affecting our decisions and performance.
- Our long-term ability to create and sustain value.

REPORTING BOUNDARY

This report covers the activities and initiatives of Alexkor SOC Limited and the mining operations in Alexander Bay. There have not been any significant changes in scope or reporting boundaries during the reporting period, other than a commitment to continuous improvement in risk management and good corporate governance.

Our reporting process has been primarily guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the Report on Corporate Governance for South Africa 2016 (King IV), the South African Companies Act, No. 71 of 2008, as amended ("the Act"), and the Public Finance Management Act (PFMA), as applicable.

ASSESSING VALUE CREATION

This report has been written primarily for the Shareholder (the South African Government), and the Richtersveld community. The report will also be of interest to any other stakeholders that wish to make an informed assessment of Alexkor's ability to create sustainable value over time.

The report has focused on material matters and is the result of following an integrated thinking approach to ensuring that decisions consider the outcomes on the six capitals. The six capitals are outlined as follows:

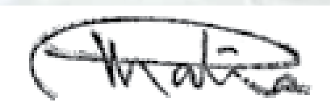
- **Financial capital:** available funds for the production of goods or the provision of services.
- **Manufactured capital:** manufactured physical objects that are available for use in the production of goods or the provision of services.
- **Intellectual capital:** knowledge-based intangibles.
- **Human capital:** people's skills, competencies, and experience and their motivations to innovate.
- **Social and relationship capital:** the institutions and the relationships within and between communities, various government entities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective well-being.
- **Natural capital:** renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of the Company.

COMBINED ASSURANCE

We have followed a combined assurance model. Assurance has been obtained through a combination of internal and external sources, being management, the Audit and Risk Committee, the Board, the internal and external auditors.

BOARD APPROVAL

The Board is responsible for ensuring the integrity of the Integrated Report. The Board believes that this report addresses all material issues and presents a balanced and fair account of Alexkor's performance. On the recommendation of the Audit and Risk Committee, the Board approved Alexkor's Annual Financial Statements and Integrated Report on Thursday, 29, August 2019.



Mr T J Matona
Chairperson

29 August 2019

WHO WE ARE

OUR PURPOSE

is to support the South African Government's national developmental agenda by optimising our natural resources for economic development

OUR VISION

is to be a competitive, progressive, forward-looking organisation with a conscience

OUR MISSION

is to operate a growing, profitable and sustainable mining organisation that contributes to the development needs of the communities

OUR VALUES

Integrity – we will always deliver on our promise

Professionalism – we will always strive for the highest standards possible

Accountability – we will always take full responsibility for the outcomes of our behaviors

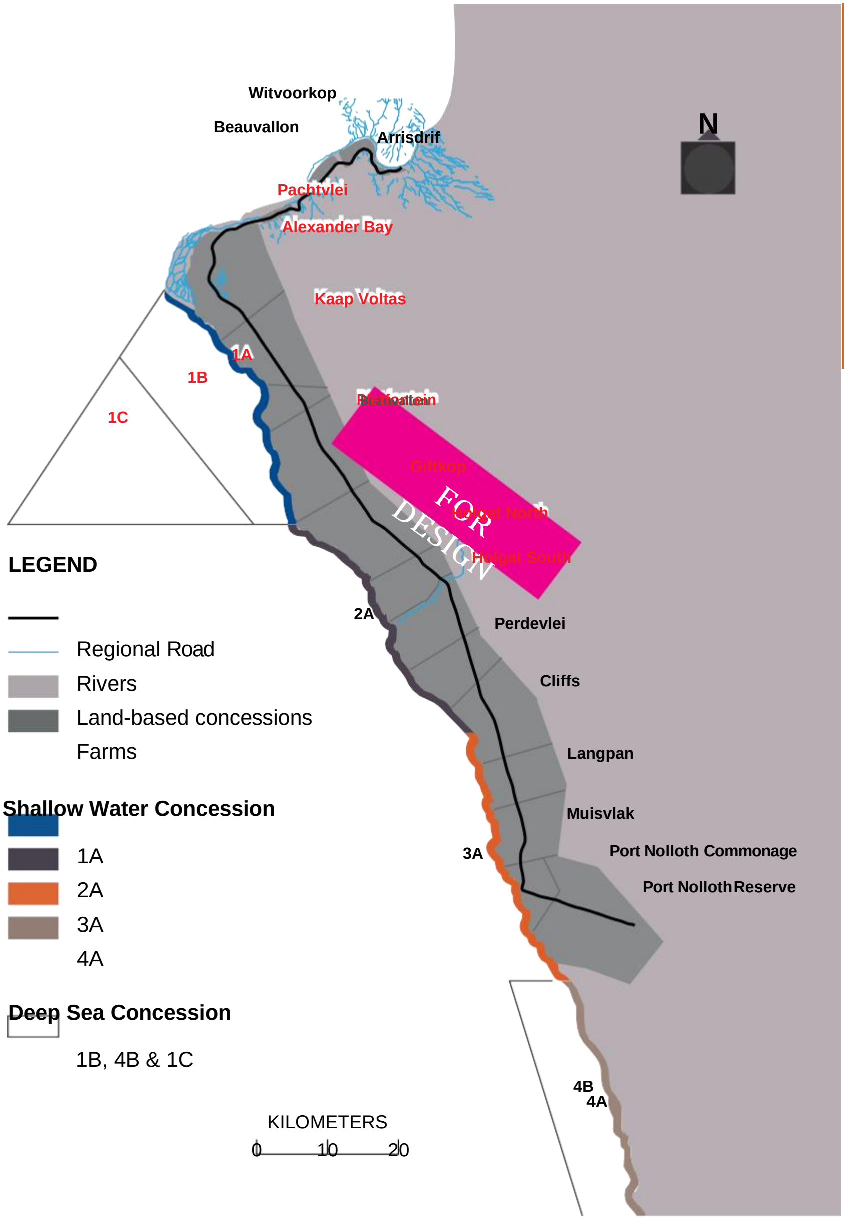
Dedication – we will be focused, goal-orientated and not side-tracked

Dynamic – we will be highly energetic, creative and innovative

WHERE WE OPERATE

Alexkor's mining efforts currently focus predominantly on the Richtersveld area on the north-west coast of South Africa.

Our marine-based concessions span from north of Alexander Bay to south of Port Nolloth for approximately 85 kilometres of the coast line. To date we have mined in the shallow, medium and deep waters. The Shallow, Medium and Deep concessions being represented by A, B and C areas on the map respectively. Our land-based concessions span an area of land equivalent to 865km².



OUR BUSINESS MODEL

We apply extensive mining expertise and innovation to maximise value creation at our existing mining operations and to explore new mining opportunities. Our focus is on unlocking Shareholder value, while delivering sustainable socio-economic upliftment for the Richtersveld community

INPUTS

SOURCES OF CAPITAL

The resources used by our operations to create value are:

INTELLECTUAL CAPITAL

Mining expertise and experience

- Innovation (geological modelling, new mining technologies, exploration programs).
- Safety systems.

- Training programs.
- Environmental management plan.

SOCIAL AND RELATIONSHIP CAPITAL

Stakeholder relationships

- Department of Public Enterprises (DPE).
- Department of Mineral Resources and Energy (DMRE).
- The National Government.
- Northern Cape Provincial Government.
- The Ritchersveld Communities

MANUFACTURED CAPITAL

Mining assets

- Mining equipment and other assets.
- Ancillary support services (residential services, community services, outside engineering services, external transport services, airport, fuel station and guest houses).
- Municipal infrastructure.

HUMAN CAPITAL

Our workforce

- Experienced and competent Executive team and Board.
- Our team.
- Our suppliers.

NATURAL CAPITAL

Water, energy, mariculture, land to enable mining operations

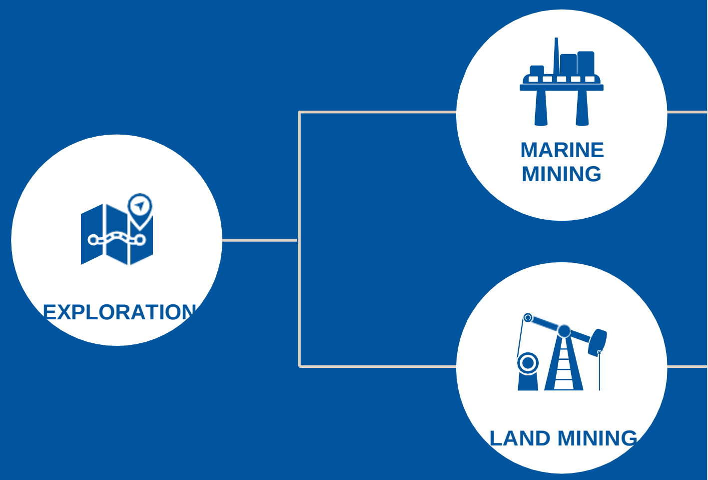
- Land diamond resources.
- Marine diamond resources.

FINANCIAL CAPITAL

Our financial model

- Government investment.

PROCESS FLOW

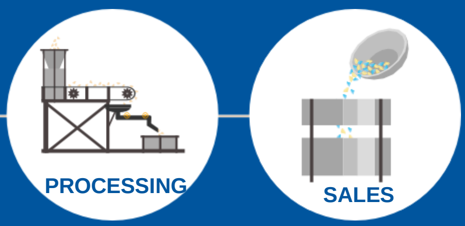


DIAMOND MINING

- Exploration
- Mining
  - Land
  - Marine
- Rehabilitation legacy
- Closure

EXPLORING NEW OPPORTUNITIES

- Diamond Beneficiation
- Public Private Partnerships
- Port development (West Coast) with other government SOC's.
- Working with both State Diamond Trader and The Diamond Regulator
- Relationship with Institute of Marine Technology (IMT), Geoscience, and Transnet National Port Authority (TNPA)



OUTPUTS

WHAT WE PRODUCE

The products and services we deliver to our stakeholders are:

67 724 carats

produced FY 2018/2019
generating R412 million in revenue

OUTCOMES

WHAT WE CREATE

As a result of our operations we create:

EMPLOYMENT OPPORTUNITIES

- Total workforce, direct and indirect in excess of 2 500 (94% of jobs allocated to individuals in the Richtersveld area).

SOCIO-ECONOMIC DEVELOPMENT

- R2.02 million spent on social investment interventions.
- R1.6 million invested in our education transformation programs.
- R158 942 spent on a bursary program for disadvantaged students.
- R563 226 million invested in community upliftment through the SLP plan.
- R341 million paid to local businesses and suppliers.

BETTER TRAINED AND TRANSFORMED WORKFORCE

- R950 648 spent on training in 2019.
- Employment equity program delivering transformation objectives.
- Employment equity plan.

SHARED CAPITAL

- PSJV (49% RMC, 51% Alexkor).

OUR STRATEGY

In December 2018 the Alexkor Board prioritised the following strategic objectives:

DIAMOND MINING REMAINS OUR PRIORITY

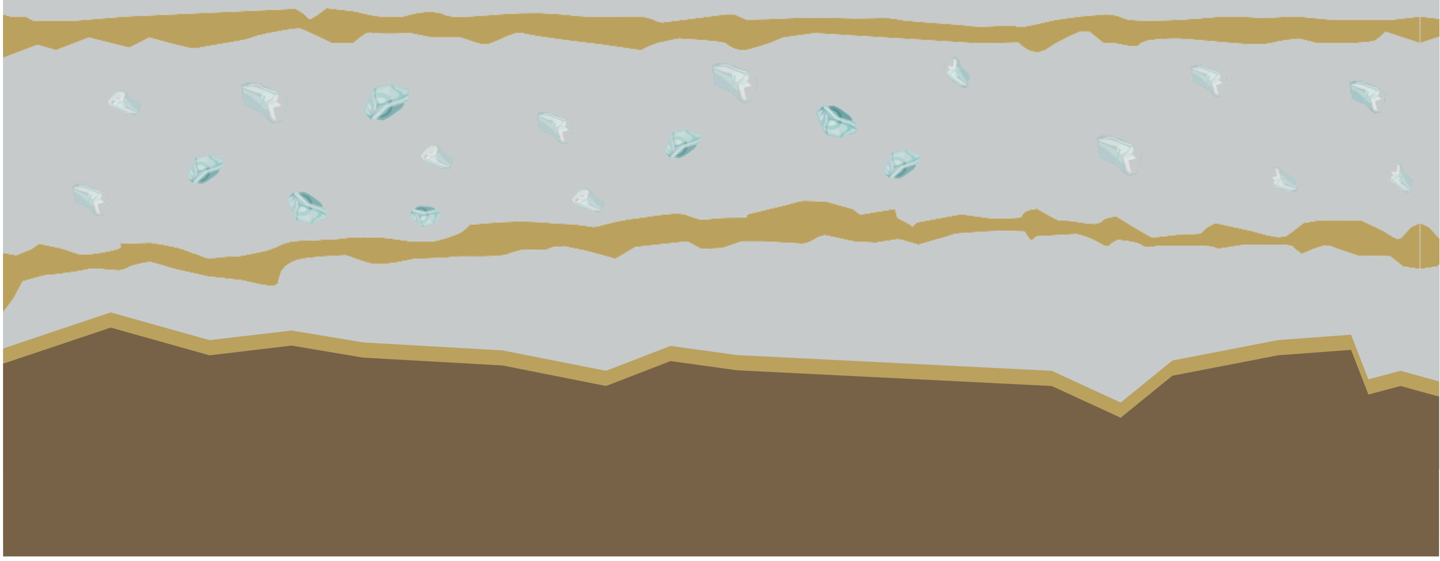
.

INCREASING LAND CARATS

- Maximise and expand the exploration program continuously.
- Rework the tailings dump.
- Increase diamond mining footprint in the region.

MARINE MINING

- Better management and oversight of marine contractors.
- Increase the number of service providers to be allocated mining contracts.
- Exploring insourcing medium depth marine mining



DIVERSIFYING OUR BUSINESS MODEL

We recognise that diamonds are a finite resource and therefore we are focusing our efforts on diversifying our business model to ensure our long-term sustainability. To achieve this, we are exploring:

A MINERAL DIVERSIFICATION STRATEGY

- Due to the moratorium placed by the Shareholder. The Minister of Public Enterprises, all acquisitions and disposals have been placed on hold and therefore exploring this strategy has been halted.

DIAMOND BENEFICIATION

- Alexkor is looking at using the KIDJA facilities in Kimberly for beneficiation and training.
- Expansion of operations outside Richtersveld.
- Exploring the insourcing of this activity to enhance value chain

THIS FOUNDATION PROVIDES AN INTEGRATED AND HOLISTIC APPROACH TO ACHIEVING ALEXKOR'S MANDATE.

OUR PRE-DETERMINED OBJECTIVES

PERFORMANCE OBJECTIVES RELATING TO ALEXKOR

	Weight	Key performance area	Key performance indicator	Unit of measure
Financial sustainability	30	Financial position	Cash buffer	Rand
			Rental income collected	%
Operational excellence	20	Commodity diversification	Implement coal strategy	Date
Strategic initiatives/ Industrialisation	20	Mineral beneficiation	Establish a diamond beneficiation facility	Completed report
Sustainable Development (Socio-economic Impact and Environmental)	30	Conclude historical environmental rehabilitation	Execution of the plan	Date
		Procurement	Black owned	%
			Black woman owned	%
			Black youth owned	%
			People with disabilities	%

2018/19 Target	2018/19 Actual	Notes
R60 million	R 39 million	Not achieved, due to financial constraints faced by the PSJV. There has been no payment received towards the ICC loan and settlement of intercompany account from the PSJV. Majority of the cash held by Alexkor is for restricted purposes and cannot be accessed.
85%	70%	Not achieved. Rentals outstanding includes rental receivable from the PSJV for houses occupied by their staff.
Seek approval for the establishment of Alexcoal	N/A	The project was declined by the Department of Public Enterprises, during the 2019 financial year.
Completed feasibility study on establishment of the diamond beneficiation facility	On hold	The feasibility study on diamond beneficiation has been put on hold due to the Moratorium placed by the Honourable Minister.
Demolition of old buildings and safe storage of the resultant rubble by 31/3/2019(Phase 1A)	100% complete	By the end of second quarter the demolition work was completed ahead of schedule due to favourable weather conditions.
75%	84%	The target was exceeded as the rehabilitation contractor had black female ownership.
3%	76%	The target was exceeded as the rehabilitation contractor had black female ownership.
1%	0.028%	Black youth suppliers were sourced, however, monetary value was not sufficient to meet the target.
0.5%	0.028%	Suppliers with disabilities were sourced, however, monetary value was not sufficient to meet the target.

OUR PRE-DETERMINED OBJECTIVES (continued)

PERFORMANCE OBJECTIVES RELATING TO PSJV

Section	Weight	Key Performance Area	Key Performance Indicator	Unit of Measure
Financial sustainability	20	Financial Performance	EBITDA margin	%
Operational Excellence	30	Diamond Production	Land and Marine Production	Carats produced
			Deep sea production	Carats produced
			Mid waters production	Carats produced
			Expansion of exploration program	Exploration report on targeted areas
		Safety	Fatalities	Number
Sustainable Development (Socio Economic Impact & Environmental)	50	Skills development	Artisan Trainees	Number
			Technician trainees (Diamond Beneficiation)	Number
			Engineering trainees	Number
			Training spend (including 1% leviable amount	Number
		CSI	CSI interventions as agreed in the CSI forum	Amount of 1% of NPAT
			CSI Spent	Rand
		Employment creation	Direct Jobs	Permanent vs Contract
			Indirect Jobs	Number
		Procurement	Spend on BEE compliant companies (of recognised spent)	%
			Total Black-Owned as a % of local spend	%
			Total Black women owned as a % of local spend	%
			Total Black youth owned as a % of local spend	%
			People with disabilities as a % local spend	%
			QSE	% per designated group

2018/19 Target	2018/19 Actual	Notes
10.5%	-10.17%	Not achieved,due to weaker $/Carat price achieved and lower quality and size of marine production.
52 000	48 127	Not achieved due to insufficient information on mining areas.
–	19 597	Achieved as the IMDSA commenced mining in the latter part of 2018.
5 000	–	Not achieved as the company does not have sufficient capital to initiate mining in the mid waters.
Complete exploration at Cliffs,Perdevlei,Holgat South and Kortdoom	Exploration is suspended	Not achieved as exploration has been suspended due to financial constraints.
Zero	0	There were no fatalities during the current financial year.
3	6	Achieved as a result of in-house trainees.
3	3	Achieved as a result of in-house trainees.
4	2	Due to cost cutting measures additional trainees could not be employed.
5%	1.38%	Not achieved due to cost containment measures.
1%	3.81%	Achieved.
R6 million	R1.8million	Not achieved due to cost containment measures.
2 Permanent + 2 Contract	0	Not achieved due to the company applying for s189, additional employees could not be employed.
8	0	Due to the company applying for s189, additional employees could not be employed.
60%	57%	Due to cash constraints and cost saving initiatives, this target could not be achieved.
60%	25%	Due to cash constraints and cost saving initiatives, this target could not be achieved.
5%	13%	Concerted effort was made to source suppliers with Black Women Ownership.
1%	0%	Due to cash constraints and cost saving initiatives, this target could not be achieved.
0.5%	0%	Due to cash constraints and cost saving initiatives, this target could not be achieved.
25%	2%	Due to cash constraints and cost saving initiatives, this target could not be achieved.

MATERIAL ISSUES AND RISKS

Material matters are those issues that can impact Alexkor's ability to achieve its strategic objectives. To determine these issues, Alexkor considers its strategy, operating context and key risks facing the organisation. Key to identifying these material issues is the risk management process.

The risk management process is embedded in Alexkor's strategy process, the execution of significant transactions, as well as the mining operations. It includes the gathering and analysis of global and local trends in order to anticipate, respond to, and align emerging risks and opportunities to inform strategic and operational decisions. The executive management develops the risk register, and the necessary mitigating factors, through a risk assessment process. The Board is ultimately responsible for risk governance and has put in place an effective system of internal control to detect and prevent losses.

The delegation of authority is in place to ensure effective decision-making and transparency within the organisation. Please see page 42 (Managing Risk in an Integrated Way) for more information.

Risk	**Risk category**	Risk mitigation measures	Action plan
1. Insufficient operational cash which could impact on Alexkor's ability to fulfil its short-term and long-term obligations, e.g operations, Deed of Settlement (DOS) and strategies	Financial	• Cash flow strategies to address both the short, medium and long-term requirements • Strict monitoring and control of all expenditure of funds in the MTEF • Making financial provision for the mid-waters' strategy	• Approval of cash flow strategies, dividends and cash sweep, including the release of surplus expenditure funds in the MTEF • Raise between R50 million to R100 million to fund the strategy • Report on a quarterly basis on progress • Strategic sessions with the Board to identify alternative business ventures
2. Inadequate funding for new business ventures	Financial	• Strong relationships with the Executive Authority (the Shareholder) to ensure alignment • Develop a strong business case and ensure buy-in from the Executive Authority • Approach DPE and NT for reclassification of Alexkor from a PFMA perspective, permitting borrowing	• Implement a cost-saving strategy • Strategic sessions with the Board to identify alternative funding options • Continuous engagement with the Shareholder to discuss new business ventures
3. Non-compliance with regulatory framework	Legal and Compliance	• Identify relevant legislation and related amendments to comply with regularly • Ensure continuous compliance with "licence to operate" requirements	• Secure system with legislative updates • Engage with the DMR and Environmental affairs • Continuous engagement with key stakeholders especially the community within the mining area

4. Non-Compliance with the Deed of Settlement is a risk because the settlement is outside the control of Alexkor and lies with third parties, and failure to work together may have repercussions on the business.	Legal	• Engagement with various third-party elements to ensure compliance with the Deed of Settlement • Properly constituted CPA to normalise their structures, in particular the Property Holding Company • Capacity building and continued support to the CPA • Liaise with DRDLR and DPE to advance compliance	• Engagement with various third parties to ensure compliance with the Deed of Settlement and Unanimous Resolution • DRDLR to assist community with elections to regularise all structures • Identify relevant training opportunities for CPA members
5. Global Warming	Operations	• Use of modern technology to mine in shallow waters.	• To collaborate with potential contractors and relevant stakeholders

Risk	Risk category	Risk mitigation measures	Action plan
6. Misalignment between Alexkor SOC and PSJV operations and the effect on operations that could possibly cause inefficiencies	Corporate governance	• Collaboration on implementing and reporting • Monthly reports • Strong communication between the Board and management and monitor the relationships	• PSJV Board to ensure the effective alignment on Corporate Governance • Report monthly and quarterly on the turnaround strategy • Compliance with PFMA as well at Operations • Alexkor to be considered for appointment as non-executive directors on the PSJV Board
7. Inability to convert diamond resources to mining reserves	Technical	• Intensive exploration program to test and confirm resources	• To develop high level mining annual plan • IMT and Geoscience to assist with marine exploration. • Collaboration with IMDSA to carry out exploration from shallow water mining to deep sea mining. • Amending the mining rights (MR) section 102,to cater for all minerals in our mining licence.
8. Lack of participation in procurement and contract management of marine and land contractors	Legal and compliance	• Weekly review of production • Monthly review of production • Spend and debtor management • Regular interaction with contractors • Contractor assistance • Alexkor to participate in awarding marine and land contracts	• Assistance to contractors by the PSJV. This assistance includes the supply of diesel and stores items in advance and also monetary advances to assist with production • Close review of production by the PSJV and Alexkor teams

OUR BOARD

MR T J MATONA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed August 2015
BSc.Hons (UCT); MA Development Economics (University of East Anglia, United Kingdom)

Expertise: Public policy, strategy management and leadership and corporate governance

Mr Tshediso Matona is currently the head of the National Planning Commission Secretariat.
He was previously the Chief Executive Officer of Eskom, Director-General of Public Enterprises and of Trade and Industry departments between 2005 and 2014. An economist by training and an experienced public administrator, he served on the boards of a number of public policy bodies and is a member of Chartered Secretaries South Africa (CSSA) since 2011. He has 24 years of senior management experience and skills in the fields of international trade and diplomacy, export promotion, investment promotion, industrial development, enterprise development, economic regulation and corporate governance. He is currently the Interim Chairperson of the Board of Alexkor and PSJV and a member of the Social, Ethics and Human Resources Committee and Environmental Rehabilitation Committee at Alexkor SOC.

MR T M HAASBROEK
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed August 2015
Electronic Engineer Diploma
Expertise: Turnaround specialist

Mr Trevern Haasbroek is a turnaround specialist with exceptional management skills. He serves on the Board of SWT Holdings Proprietary Limited. During the year under review, he served at Alexkor as Chairperson of the Audit and Risk Committee and is also a member of the Environmental Rehabilitation Committee.

MR J S DANANA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed August 2015
Bachelor of Journalism; BA Hons; MBA

Expertise: Strategy development and implementation

Mr John Sembie Danana has extensive experience in the construction industry. During his career he worked for Harmony Gold Mining Company and was the co-founder of First Uranium Corporation. He is currently involved in property development. His previous roles include Chairman of the Pretoria Technikon, SABC board member, director of Ubunye Cement Distribution and Mbambushe Investment Enterprises Proprietary Limited.He currently serves as the Chairperson of the Social, Ethics and Human Resources Committee. He is also a member of the Audit and Risk Committee, Environmental Rehabilitation Committee and serves as a Trustee in the Rehabilitation Trust at Alexkor.

MS Z NTLANGULA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed September 2012

B.Juris; LLB; Master's Diploma in Human Resources; Diploma in Project Management

Expertise: Commercial and Corporate Lawyer and a property law specialist.

Ms Zukiswa Ntlangula is an attorney and conveyancer at Ntlangula Inc., a property and corporate commercial law firm, which she established in 2006.

Ms Ntlangula is a Director at Glencore South Africa (independent non-executive director – Social and Ethics Committee). She currently chairs the Environmental Rehabilitation Committee and is a member of both the Audit and Risk Committee and Social, Ethics and Human Resources Committee at Alexkor.

CHANGES DURING THE YEAR

MR H I MOKWENA

CHIEF OPERATING OFFICER

Contract ended 30 September 2018

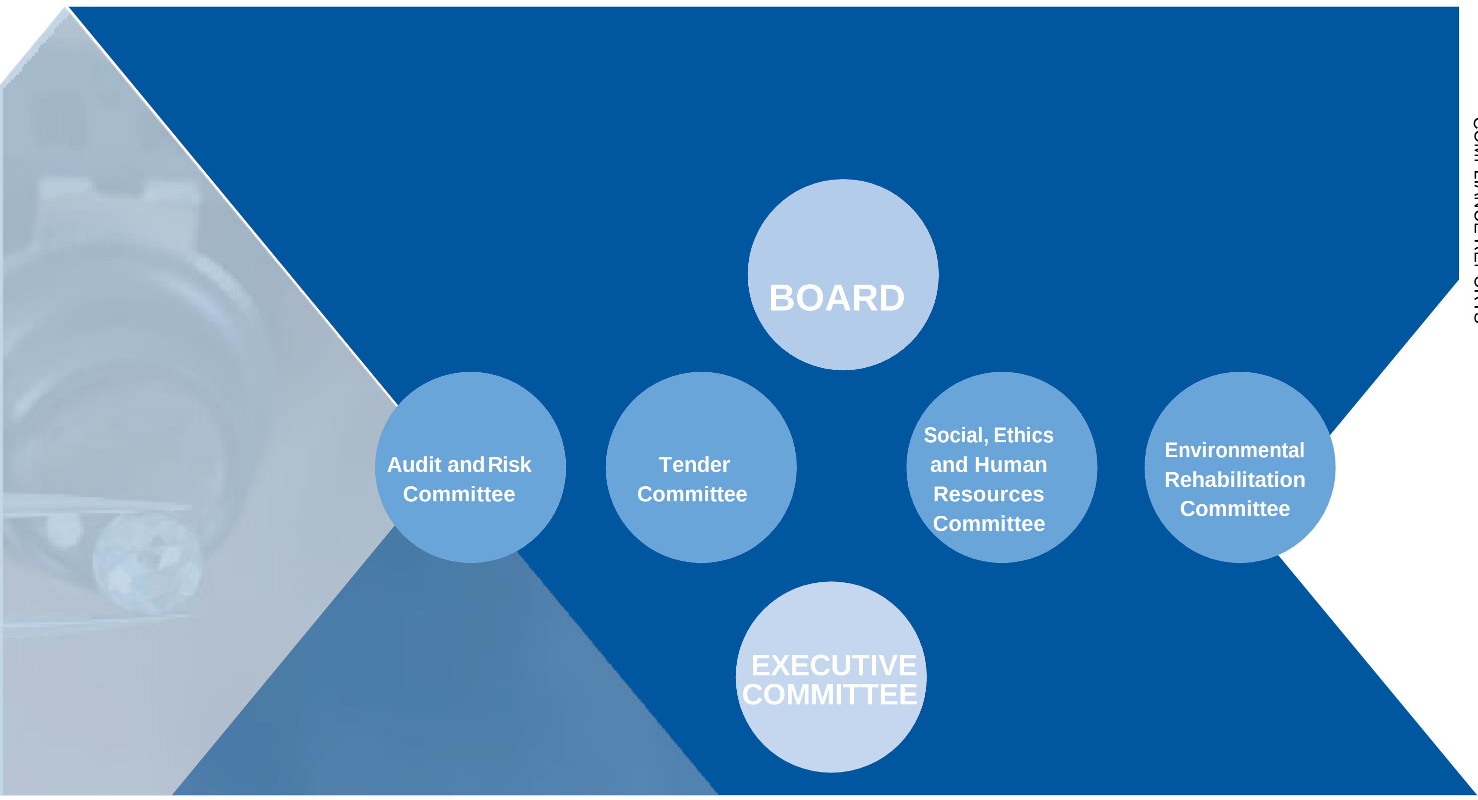
MBA, B-Tech Mining Engineering

MS LEHOBYE

Resigned on 31 May 2018

MS H MATSEKE

Resigned on 23 October 2018



ALEXKOR'S LEADERSHIP STRUCTURE

CEO

MR LEMOGANG PITSOE

CFO

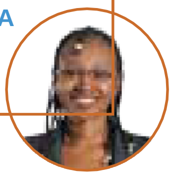
MS ADILA CHOWAN

COO

Vacant

CORPORATE SERVICES MANAGER

MS PATEKA MOMOZA



COMPANY SECRETARY

MS SHOKIE BOPAPE

2019 THE YEAR UNDER REVIEW

OUR PERFORMANCE HIGHLIGHTS

- Carat production at the Alexander Bay operations increased significantly – 67 724 gemstone quality diamonds recovered (compared to 41 941 carats produced in the previous financial year).
- The annual turnover increased marginally, R412 million was achieved in the year under review (compared to R409 million in the previous year), 51% of the revenue has been included in the consolidated financial statements. Although the carat production increased, the smaller size and quality of the production negatively impacted the turnover.
- A comprehensive loss of R150 million was reported, which is a significant decrease to the R34 million profit reported in 2018. This was largely attributed to the impairment of loan to the joint venture of R92 million.

DELIVERING ON OUR STRATEGY

- Thirteen companies have expressed an interest to mine the medium depth waters. The aim is to have a minimum of eight vessels working hand in hand with the community.
- Systems implemented to ensure marine and land contractors are better managed. This has already yielded increases in the carat production.
- As part of Alexkor's mineral diversification strategy, the coal business case strategy was submitted to the Department of Public Enterprise and the proposal was declined. During the beginning of the financial year, Honourable Minister placed a moratorium on all acquisitions and disposals of assets.
- A forum consisting of key stakeholders was constituted in the previous financial year to progress the local diamond beneficiation strategy. Memorandum of Agreements were drafted and are in the process of being concluded subject to the moratorium being lifted to enable sourcing of additional funding.

SUSTAINABLE DEVELOPMENT UPLIFTING OUR COMMUNITIES

- Provided employment to approximately 2 500 people directly and indirectly through our operations in Alexander Bay.
- Invested almost R2.6 million in CSI aimed at community projects and various Social and Labour Plan ("SLP") projects with some aimed at improving education. This could have been more but for financial constraints during the period under review.
- Alexkor invested R1 109 590 in skills development including bursaries (158 942) and training initiatives (950 648).
- Progress has been made in the township handover and it is expected to continue to take place in a phased approach. Delays in the handover was driven by financial constraints experienced by some of the stakeholders.

CHAIRPERSON'S OVERVIEW 2019

"TO ENSURE A PROFITABLE AND SUSTAINABLE FUTURE FOR ALEXKOR, IT IS IMPORTANT TO CONTINUALLY SEEK AND INVEST IN INNOVATIVE WAYS OF IDENTIFYING, RECOVERING AND DELIVERING HIGH-VALUE DIAMONDS"

MR T J MATONA

It is my pleasure to present Alexkor's Integrated Report on behalf of the Board. The report allows me the opportunity to reflect on the performance of the company in the past financial year taking into account the company's stated objectives.

Alexkor's strategy is made up of the following focus areas: increasing carat production in a responsible manner; growing shareholder value; long-term sustainability; and supporting community development in the Richtersveld area. This integrated approach to improve our business performance allows Alexkor to adapt to challenges and opportunities.

The 2018/19 financial year was challenging for both Alexkor and the diamond mining industry in general. This is reflected in much reduced revenues, brought about by reduced diamond production, which in turn resulted from fewer suitable sea-days during which operations needed to be curtailed for safety considerations, as required by law. This is significant as 80 percent of Alexkor's revenue derives from mining, principally seabed operations.

Whilst reduced sea-days could be seasonal, there is also the possibility of the impact of climate change – which underscores the imperative to address global warming on an urgent basis.

Another important factor in the company's poor performance is the impact of market volatility. Large global producers have increased sales of smaller diamonds and lower quality diamonds have entered the market, which caused a sharp decline in prices.

At our annual strategic planning session, the Alexkor Board undertook a comprehensive review of the business, across the entire value chain, and addressed structural challenges that have impacted performance over time. Building on the varied and effective steps taken so far to contain operational costs in recent years, the Board resolved that, in the immediate and medium-term, Alexkor should focus on exploiting previously unmined marine resources in order to create a safe, sustainable, competitive and profitable business for the long-term benefit of all our stakeholders.

To ensure a profitable and sustainable future for Alexkor, it is important to continually seek and invest in innovative ways of identifying, recovering and delivering high-value diamonds.

ALEXKOR'S HEAD OFFICE

Overhead costs have been reduced, while the new organisational design was implemented to ensure that operations are appropriately supported.

Alexkor was unable to proceed with previous plans to diversify the business into mineral beneficiation and to enter the coal sector, partly due to funding constraints, but the shareholder also did not deem these plans to be appropriate at this juncture.

For the 2019 financial year, the Company reported a net loss of R150 million (2018: R34 million profit). The loss was largely attributable to the impairment of the intercompany loan of R92 million to the Pool and Sharing Joint Venture between Alexkor and the Richtersveld community.

POOLING AND SHARING JOINT VENTURE

VENTURE

Alexkor management and Board, through representation on the PSJV Board, continue to ensure that the PSJV is operated within a sound governance framework and on commercial terms.

Although significant progress was made in fulfilling the conditions of the Deed of Settlement (DoS), funding constraints experienced by certain stakeholders have had an impact on finalising the process. Outstanding issues include the transfer of properties, mainly houses, and the transfer of the Alexander Bay Town to the Richtersveld Municipality.

Diamond sales of 67 724 carats in 2019 generated a total revenue of R412 million against budgeted figures of 76 900 carats and R524 million revenue.

Production and revenue figures for 2018 were
41 941 carats and R409 million respectively. Carat production from our deep water 1B concession by the contractor International Mining and Dredging South Africa (IMDSA) was 19 735 against a budgeted production of 30 000 carats, which negatively affected PSJV revenue in this period. The lower production from the beach resulted from the decreased production in the cofferdams. In like vein, lower than expected marine production was due to continued adverse weather conditions and specifically poor visibility during flat sea-days in the northern part of the concessions.

The PSJV reported a net loss of R63 million for the financial period under review (2018: R12m million loss).

REHABILITATION

Alexkor remains committed to rehabilitating the natural environment within which it operates. Rehabilitation requirements are included in all our decision-making processes to ensure that current mining activities do not impede future rehabilitation efforts. For this reason, Alexkor undertakes a review of its rehabilitation plans on an annual basis to ensure its rehabilitation liability is a true reflection of the investment needed for the eventual restoration of land.

As required by the DoS (on the land claim by the Richtersveld community) Alexkor has been servicing a legacy rehabilitation obligation. Following the successful demolition of redundant buildings in the Alexander Bay operations and the safe disposal of a considerable amount of asbestos roofing, Alexkor appointed SRK Consulting, which has extensive experience in the mining space, to evaluate the financial liability of this obligation. This resulted in the assessed liability being reduced to R204 million from R214 million in the previous financial year.

SAFE AND RESPONSIBLE WORKING ENVIRONMENT

The health and safety of everyone working at the PSJV is our highest priority, and we are committed to providing a safe, healthy and nurturing work environment for all our employees, contractors and visitors. While we continually strive for zero harm, during the financial year under review we reported minor injuries to staff on duty, but there were no fatalities reported.

SOCIO-ECONOMIC DEVELOPMENT

The sparsely populated Richtersveld is a remote, socio-economically distressed region with limited employment opportunities. Therefore, localisation is a priority for Alexkor, and a key driver of shared value. The company's operations are aimed at matching available skills in the Richtersveld with the skills requirements on site in order to drive local recruitment.

Continued investment in human capital and the social upliftment of Alexander Bay and surrounding Richtersveld communities remain a priority for Alexkor and the PSJV. Two of our bursary students, Mr Zandre Allison and Ms Thandazile Kubheka, graduated with a National Diploma in Environmental Management from the Cape Peninsula University of Technology, and a Bachelor of Science degree in Mining Engineering from the University of the Witwatersrand (Wits) respectively. An amount of approximately R1 million was invested in employee training and skills development initiatives during the year under review, in line with our skills development plans.

Also aligned with our focus on youth development and educational transformation, the mine partnered with local schools to sponsor teacher salaries, with a specific emphasis on improving the teaching of mathematics and science. We also funded extra classes for Grade 8 to 12 learners in these two critical technical subjects.

CHAIRPERSON'S OVERVIEW 2019 (continued)

Other initiatives aimed at uplifting surrounding Alexander Bay and Richtersveld communities included partnerships with community organisations, stipends to community officials and organisers, tuition and registration assistance to tertiary students and various sports initiatives, and funeral assistance. Total spend on the above community programmes amounted to about R2 million.

COMMERCIAL PROPOSITION

The Board is of the view that Alexkor's current financial difficulties are typical of the cyclical nature of the mining business. In this context, the Board and management have the duty to manage Alexkor through this period of distress to ensure that the focus remains on positioning the business to flourish beyond the cycle. Needless to say, this requires ongoing shareholder advice and, as justified by circumstances, shareholder financial support.

Management will continue to explore the option of in-house mining with possible strategic partners. One of our contractors in Concession 1B and 4 was operating with two vessels and in the latter part of the 2018 financial year, added another vessel. It is further envisaged that a fourth vessel would be added during the first half of the 2020 financial year. Two additional contractors have commenced operations in Concession 1B and 4 and the company is currently engaging 13 other prospective contractors who have expressed an interest.

The Board and management continue to explore further efficiencies and other measures to reduce overhead costs. A proposal was submitted during the current financial year to secure financial support from the shareholder, and a response is still awaited.

The shareholder placed a moratorium at the beginning of the 2017 financial year on all acquisitions and disposals, which remains in place. The Board is looking forward to a pending engagement with the shareholder on the immediate way forward for Alexkor SOC Limited, and on long-term plans for the company.

GOING CONCERN

The annual financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realise its assets and discharge its liabilities in the normal course of business. There are, however, material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

The Company has applied to the Department of Public Enterprise for financial assistance and the Board is awaiting a response from the Honourable Minister.

APPRECIATION

In closing, I wish to thank my fellow Board members for their commitment to Alexkor, and for their wise contributions to the company's affairs and their resilience during a highly challenging year.

On behalf of the Board, I would like to extend special thanks to our shareholder, represented by Pravin Gordhan, MP, the Minister of Public Enterprises and his department. Thanks also to management for competently and loyally serving Alexkor, and to all of our employees and contractors for their dedication and hard work during the past year.

The Richtersveld community also deserves our gratitude and appreciation for embracing and working side by side with us in our efforts to create a sustainable future for the business and the community.

I look forward to a fulfilling 2019/20 financial year as we jointly continue to strive towards realising Alexkor's vision and mission.

CHIEF EXECUTIVE OFFICER'S OVERVIEW 2019

"There is significant potential at Alexander Bay, both in terms of mining and a host of other activities that could be exploited further "

MR LEMOGANG PITSOE

MR LEMOGANG PITSOE

This has been a year, where executive management was busy at work trying to revive the company. This was also an election year where most South Africans put their hopes on a newly elected government. In the Northern Cape province, we saw a Premier echoing the

"The Modern, Growing and Successful Province" theme. We at Alexkor would like to resonate the same for our communities at large.

As is evident from the financial results, Alexkor has experienced one of its most challenging performances in the past year. This can be attributed to a range of influences, some of which fall outside the company's abilities to manage. However, in some instances Alexkor and its shareholder, as well as other stakeholders, need to take a hard look at the current operation's survival.

Whereas Alexkor has the mandate of contributing to the government's developmental goals, especially in a region that is sparsely populated with minimal opportunities, the scope for significant interventions is likewise limited. The inhabitants of Alexander Bay and its immediate environs are heavily reliant on the mine and the diamond extraction. Investment in expanding the envelope to exploit the area's tourism, agricultural and aquaculture potential has yet to bring results.

SAFETY IS OUR FIRST PRIORITY

The executive management is pleased to report that Alexkor has had a fatality-free year, a result of our persistent drive to instill a culture of safety in all employees and their families. Given the hazardous conditions inherent to mining, which in Alexkor's case includes seabed mining, the company ensures that operations are monitored closely and that they conform to pertinent regulations, notably those prescribed by the Mine Health and Safety Act (MHSA).

Environmental conditions to which the mining operation is exposed also call for added safety awareness among our employees. Besides operations that are impacted by heavy seas and the hazards of deep diving, simply driving long distances with minimal law enforcement and the prevalence of dense fog, a feature of this coastal region, can pose significant risk.

Throughout the past year, Alexkor has interacted with important stakeholders, such as the Department of Mineral Resources (DMR) and organised labour, on this very issue. The aim is always to ensure a safe and healthy work and living environment for our employees and their kin.

OUR OPERATING ENVIRONMENT

The diamond producer Transhex, has posted a loss on its South African operations. This is a sign of a tough market for the company the size of Alexkor in the region.

The US stock market plunged about 7% in the two weeks leading up to the various Las Vegas shows, which ran from 30 May to 5 June 2019, injecting an air of caution into the business environment. All told, jewellery designers and manufacturers of finished jewellery reported decent, if measured, demand, while loose diamond and gemstone dealers said business was down from last year.

Manufacturers said retailers came to buy but were cautious about placing large orders. "'Let's wait and see' was the way a lot of discussions ended," said one exhibitor in the JCK Plumb Club, an association of larger companies. Continuing the trends of the past two years, jewellers have been incorporating more coloured gems into their lines because they usually cost less than diamonds and often result in higher margins. This is one of the factors reducing the sales significantly in the diamond market.

Despite slow diamond demand at the show, there were a number of new diamond origin tracking services at the JCK Las Vegas show. The GIA Diamond Origin Report, De Beers and Alrosa introduced their own mine-to-market (M2M) diamond tracking processes; the Cullinan Diamond Report debuted as an identification system to track high-value, previously mined diamonds; and Sarine offered a service charting a diamond's progress through the cutting processes.

OPERATIONAL AND FINANCIAL PERFORMANCE

Diamonds sales revenue was R411 million for the financial year ending 31 March 2019 representing an increase from the previous year (R409 million).

Our marine concessions remain the largest contributor of carat production and revenue this is due to the weather conditions favoring the marine contractors and lack of geological information on the land which makes the operations difficult to sustain.

DELIVERING ON OUR STRATEGY

As for the mid-waters mining, also part of our sustainability strategy, Alexkor lacked sufficient capital to exploit this mining area. A process has been embarked upon to bring corporate contractors on board. Unlike smaller individual contractors, these entities have access to substantive funds and would be in a stronger position to offer employment to local Richtersveld personnel. These investors are required to provide the necessary equipment and resources, within a three-month qualification period in order to become part of the mid-water operation.

Shallow-water mining where good quality diamonds have been extracted for a long while has shown the potential of the mid-water concessions. In the past year, however, the lack of sufficient sea-days has had a negative impact on the operations. More geological exploration and weather reviewing systems to be explored for this area.

In similar vein, Alexkor is considering partnering with larger concessionaires for the land operations, rather than small contractors whose operations rely on the company's equipment and resources such as fuel, spares, water, electricity and security services. This has been a legacy business approach, which has proven to be a drain on the company's financial position.

This proposition has found a measure of resistance in the community who is seemingly of the view that the company is state-owned and hence obliged to honour the existing legacy modus operandi.

A mineral diversification strategy involving coal in the Mpumalanga province has fallen under a moratorium imposed by the Minister of Public Enterprises in 2017. In light of this development, we revised the strategy and Alexkor is no longer pursuing the coal opportunity. Rather a focus has now been placed on improved extraction mining of diamonds and expanding into other precious stones, an area that is closer to Alexkor's core business

In order to achieve critical mass in sustainability, the executive at Alexkor has considered working in conjunction with sister SOCs in the association formed by the SADC Forum. This would involve state-owned diamond mines in Angola, Botswana, Namibia and Zimbabwe.

Concretely, such an initiative would boost Alexkor's sustainability by collaborating with these SOCs in our neighbouring countries and others in South Africa in the area of diamond beneficiation. Alexkor is of the view that diamond beneficiation opens many opportunities, not only for the company and the community in which it operates, but for Southern Africa as a whole.

CHIEF EXECUTIVE OFFICER'S OVERVIEW 2019 (continued)

DEVELOPING POSITIVE STAKEHOLDER RELATIONSHIPS

Alexkor prides itself on fostering sound stakeholder relationships across the board with an eye on contributing to the country's socio-economic development. This feeds into our sustainability as a business and going concern.

With direct employment having surged in 2014 on arbitrary political intervention, resulting in an unsustainable direct salary bill for Alexkor, some hard choices are inevitable. However, the company's executive is hamstrung by opposition on the part of labour unions and the political sphere.

Cost containment measures have already left a mark on our CSI and skills development programs, with fewer engineering and other trainees being absorbed in the past year.

A post-yearend event that similarly is having an impact on stakeholder relations, was the town of Alexander Bay being placed under administration in April 2019. Although parts of the transfer of the township in terms of the Deed of Settlement (DoS) have been completed, Phase 2 has yet to take place.

Most of the inhabitants seem to support the move to have the town under administration, but a handful of individuals oppose it and view Alexkor with suspicion. This will require ongoing communication and interaction with the community, especially as payment for municipal services will eventually become a burden for many. For this reason, Alexkor has established an interest-bearing legal trust that would be used to disburse municipal rates and service charges over the next decade.

THE YEAR AHEAD

There is significant potential at Alexander Bay, both in terms of mining and a host of other activities that could be exploited further. The possibilities to expand the mid-water mining operations with the involvement of large contractors are noteworthy and already the deep-water operation is well under way, all of which would benefit Alexkor and the community.

Experts have pronounced positively on the infrastructure that was put in place for the now defunct oyster and ostrich farms. Bearing in mind that the town has a 2 800m runway, although still lacking a proper harbour for the West Coast, it is feasible to establish a flourishing tourism.

The agricultural hub to benefit the entire region as well if developed. This is possible thanks to expertise Alexkor could rope in from academic institutions, such as the Universities of Stellenbosch and Pretoria, both of which have the necessary know-how and the Agricultural Research Council (ARC).

In essence, Alexkor could be placed on a sound financial sustainable footing, provided it is given the space and means to operate along similar lines as a private company.

APPRECIATION

In conclusion, I wish to extend my sincere thanks to the following stakeholders for their continued support and guidance.

- The Minister and the team from the Department of Public Enterprises (DPE).
- The Department of Minerals Resources and Energy (DMRE).
- The State Diamond Trader (SDT).
- The Office of the Premier (OtP) of the Northern Cape.
- Provincial Departments officials.
- The Municipal Officials.

I also wish to thank the Alexkor Board who have supported my role on guiding the Company's path to sustainability..

Alexkor's continued success is a direct result of a strong operational team. I would like to extend my profound thanks to both the corporate and operations teams. It takes dedication from all of us to build a robust, profitable and sustainable business in as tough conditions as those we find ourselves operating in.

CHIEF FINANCIAL OFFICER'S OVERVIEW 2019

"THE 2019 FINANCIAL YEAR PROVED TO BE A VERY CHALLENGING YEAR FOR ALEXKOR"

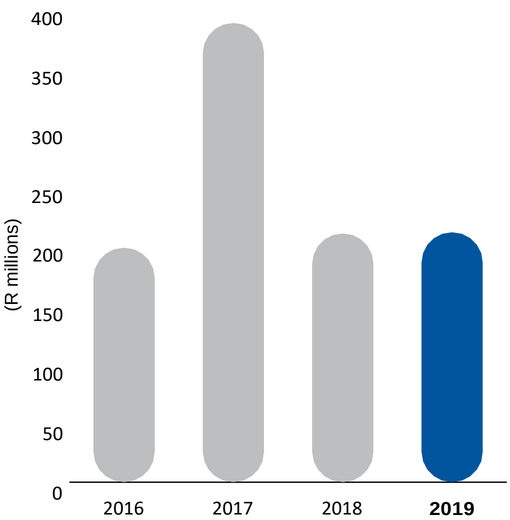
MS ADILA CHOWAN

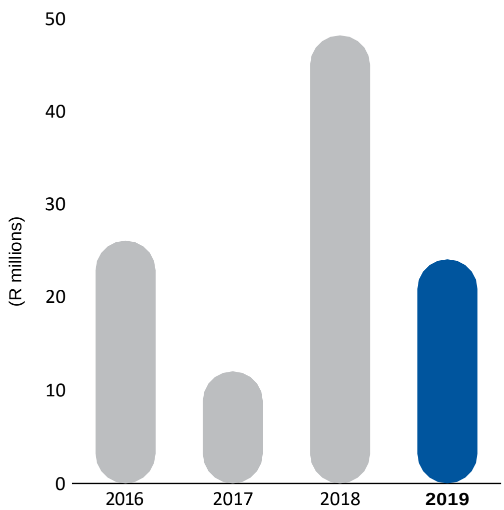
REVENUE

The 2019 financial year proved to be a very challenging year for Alexkor. Alexkor reported a 1% increase in revenue to R209.9 million (2018: R208.6 million). Although the carat sales increased from 41,941 units to 70,061 units, there was a marginal increase in revenue as a result of the quality and size of the diamonds produced, the poor performance was further impacted by the oversupply of diamonds in the market. Land, Beach and Marine diamonds achieved an average of $456.77 (2018: $718.86) per carat, the IMDSA diamonds only achieved an average price of $305.64 (2018: $187.56).

OPERATING COST

Operating expenditure increased by 81% in comparison to 2018 financial year. The significant increase can be attributed to the impairment of the loan to the PSJV of R92.7 million. The cash flow challenges and the quality of stones produced by the PSJV, impacted the recoverability of the loans and this resulted in the loan being impaired. Operating cost excluding the impairment of the loan reflect a 10% increase year on year, which was achieved through continued strict management of overhead and on-mine costs.





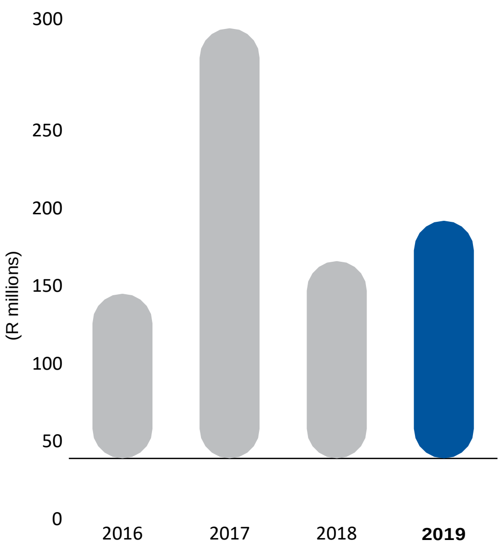
INVESTMENT INCOME

Interest income decreased by 48% from R51.3 million (2018) to R26.8 million, the significant decrease in interest income is as a result of the decrease in cash reserves. R69.2 million was transferred during the financial year to the Alexkor Trust to fund the legacy rehabilitation.

COST OF SALES

The increase in cost of sales from R126.8 million (2018) to R152.9 million is driven by the increase in production in carats from 47,768 (2018) to 67,860 units. The PSJV employs independent mining contractors, the revenue from the exploration is shared in terms of the contract negotiated with the contractors. The amount paid to the contracts is included in cost of sales.

Cost of sales



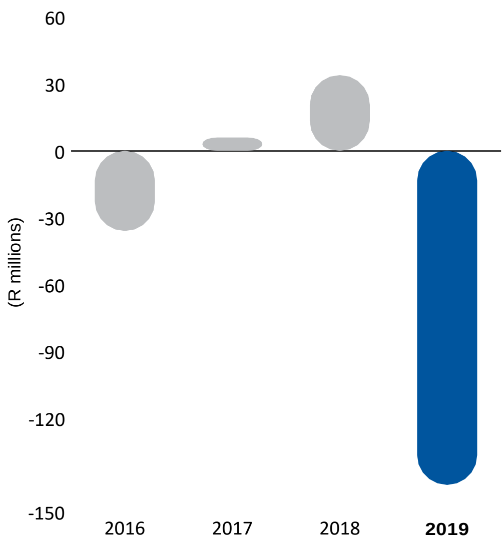
COMPREHENSIVE INCOME

For the year ended 31 March 2019, Alexkor reported a R149.6 million loss and the Pooling and Sharing Joint Venture (PSJV) reported a R64.3 million loss. The PSJV poor performance was underpinned by the small and cheap stones produced and the oversupply of diamonds in the market. The company losses was largely driven by the impairment of the loan to group companies of R92.7 million.

FINANCIAL RISK MANAGEMENT

Alexkor is exposed to credit risk, liquidity risk and market risk (due to currency, interest rate and commodity price risk) from the use of financial instruments. These risks are monitored continuously by management as part of the oversight and risk management framework, while the Audit and Risk Committee oversees the process on behalf of the Board. To mitigate credit risk, the credit ratings of all counterparties are continuously monitored and exposure is diversified among high-quality financial institutions with acceptable daily settlement limits.

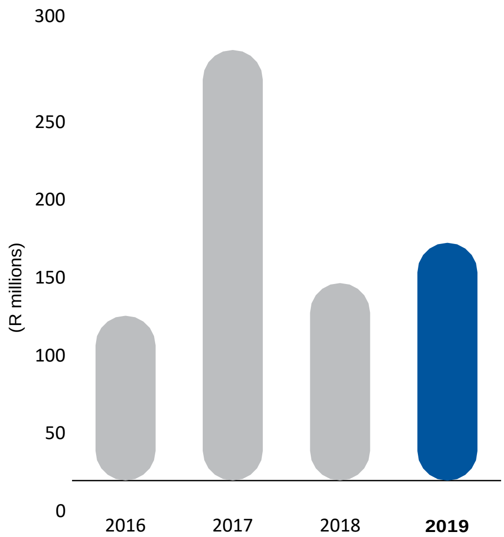
Comprehensive income



The Company's earnings are also exposed to commodity price risk.

CASH GENERATION AND LIQUIDITY

Alexkor reported for the 2019 financial year a net cash balance of R133 million, compared to a net cash position of R259 million in 2018. Decreased profitability due to the quality of production of diamonds contributed to the decrease in Alexkor's cash reserves. Further, R69.2 million was transferred to the Alexkor Trust to fund the legacy rehabilitation. Cash utilised amounted to R125.4 million, which is 172% higher than in 2018 (R46.1 million).



CHIEF FINANCIAL OFFICER'S OVERVIEW 2019 (continued)

CONCLUSION

The Annual Financial Statements for Alexkor has been prepared as a going concern. However, the continued existence of the both the Company and the PSJV is at risk as there are cash flow constraints and liquidity challenges. The PSJV's decrease in the production of diamonds and the quality of production has remained an ongoing challenge in the recent years. The Board and management have continued to engage the shareholder to address the risk. Alexkor Soc Limited sustainability is dependent on the single investment which it has in the PSJV (51%). During the 2019 financial year, the section 54 application for the coal strategy was declined by the shareholder and the moratorium place on Alexkor SOC Limited's in the previous financial year, has negatively impacted the entity's ability to continue as a going-concern

I would like to conclude by thanking all my colleagues in the finance team for their support and their efforts in producing an excellent report.

STAKEHOLDER ENGAGEMENT

OUR STAKEHOLDERS ARE DEFINED AS ANY INDIVIDUAL OR GROUP THAT HAS A MATERIAL INTEREST IN, OR IS AFFECTED BY THE WAY ALEXKOR CONDUCTS ITS BUSINESS.

Our main stakeholder interactions are with: Government through the Department of Public Enterprises (DPE) being the Shareholder Representative and National Treasury. We also interact regularly with the Department of Mineral Resources (DMR as the Mining Sector Regulator), and Parliament, the Richtersveld Mining Company (RMC) as our partners in the JV, National and Provincial departments and municipalities of the Northern Cape, communities, investors, business chambers and business groups, suppliers, contractors, management, employees, organised labour; civil society and Non-Governmental Organisations (NGOs) industry experts and the media.

Regular and effective engagement and communication with all our stakeholders is a strategic priority for Alexkor, carefully planned with a clear scope, intended outcomes and the engagement approach guided by the Stakeholder Engagement Strategy. This strategy was adopted by the Board of Directors in the year under review to guide the engagement process properly and efficiently.

Stakeholder engagement follows various forms including one-on-one meetings, Board and committee meetings with different stakeholders, Parliamentary Portfolio Committees and Select Committees at NCOP level, Alexkor's Annual General Meeting with the Shareholder, industry associations and various task teams, site visits and public hearings; community and various other forums.

STAKEHOLDER COMMUNICATION PRINCIPLES

- Give meaningful information in a format and language that is easily understandable
- Provide information in advance of consultation activities
- Respect local traditions, culture and decision-making processes
- Ensure two-way dialogue
- Allow for diversity and inclusiveness in the representation of views, including women, disabled people, youth and/or other minority groups
- Ensure engagement processes are free of intimidation or coercion
- Establish clear mechanisms for responding to people's issues, proposals and grievances

Stakeholder	Reason for engagement	How we engage	Outcomes
RSA Government represented by DPE	Achievement of short- and long-term business objectives	Engagements and quarterly meetings with DPE	Approval of Alexkor's business strategy and initiatives
Portfolio Committee	Support for Alexkor's challenges	Board engagements with the Shareholder	Transparency and accountability to South Africa on Alexkor's business dealings
National Treasury	Guidance on finance related matters	Submission of corporate plans, budgets, financial statements and integrated reporting	Ensuring overall sound financial accountability and governance
DMR	Licence to operate Transformation and advances in employment equity Beneficiation of diamonds B-BBEE and Enterprise Development	Various engagements Annual statutory reports to DMR Regular meetings and site visits with senior DMR officials	Continuous compliance Ensuring implementation of Social and Labour Plan (SLP) commitments All safety compliance matters
Department of Rural Development	Implementation of the Deed of Settlement (DoS)	Obtaining assistance from Department of Rural Development with regards to effective implementation of DoS	Effective implementation of DoS
Department of Environmental Affairs	Implementation of environmental law	Annual statutory reports to DEA Regular meetings and site visits with senior DEA officials	Implementation of NEMA
Richtersveld Municipality	Township handover Community projects	Providing guidance on priority community projects Monthly handover meetings	Ensure the successful township handover as per DoS
Richtersveld Mining Company	Regularising the community governance structure	Regular meetings and engagements with CPA representatives Regular Board meetings	Resolution of all community issues and strengthened relations between Alexkor and JV partner
Organised labour (unions)	Maintaining good relations between union and employees	Regular meetings to discuss all relevant issues, e.g. salary increase negotiations	Ability to avoid protests that could affect production and overall sustainability of Alexkor
Contractors, suppliers and service providers	Ensuring collaboration in maximising production and developing employees	Service-level agreements between major contractors and Alexkor	Sustainability of production and safety standards

OUR COMMITMENT TO OUR COMMUNITY

THE TRANSFER OF ALEXKOR'S MINERAL RIGHTS FOR THE LAND-BASED DIAMOND RESOURCES TO THE RICHTERSVELD COMMUNITY WAS A CRITICAL ASPECT OF THE DEED OF SETTLEMENT.

Alexkor retained the rights for the marine-based diamond resources. The subsequent pooling and sharing of these mineral rights in terms of the Pooling and Sharing Joint Venture Agreement (PSJV) means that the Richtervelders are more than a community surrounding a mine – they are our partners, which elevates the importance of the community beyond that of a "stakeholder".

With the encouragement of the management, the mining contractors who have Richtersveld community members as majority shareholders, have established the "Richtersveld Kontrakteurs Forum" (Forum). The Forum is a non-profit organisation aimed at creating a formal channel for the interaction between forum members and the PSJV executive to pursue opportunities, especially with regards to financing and contractual issues. The Forum is chaired by a Richtersveld community member.

Total expenditure in terms of the PSJV's corporate social responsibility and social labour plan is R2.58 million during the year under review compared to R5.6 million in 2017/2018. The under expenditure is a reflection of the challenging trading conditions in the year under review.

The closest communities to our operations are situated in Alexander Bay and our corporate social responsibility initiatives included the following:

- Sponsoring the salaries of teachers, with a specific emphasis on improving the teaching of Mathematics and Science, and funding extra classes for Grade 8 to 12 learners in these two critical technical subjects. This includes transporting these learners from their different locations to the school in Alexander Bay.
- Academic recognition and reward programs.
- Bursary opportunities to tertiary students.
- Experiential learning programs.
- Artisan development.
- Transport support to employees.

Our corporate social investment initiatives aimed at the social upliftment of the local communities in the surrounding towns of Port Nolloth, Lekkersing, Kuboes, Eksteenfontein and Sandrift included the following:

- Supporting local entrepreneurs by offering diver training.
- Stipends to community officials and organisers.
- Handing out of blankets to senior citizens, funeral support.
- Transport assistance to learners to attend sports initiatives.
- Wellness training and awareness.

We are particularly proud that one of our flagship youth-enterprise initiative, is a Narysec programme which is a two-year program aimed at developing commercial skills in diving, agriculture, and diamond processing. This will result in a larger pool of high calibre candidates in these fields. These individuals will have an opportunity to gain experience to become experts in their developed fields with business skills.

OUR COMMITMENT TO OUR PEOPLE

HUMAN RESOURCES REPORT

The 2017/18 financial year ended with two critical vacancies of: Financial Manager; and Corporate Services Manager. In the year under review, the Chief Operations Officer; and the Company Secretary positions also became vacant due to resignations. Three of these positions have since been filled during the year under review, and the following people were appointed: Ms Shokie Reshoketswe Bopape, the Company Secretary (on a temporary basis), Ms Vishwa Prajapati, the Finance Manager, and Ms Pateka Momoza, the Corporate Services Manager.

Going forward, Alexkor's focus will be on re-aligning the strategic goals of the organisation and ensuring that employees are properly positioned to implement Alexkor's strategic deliverables.

STAFF COMPLEMENT

As at 31 March 2019 the staff complement was:

	March 2018	March 2019
Alexkor SOC – Head Office		
Permanent employees	9	**10**
Temporary employees	1	**1**
Total	10	**11**
Alexkor SOC – Alexander Bay Mine		
Permanent employees	33	**33**
Temporary employees	1	**1**
Total	34	**34**
Alexkor RMC JV		
Permanent employees	324	**292**
Temporary and casual employees	58	**55**
Total	382	**347**
Contractors		
Marine contractors – shallow water	498	**481**
Beach and land mining	254	**482**
Other	107	**125**
Total	859	**1 088**

EMPLOYMENT EQUITY

The key purpose of employment equity at Alexkor is to ensure that all unfair discriminatory practices that serve as barriers for historically disadvantaged employees are eliminated in the business and outline Alexkor's transformation agenda.

Transformation at Alexkor is a strategic business imperative and therefore Employment Equity intends to address both the legislative provisions and the broader transformation of the business. To that, the transformation agenda is founded on the elimination of unfair discrimination in employment and the adoption of positive and practical measures to redress imbalances which are important components of this process, and legislation is a necessary step towards the achievement of equity. The employment equity is based on the following principles;

- Elimination and prohibition of unfair discrimination
- Application of affirmative action measures

The table below depicts the employment equity status for Alexkor SOC Limited (Head Office) as at 31 March 2019:

Occupational level	Number of incumbents	Male				Female				% Designated Group
		AM	CM	IM	WM	AF	CF	IF	WF	
Top management	2	1	–	–	–	–	–	1	–	100
Senior management	2	–	–	–	–	1	–	1	–	–
Professionally qualified	–	–	–	–	–	–	–	–	–	100
Skilled	3	1	–	–	–	1	1	–	–	100
Semi-skilled	1	–	–	–	–	1	–	–	–	100
Unskilled	2	–	–	–	–	2	–	–	–	100
Temporary	1	–	–	–	–	1	–	–	–	100
Total	**11**	**2**	**–**	**–**	**–**	**6**	**1**	**2**	**–**	**100**

OUR COMMITMENT TO OUR PEOPLE (continued)

The table below depicts the employment equity status for Alexkor SOC Limited (Alexander Bay mine) as at 31 March 2019:

Occupational level	Number of incumbents	Male AM	Male CM	Male IM	Male WM	Female AF	Female CF	Female IF	Female WF	% Designated Group
Senior management	–	–	–	–	–	–	–	–	–	–
Professionally qualified	–	–	–	–	–	–	–	–	–	–
Skilled	6	–	5	–	1	–	–	–	–	83
Semi-skilled	17	1	14	–	–	–	2	–	–	100
Unskilled	10	1	7	–	–	–	2	–	–	100
Total	**33**	**2**	**26**	**–**	**1**	**–**	**4**	**–**	**–**	**97**
Temporary employees	1	–	1	–	–	–	–	–	–	100

The table below depicts the employment equity status for Alexkor Head Office and the PSJV as 31 March 2019:

Occupational level	Number of incumbents	Male AM	Male CM	Male IM	Male WM	Female AF	Female CF	Female IF	Female WF	% Designated Group
Senior management	7	2	3	–	1	–	1	–	–	86
Professionally qualified	22	1	9	–	–	2	10	–	–	100
Skilled	67	1	48	–	4	–	11	–	3	94
Semi-skilled	156	7	96	–	2	1	50	–	–	99
Unskilled	40	1	12	–	–	1	26	–	–	100
Total	**292**	**12**	**168**	**–**	**7**	**4**	**98**	**–**	**3**	**97**

Transformation, particularly in the PSJV, reflects our commitment to ensuring that the Richtersveld community benefits preferentially from any employment opportunities that become available.

SKILLS DEVELOPMENTOBJECTIVES

Alexkor's key purpose for the Skills and Development programmes, is to set the entity's principles and guideline, co-ordinate and prioritise employee development needs while matching to enhance the hem with organisational needs and accounting for company resources allocated to all practices and activities. It further seeks to enhance the human resource development quality, cost-effectiveness, efficiency and consistency.

Investments made on skills development programmes are for the creation of talented workforce, contributing to the sustainability of Alexkor.

Investment made in skills development at Alexkor and PSJV amounts to R950 684 during the year under review.

BURSARIES

During the year under review, we invested R158 942 (R0.41 million in 2018) in our bursary program.

We are also delighted to acknowledge that two of the three bursary students from various provinces have completed their studies. They are as follows:

- Mr Zandre Allison completed a National Diploma in Environmental Management at Cape Peninsula University of Technology
- Ms Thandazile Kubheka completed a BSc in Mining Engineering at the University of the Witwatersrand.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Investment (CSI) program of Alexkor has a combined approach to funding between strategic socio-economic programs, *ad hoc* project involvement, donations, sponsorships as well as disaster relief that falls within the key priority areas as categorised by the Alexkor Board – primarily education, women empowerment, youth development, social and enterprise development.

During the year under review, an amount of R2.02 million was spent on various social responsibility initiatives related to the following:

- Partnership with schools and other community organisations.
- Stipends to Alexander Bay Youth Centre Co-Ordinator as well as Museum/Tourism Curator.
- Various sports assistance.
- Tuition and registration assistance for tertiary students.
- Funeral assistance.
- Assistance to Richtersveld Community Forum.
- Stipends to MQA students.
- Kimberley International Diamond & Diamond Jewellery Academy.
- Students accommodation.

SOCIAL AND LABOUR PLAN

Alexkor's five-year Social and Labour Plan ended at the end of 2017/18 financial year. We are also delighted to acknowledge that in partnership with the Department of Rural Development and as part of the above SLP, 24 youth from the Richtersveld area attended a Character Building Program which all the participants successfully completed the program and graduated in December 2018 in Saldanha Bay.

During the year under review, approximately R600 000 was spent towards the SLP programs, which in summary include the following:

- Narysec program.
- Stipends to AET/Mathematics and Science Facilitators.
- Extra Mathematics and Science classes for grades 8 to 12 learners.
- Assistance towards Beauvallon Farm.
- Assistance towards the Alexander Bay High School Agriculture Project.

The company started the year under review with consultations to discuss the next five-year Social and Labour Plan with different stakeholders, and a Social and Labour Forum was established to this end. Projects implementation is therefore ongoing and awaiting approval from the DMR in accordance with the law.

EDUCATION

- An investment was made towards educational assistance with the emphasis on the overall academic development and progress of learners with Mathematics and Science as subjects. In this regard an amount of R1.6 million was spent during the year under review.

REMUNERATION

Salaries are benchmarked against industry and market trends and are paid based on the total package concept. Our remuneration policy is based on the principle of equal rates of pay for male and female employees of equal qualifications and experience.

The salary or wage bill for Alexkor and the PSJV for the current year amounted to R68,6 million compared to R66,1 million in the previous year.

INDUSTRIAL RELATIONS

We continue to have a harmonious relationship with our main unions, with whom we engage on a regular basis in an endeavour to maintain a sound working relationship. During the 2018/19 period, wage negotiations were successfully concluded. Employee relations remain stable and engaging, with active union membership representation as follows: NUM 70%, UASA 3% and non-affiliates 27%.

OUR COMMITMENT TO HEALTH AND SAFETY AND THE ENVIRONMENT

LEGACY REHABILITATION PROGRAMME

Alexkor subscribes to policies that are consistent with the relevant legislation, regulations and other applicable requirements.

In seeking to address the environmental balance in present and future operations, Alexkor is committed to:

- Establishing an environmental engagement system and conducting regular environmental audits with the objective of striving for continual improvement and prevention of pollution every quarter
- Recording our environmental risks on a regular basis, and reviewing our performance with our policies, objectives and targets
- Ensuring an awareness of environmental issues amongst employees, contractors, and other stakeholders
- Respecting fundamental human rights for a safe and healthy environment in which to work and live, and the right to self-esteem, personal growth and respect
- Being involved with sustainable community projects that contribute to social upliftment

Legacy rehabilitation is the responsibility of Alexkor as per the Deed of Settlement ("DoS"). The programme includes the removal of asbestos-contaminated material from Alexander Bay, and the transportation thereof to the hazardous site in Vissershoek, near Cape Town. It also includes the demolition of old dilapidated buildings and proper storage of the resultant waste, and the landscaping and re-vegetation of the land.

This process of removing asbestos-contaminated material from Alexander Bay and the demolition of buildings started in the second quarter of the financial year 2017/18. An external service provider that specialises in asbestos handling, was appointed through an open tender process and finalised this part of the legacy rehabilitation process during the financial year under review (October 2018). The project progressed well and as at 31 March 2019, the remaining cost to undertake the legacy rehabilitation programme was evaluated and calculated by a competent firm (SRK Consulting), to be R200 531 534.00, down from R214 million in 2018.

Phase 1A(ii) rehabilitation for mining earthworks has been put out on tender (Bid number ALEX RFP 01/2018/19) on 27 November 2018. A compulsory site visit and briefing was held over a two-day period and was attended by 13 companies on 10 and 11 December 2018. The closing date for the tender submissions was 22 January 2019. Evaluation date for the submissions was 11 March 2019. The project was earmarked to start in April 2019.

The target for the Financial Year 2019/2020 was to commence with historic rehabilitation in the vicinity of Arriesdrfit, Witvoorkop, Alexander Bay and Voltas Basin. Thehistoricworkswouldincludeearthworks (rehabilitation of dumps, trenches and excavations). Alexander Bay/ Voltas would have run into the financial year 2020/21 due to the amount of trenches and excavations in the vicinity.

However, the evaluation was put on hold for the BAC due to the following reasons:

- The pricing received was in excess of the budgeted amount and per individual evaluation.
- The quality of the submissions did not meet the minimal requirements.
- A decision to re-advertise was considered due to the above reasons.

CONCURRENT REHABILITATION

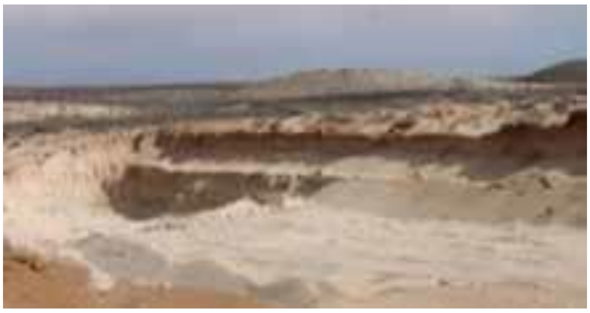
The mine performs ongoing rehabilitation to reduce the amount of liability for purposes of mine closure. This is also a legal requirement and officials from the Department of Mineral Resources (DMR) undertake regular inspections on the mine to ensure that this is complied with.

The mine and contracting companies operating within the mine are responsible for the rehabilitation of disturbances stemming from their mining/prospecting activities. Before a contractor moves to a new block, they must have rehabilitated the mined–out block. Prior to registering a new block, the contractor must acquire an Environmental Code of Practice (ECOP) from the Environmental Department which will identify historical areas in close proximity of the proposed new mine block to be backfilled and shaped to the surroundings of the existing land.

Contractors are instructed to follow the ECOP to employ concurrent rehabilitation methods to counter the formation of overburden dumps and unnecessary harm to vegetation or virgin terraces.

Before

After



Before

After

Before

After

Coarse tailings generated from the Muisvlak processing plant area is dumped in historic mined-out areas (**Historic Rehabilitation**).

OUR COMMITMENT TO HEALTH AND SAFETY AND THE ENVIRONMENT (continued)

ADDITIONAL

1. The Section 102 application (amendment of EMPRs) has been submitted to DMR and the regional office has signed it off. The application was approved by the Minister in December 2018.
2. The environmental team has conducted a survey on the seal colonies within the mine in partnership with the Department of Agriculture, Land Reform and Rural Development.
3. The Council of Geoscience visited the mine as per request from DMR (National). The "Council" is conducting a survey on the impacts of mining on the South African coastal zone. No feedback has been received from the Council to date.
4. Department of Environmental Affairs has conducted a bird survey (seabird breeding sites) throughout the mine. The report is available and covers the entire South Africa.
5. A memorandum of understanding was drafted by the PSJV between the PSJV and Aukotowa Fisheries Primary Co-Operative Limited to gain access through the mine for the purpose of fishing.
6. The Richtersveld Conservation Development Framework Project Steering Committee suggested a project concept proposal (Alexkor small miner restoration support programme). The environmental office attended the project steering committee meeting.
7. The implementation of the Orange River Mouth Environmental Management Plan; National Department of Environmental Affairs: Oceans and Coast requested a meeting with the environmental manager of the PSJV to discuss the actions that need to be executed by Alexkor; the following was minuted:

"Action 1: Removal of Earth Berm

- This process was started prior 2012 between DENC and Alexkor. The BAR was in draft format and ready for final submission. A copy of this document should be on the National DEA database. I will go through my files and see what I can summarise for you.
- The community halted the process as they deem the earth berm a flood prevention tool.

Action 2: Decommissioning of Old Sewage works

- The old sewage works have been decommissioned prior 2012 and authorisation for the new sewage works has been obtained.

Action 3:

- A dust plume and groundwater studies were conducted."

8. Oceans and Coast requested that the environmental manager of the PSJV to attend the National Working Group 8 to discuss alternatives to the removal of the earth berm and attend and possibly present at the 2019 Oceans and Coast Lekgotla.

HEALTH AND SAFETY

The occupational health and safety of our employees remains a non-negotiable principle on which Alexkor's mining operations are based. The promotion and enhancement of a safe culture is an ongoing focus within the Company, as Alexkor believes that a safe working environment results in a healthy and productive workforce.

The mine's health and safety programme continuously strives to improve occupational health and safety awareness. It achieves this by implementing and maintaining an effective health and safety management system; through enhancing legal compliance, by minimising or eliminating risk to employees; through preventing injuries to employees and damage to property, by encouraging safe behaviours; through its mandatory Code of Practices, compliance and improving the well-being of all employees.

Regular inspections are performed to assess safety behaviours at the mine and to test the effective implementation of safety controls. A comprehensive medical surveillance programme is in place as per the revised Mandatory Code of Practice for Minimum Standards of Fitness to Perform Work at a Mine, in terms of the Mine Health and Safety Act, No. 29 of 1996 ("MHSA"). Regular inspections, follow-ups and observations are used to assess safety behaviours. Key elements such as risk assessments, planned inspections, task observations and communications form part of day-to-day safety management. A union-appointed Chairperson (health and safety) is in place as well.

Injury statistics	Land	Marine	2018/19
Minor injuries	3	1	4
Disabling injuries	–	–	–
Lost-time injuries	–	–	–
Reportable injuries	–	–	–
Fatalities	–	–	–

One property damage occurred on 28 June 2018 when a contractor's vessel was damaged when it broke loose from its stern mooring during stormy weather. It happened in the Alexander Bay Harbour.

No occupational illnesses were diagnosed during the year under review. The company will continue to actively promote a culture of health and safety at the operations, in line with our unwavering commitment to the safety of our people.

HOW WE ARE GOVERNED

ALEXKOR BOARD'S COMMITMENT TO CORPORATE GOVERNANCE

The Board is committed to the principles of ethical leadership as determined by fairness, accountability, responsibility and transparency as prescribed in the various Corporate Governance prescripts. This commitment to integrity and good governance is formalised in the Board Charter and the terms of reference of the various committees. These in turn are translated into action in the various policies and processes approved by the Board and as reviewed annually.

The Board is comfortable that it has adhered to the guidance in government protocols on corporate governance and in the King Reports to the extent that it is applicable to a state-owned company. During the year under review, progress was made in updating policies, processes and disciplines to ensure continuing compliance with these protocols.

The Board takes responsibility for the integrity of the Integrated Report and is of the opinion that the 2019 Integrated Report provides a balanced view of the Company's integrated performance while addressing all key material matters.

BOARD COMPOSITION

The Minister of Public Enterprises (DPE) as the Shareholder Representative, retains the prerogative to appoint the Directors of the Board of entities such as Alexkor as a State-Owned Entity.

The composition of the independent Non-Executive Directors changed during the year under review due to resignations. Key among these changes are the end of term for Dr Paul as Advisor to the Board as well as resignations by Ms Lehobye and Ms Matseke as NED's. Ms Lehobye chaired the Audit and Risk Committee until May while Ms Matseke, who resigned in October, served as Board Chairperson.

Further changes were introduced after the AGM by the Shareholder Representative who extended the term of office of the current Board on an interim basis until further notice. As a result of the above, the current interim Board Chairperson Mr Matona, who replaced Ms Matseke. This also resulted in various other changes to the Board committees.

The Board consists of four Non-Executive directors namely Mr T Matona, Mr T Haasbroek, Ms Z Ntlangula and Mr S Danana and two Executive Directors being CEO L Pitsoe) and CFO (A Chowan) respectively as determined by MOI.

Mr Lemogang Pitsoe, appointed the previous year, continued as Chief Executive Officer while Ms Adila Chowan appointed as Chief Financial Officer also remains on board. During the year under review, Mr Humphrey Mokwena, appointed as Chief Operating Officer (COO), left Alexkor's employ following the end of his contract. While the stability at executive level has assisted the company with the appointment of both the Chief Executive Officer and the Chief Financial Officer the Board remains concerned with the two vacancies for independent Non-Executive Directors. This has created and led to various governance challenges at a functional level. The uncertainty of Board committee compositions, due to non-approval by the Shareholder is also a key concern for the Board. This is in respect of the appointment of some statutory committee members by the Shareholder as determined by the Companies Act . The Shareholder remains the authority to appoint and approve some of the committees as determined in the Memorandum of Incorporation

There is a clear separation between the roles of the independent non-executive Chairperson, and the CEO as required by governance standards. This independence contributes positively to a necessary dynamic Board interaction. Independence is based on the position that there is no interest, position, association or relationship, which, when judged from the perspective of a reasonable and informed third party, is likely to unduly influence or cause bias in decision-making by the Company.

ETHICAL CULTURE

The Board leadership assumes responsibility for the governance of ethics in the company by setting the tone and direction on how ethics should be approached and addressed throughout the group. The ethical foundation is characterised by the values of responsibility, accountability, fairness and transparency as espoused in the Alexkor Code of Conduct. The Social, Ethics and Human Resources Committee has a duty to assist the Board in this role of monitoring ethical conduct within the group.

Further details of the activities of the Social, Ethics and Human Resources Committee are described on page 32 of this report.

CONFLICT OF INTEREST

The Board and employees are given guidance on how conflict of interest may arise and how it should be addressed as prescribed in the Code of Business Conduct. All material and potential conflicts of interests between a director and the Company are declared and recorded at every Board and Board committee meeting. Where a material or potential conflict arises, the matter is addressed according to the provisions of the Companies Act and the Code of Ethics and Conduct Policy.

These matters are also reported to the Shareholder at the Annual General Meeting where they arise. For the period under review, no director declared any interest in any matter for discussion on the agenda at any Board or committee meeting. There was therefore no need for any director to recuse themselves during any of the above discussions.

REGULATORY ENVIRONMENT

The Board performs the roles and functions of an Accounting Authority as prescribed by its Memorandum of Incorporation, the Public Finance Management Act and its regulations and guidelines, the Companies Act 2008, the Mineral and Petroleum Resources Development Act of 2002, industry regulations and other applicable legislation, regulations and guidelines.

The Board consists of four Non-Executive Directors namely T Matona, T Haasbroek, Z Ntlangula and S Danana and two Executive Directors being CEO (L Pitsoe) and CFO (A Chowan) respectively as determined by the MOI.

HOW WE ARE GOVERNED (continued)

BOARD STRUCTURE

The Board consists of four Non-Executive Directors and two Executive Directors being the CEO and the CFO and has following committees established:

Board Committee

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr T Haasbroek (Chairperson)

Mr S Danana

Ms Z Ntlangula

BY INVITATION:

CEO: Mr L Pitsoe and CFO: Ms A Chowan

Internal auditors
External auditors
Representatives from the AGSA

MANDATE:

- Financial management and other reporting practices.
- Financial policies.
- Risk management.
- Internal controls.
- Compliance with laws, regulations and ethics.
- Internal audit oversight.
- External audit oversight.
- Financial and performance reporting.
- ICT governance.

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr T Haasbroek (Chairperson)
Mr S Danana

Ms Z Ntlangula

BY INVITATION:

CEO: Mr L Pitsoe
CFO: Ms A Chowan
COO: Mr H Mokwena

MANDATE:

- Reviews scope of work.
- Monitors SCM.
- Compliance with ethical standards.
- Recommend tenders above threshold to the Board.

This committee has been delegated to management level since the AGM and matters of procurement now go to the Board only if amounting to above R10 million. The Tender Committee is since headed by the CEO and consists of CEO and CFO and other management members.

Committees

AUDIT AND RISK COMMITTEE

TENDER COMMITTEE

Executive committee

MEMBERS:

- CEO: Mr L Pitsoe (Chairperson).
- CFO: Ms A Chowan.
- COO: Vacant.

BY INVITATION:

- Corporate Services Manager.
- Finance Manager.
- Supply Chain Management Officer.
- Company Secretary.

MANDATE:

- Implements strategies and policies.
- Prioritises allocation of capex, human capital and technical resources.
- Establishes best management practices and functional standards.
- Appoints senior and middle management and performance monitoring.

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr S Danana (Chairperson)

Mr T Matona

Ms Z Ntlangula

BY INVITATION:

CEO: Mr L Pitsoe CFO: Ms A Chowan
COO: Vacant

MANDATE:

- Monitors the ongoing historic rehabilitation of the mined areas at Alexander Bay.
- Review and approve rehabilitation activities.
- Monitor rehabilitation costs and liability.
- Review management accounting and control over the Environmental Rehabilitation Trust Fund.
- Monitors applicable legislation.

ENVIRONMENTAL REHABILITATION COMMITTEE

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms Z Ntlangula (Chairperson) Mr S Danana

Mr T Haasbroek

BY INVITATION:

CEO: Mr L Pitsoe
CFO: Ms A Chowan
COO: Vacant

MANDATE:

- Monitors social and ethical statutory obligations.
- Human resources philosophy, strategy and policies.
- Remuneration philosophy, strategy and policies.

SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE

DECISION-MAKING PROCESSES OF THE BOARD

BOARD CHARTER

The Board is responsible for managing the Company and ensuring its long-term economic, social and environmental sustainability. The Board delegates responsibility to the committees outlined above, whose members are specialists in their respective fields. This enables the committees to meet their objectives as defined in the committee terms of reference. The Board ensures that it meets its compliance obligations in relation to policy and regulation to support government's commitment to economic transformation, beneficiation, job creation and B-BBEE objectives. The Board's oversight role extends to the implementation of best practices on safety, ownership and management, skills development and procurement to support the growth of the economy. They also achieved this by empowering local communities as required by conditions of Alexkor's licence to operate.

The Board ensures the implementation of its statutory, commercial and social objectives by approving and regularly monitoring its strategic and operational objectives through assessing the Company's performance against its pre-determined objectives as contracted with the Shareholder annually as per Corporate Plan.

MANAGING RISK IN AN INTEGRATED WAY

The risk management philosophy is encapsulated in a Risk Management Policy and Risk Management Plan which are aligned to the principles of good corporate governance as supported by the PFMA.

Alexkor implements and maintains effective, efficient and transparent systems of risk management and internal controls. Risk management processes are embedded into Alexkor's systems and processes, ensuring that responses to risks remain relevant and dynamic. All risk management efforts are focused on supporting the Company's objectives and ensure compliance with relevant legislation. In turn they fulfil the requirements of good corporate governance principles while adding value to stakeholder management. The risk management framework allows Alexkor to anticipate and respond to unpredicted events or conditions that may give rise to various risks that, individually or collectively, may have a significant impact on the Company's ability to fulfil its objectives and obligations set out in the strategic plan.

Alexkor has an information and communication technology change management policy which establishes high level objectives for change management and control. The implementation contributes to mitigating associated risks.

Further details appear in the Material Issues and Risks Report on page 12.

PERFORMANCE EVALUATION

The Board outsources an independent Board evaluation annually which evaluates the Board of directors collectively and individually, the Chairperson, the Board committees and their chairpersons as well as the Company Secretary. This process took place during July 2019 for the year under review in compliance with the requirements of King IV and Government Governance Prescripts.

The outcomes of the Board evaluation process that require attention in the new financial year will be submitted to the Shareholder for their consideration at the Annual General Meeting.

HOW WE ARE GOVERNED (continued)

The Company Secretary provides the Board with a quarterly report which includes updates on legal matters in the company, best practice in corporate governance, legislative updates and highlights internal governance matters that require attention.

KEY STRATEGIC FOCUS AREAS

The Board and its committees collectively take responsibility for its strategic focus areas. Timelines have been agreed to and the status of key strategic focus areas is detailed in the report.

COMPANY SECRETARY

The Company Secretary provides the Board with independent guidance on corporate governance as well as guiding the directors individually and collectively on their fiduciary duties and the exercise of their duties of care, skill and diligence. The Board empowers the Company Secretary to perform her governance role.

The Board is satisfied that the Company Secretary, is suitably qualified to perform her duties in accordance with the applicable legislation and is considered by the Board to be a fit and proper person for the position. The Company Secretary reports to the Board via the CEO. The Board members have unrestricted access to the advice and guidance of the Company Secretary.

THE PSJV

The Board also fulfils an oversight role in relation to the PSJV Board, which operates as a division of Alexkor for reporting purposes. In terms of the Deed of Settlement (DoS) concluded with the community of Richtersveld, the Alexkor Board is required to have three Board members serve on the PSJV Board. Governance processes have been implemented to enable regular reporting and sharing of information between the Board of Alexkor and the PSJV Board. The Chairperson of the Board serves as the Chairperson of the PSJV Board. The CEO attends by invitation, providing the key communication between the PSJV and Alexkor's head office functions. Accordingly, the Board is comfortable that it provides sufficient oversight and performance monitoring of the PSJV. The governance framework of Alexkor has been implemented at the PSJV Board to the extent that it is applicable.

Alexkor remains hopeful that the final phases of the implementation of the DoS will move to a conclusion in due course. Alexkor retains marine diamond mining as its core business but is also embarking on new initiatives to provide for its ongoing sustainability and to ensure that it remains relevant and supports the State's development objectives.

OUR GOVERNANCE FRAMEWORK

Alexkor's governance framework is underpinned by the articulation of the roles of the Board, the Shareholder and management. These roles and responsibilities are encapsulated in various governance documentation, inter alia, the MOI, the Board Charter, the terms of reference of the various Board committees, the annual workplan and the corporate plan.

The Board has endorsed various good governance codes, such as King IV and the Protocol on Corporate Governance in the Public Sector. The Board ensures that it adheres to relevant legislation such as the Companies Act, the PFMA and the Alexkor's founding Act.

Implementation of our governance framework is further governed by compliance with the Significance and Materiality Framework, which sets out matters requiring approval in terms of the PFMA, the Delegation of Authority Framework, which delegates power and authority from the Board to appointed committees and executive management, various governance policies and plans as well as standard operating procedures. The committees formally report on their activities to the Board meeting following a committee meeting. The Executive Committee ensures that resolutions, policies and operational plans, as approved by the Board, are implemented and reviewed as and when required.

Alexkor has adopted a zero-tolerance policy of ethical breaches and is committed to ensuring that consequential management is implemented for all breaches and transgressions. A whistle-blowers' hotline is in place at all operations and staff are encouraged to report breaches. No unethical or incidences of fraud were reported in the year under review.

As a state-owned company, Alexkor believes that its approach to risk management should be conservative. The Company has documented a Risk Appetite/Risk Tolerance Statement for adoption by the Board in the new financial year. Together with the Risk Management Plan and Risk Management policy, these documents provide a guide to a prudent, effective approach to risk management.

The Board holds an annual strategic session to assess achievement of its strategic objectives for the year under review and to set the short, medium- and long- term objectives for the future. An external facilitator, executive management and other key role players tasked with implementing Alexkor's strategic objectives also attend this strategic session to provide input and buy-in. The resolutions taken at the strategic session form the foundation for the corporate plan for the new financial year which is approved by the Shareholder annually.

The Board has both a commercial and a social mandate and is involved, primarily through the PSJV, in meeting the needs of the Richtersveld community as well as other social objectives as detailed on page 32. As a good corporate citizen, Alexkor ensures that it protects the environment (see pages 36 to 38) and responds to the legitimate interests, needs and expectations of other key stakeholders, balancing short- and long-term strategic objectives of the company.

KEY MATTERS DISCUSSED/APPROVED BY THE BOARD

QUARTER 1 2018

1.1 The Minister's feedback on the 3rd Quarterly Report was discussed.

1.2 The impact of the Minister's moratorium on Alexkor's ability to meet its financial performance objectives, sustainability and the going concern were noted with concern.

1.3 It was resolved that Babusisekile Business Enterprise's services be sourced for the removal of asbestos and demolition of buildings so as not to duplicate site establishment costs.

1.4 Alexkor and PSJV Quarterly Reports for the period ended 30 June 2018 were approved.

1.5 The Board noted the impact of the cash flow constraints on the budget, going concern and ability of Alexkor to meet its financial and other operational objectives. They requested the CFO and CEO to amend the targets and budget for the new financial year accordingly.

1.6 The draft unaudited AFS as at 31 March 2018 were approved for submission to DPE and National Treasury.

1.7 The Board approved the appointment of Mr Matona as Acting Chairperson of the Audit and Risk Committee following Ms Lehobye's resignation from the Board as at 31 May 2018.

1.8 The Board further approved the appointment of Mr Danana as a member of the Audit and Risk Committee.

1.9 Having reviewed the Company's solvency and liquidity and its operational requirements for the next 12 months, no dividend was declared payable to the shareholder for the year ended 31 March 2018.

1.10 The write-off of bad debts in the amount of R467 681 relating to irrecoverable historic outstanding rental income was approved.

1.11 The Board Charter was approved.

1.12 The Terms of Reference of the Audit and Risk Committee were approved without amendments.

1.13 The Terms of reference for the Social, Ethics and Human Resources Committee were approved without amendments.

1.14 The following policies were approved:

- Delegation of Authority
- Risk Appetite and Tolerance policy
- Tax policy
- Subsistence and Travel policy
- Disaster Recovery policy
- Business Continuity policy
- IT Steering Committee's Terms of Reference
- IT Governance Framework
- ICT Change Plan (Management) policy
- PAIA manual

1.15 The first phase of the transfer of the township to the Municipality scheduled to take place on 1 July 2018 was noted.

HOW WE ARE GOVERNED (continued)

QUARTER 2 2018

2.1 The rehabilitation valuation as at 31 March 2018 was tabled and it was noted as at R214 million.

2.2 The Board Evaluation process was finalised and submitted to the Annual General Meeting on 27 September 2018.

2.3 The Integrated Report for the year ended 31 March 2018 was presented at the Annual General Meeting and copies sent to Parliament.

2.4 The Rehabilitation Trust audit for 2016 audit was finalised but the Board noted that 2017/2018 audit still outstanding.

2.5 Having reviewed the Company's solvency and liquidity and its operational requirements for the next 12 months, no dividend was declared payable to the shareholder for the year ended 31 March 2018 at the AGM.

2.6 The remuneration packages for senior management and other employees and non-executive directors for the new financial year was carried forward pending clarity from DPE on their new remuneration guidelines. The Minister could not give direction at the Annual General Meeting and deferred the matter.

2.7 The Board Evaluation was finalised and presented to the Board and at the Annual General Meeting. The evaluation found that the Board and its Committees are well governed, and that they are directing the organisation and its affairs in a manner that is expected by the shareholder.

2.8 The Board having approved the annual financial statements for the year ended 31 March 2018 same was approved at the Annual General Meeting.

2.9 The AGM approved that no dividends would be paid to the shareholder due to the Company's inability to meet the solvency and liquidity test and its operational requirements for the next 12 months.

2.10 The write-off of bad debts in the amount of R467 681 relating to irrecoverable historic outstanding rental income was approved and noted at the AGM.

2.11 The Minister deferred the increases of remuneration packages for executive and non-executive directors for two weeks.

2.12 The Investment Policy was approved.

2.13 The COO, Mr Humphrey Mokwena, whose contract was ending, resigned from the company at the end September 2018.

2.14 The Annual General Meeting was held on 27 September 2018 wherein the Minister deferred the appointment of directors as well as the approval of fees and salary increases for non-executive directors and staff members.

2.15 It was noted that any fees and salaries if increased, will be retrospective from 1 April 2018. Staff salaries were increased but not executives.

QUARTER 3 2018

AGM DECISIONS

3.1 The Minister extended the current term of office of board members for a further period until Minister reverted on the review of the board.

3.2 The Minister also noted the Chairperson, (Ms Matseke)'s unavailability to continue as non-executive director for another term and appointed Mr Matona as Interim Chairperson of both Alexkor and the PSJV Boards.

3.3 The Minister rejected the 6.2% increase in the remuneration of prescribed officers, executive directors and non-executive directors on the basis of the financial constraints facing the company.

3.4 On the appointment of external auditors, the AGM advised that a new tender be issued for new external auditors to further strengthen governance.

3.5 On the appointment of board sub-committees and members of the Board recommended that the committees be reconstituted as follows:

Mr T Haasbroek –	Chairperson, Audit and Risk Committee
Mr S Danana –	Chairperson, Social, Ethics and Human Resources Committee
Ms Z Ntlangula –	Chairperson, Rehabilitation and Environmental Committee
Mr L Pitsoe –	Chairperson Tender Committee

3.6 A resolution for the composition of the board committees was submitted to the shareholder for approval, following the appointment of the interim board.

3.7 A letter requesting the Minister to expediate the end of the transition period was delivered at the DPE's offices. All outstanding AGM resolutions and 2017 and 2018 matters arising were submitted to the Minister for approval.

3.8 The consolidated Quarterly Report for third quarter for Alexkor and the PSJV were approved and the Board noted the financial constraints facing both Alexkor and the PSJV and further escalated the matter to the Minister.

3.9 Supply Chain Management Policy was approved.

3.10 Nabera resolved not to pursue legal action against Alexkor and the parties agreed that this matter be put to rest with each party paying for their own legal costs.

3.11 The Board held a day's strategic planning session on 4 December 2018 to plan for the 2019/2020 financial year.

3.12 The planning session culminated into the compilation of the revised Corporate Plan and Shareholder Compact for submission and approval by the Minister of DPE.

QUARTER 4 2018

4.1 Board Meeting held in January 2019 mainly focused on the approval of the Alexkor and PSJV Quarter Reports for the quarter ending December 2018.

4.2 The February meeting focused primarily on the approval of the 2019/2020 Corporate Plan due to the DPE by end of February 2019.

4.3 The Supply Chain Policy was updated and approved by the Board following alignment with the National Treasury Practice Note on irregular expenditure.

4.4 Internal Audit Reports were discussed and the meeting noted progress on control systems in place and general state of risk management within the company.

4.5 The Board approved the establishment of a Task Team established to deal with governance issues within both Alexkor and PSJV in order to monitor the financial situation. The Board discussed the financial constraints facing the PSJV at the mine.

4.6 The Board considered and approved the Finance, Investment and Eviction Policies as well as the Stakeholder Management Strategy.

4.7 The Board discussed Section 189 and cautioned that it can not be evoked without written consent of the Minister.

HOW WE ARE GOVERNED (continued)

KEY GOVERNANCE OBJECTIVES

Governance objective	Status
Ensure that the Board and its committees understand their roles and responsibilities	The Board charter and terms of reference of the various committees have been reviewed and updated as appropriate
Ensure that the delegation of authority meets the needs of the Company	The delegation of authority was updated to meet the Company's current requirements
Review of Fraud Prevention Plan and Policy	Approved without amendments
Dividend policy	Approved in year under review
Tax policy	Approved in year under review
Risk Appetite and Tolerance Policy	Approved in year under review
Review Disciplinary Code and Procedure	Approved with amendments to disciplinary procedures
Review Subsistence and Travel Policy	Approved in current year
Formalise Disaster Recovery Policy	Approved
Formalise Business Continuity Policy	Approved
Formalise IT Steering Committee's Terms of Reference	Considered but not approved
Formalise IT Governance Framework	Approved
Formalised ICT Change Plan (Management) Policy	Approved
Review PAIA manual	Approved
Review Supply Chain Management	Approved
Review Finance Policy and Procedures as the Stakeholder Management Strategy.	Approved
Investment Policy	Approved
Formalise the Eviction Policy to ensure compliance with legal processes	Approved
Formalise a Stakeholder Management Strategy	Approved

COMPLIANCE WITH KING IV

The Company complies with the governance principles detailed in the King IV application register, available on the Company's website with the following exceptions noted:

The Shareholder appoints the Board.

The Board does not elect the Chairperson. This is the prerogative of the Shareholder.

The statutory committees are approved by the Shareholder.

The Audit and Risk Committee does not evaluate the expertise of the CFO and the finance function.

ENSURINGACOMMONUNDERSTANDING ON MEETING ALEXKOR'S OBJECTIVES

The Company holds monthly meetings with representatives of the DPE to ensure that Alexkor and its Shareholder have a common understanding on how Alexkor will achieve its objectives which are aligned with government's broader agenda of economic transformation, beneficiation, industrialisation, job creation and the development of a supplier base that meets Broad-Based Black Economic Empowerment (B-BBEE) objectives.

The Board is committed to improving the lives of the Richtersveld community. The Company engages the Richtersveld community as and when the need arises in an endeavour to resolve legacy issues and create a more positive relationship going forward.

DIRECTORS' REMUNERATION

The SE&HR Committee reviewed the executive and non- executive remuneration based on industry and market-related benchmarks and made proposals to the Shareholder. Considering cost containment principles, the Shareholder approved only increases of lower level employees at the 2018 Annual General Meeting. The Executive Management and NED increases were not implemented in the year under review.

Details of the remuneration structure of the independent non-executive directors and of the executive directors appear in the notes of the annual financial statements (note 26).

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

ALEXKOR SOC

Name	Board	Audit and Risk Committee	SE&HR	Environmental Rehabilitation Committee	Tender Committee
Ms HB Matseke[2]	3/7		3/3	1/2	
Mr SJ Danana	7/7	3/6	3/3		1/1
Mr T Haasbroek	6/7	6/6		2/2	
Ms M Lehobye[3]	1/7	3/6			
Mr TJ Matona[4]	5/7	4/6	2/3	2/3	
Ms Z Ntlangula	4/7		4/6	2/2	1/1
By invitation					
Mr L Pitsoe	7/7	4/6	2/3	1/2	1/1
Ms A Chowan	7/7	6/6	3/3	2/2	1/1
Mr H Mokwena[5]	3/7	2/6	1/3	1/3	1/1
Ms J Matisonn[6]	4/7	3/6	1/3	1/3	1/1
Mr M Tyalimpi[7]	1/7	1/1	1/3		
Ms S Bopape[8]	3/7	3/6	1/3	1/2	
Ms P Momoza[9]			2/3		

Notes:

[1] Minister of Public Enterprises removed the Tender Committee from the realm of the Board and it is now an executive committee.

[2] Ms H Matseke resigned as a chairperson of the Board on 27 September 2018 which resignation was approved by the Minister on 23/10/2018.

[3] Ms M Lehobye resigned as Board member and ARC on 31 May 2018.

[4] Mr T Matona was appointed as a Chairperson of the Interim Board from 23 October 2018 following resignation of Ms Matseke.

[5] Mr H Mokwena's contract as COO ended on 30 September 2018.

[6] MS J Matisonn resigned as Company Secretary on 31 July 2018.

[7] Mr M Tyalimpi took over from Ms Matisonn and his contract as Company Secretary ended on 30 November 2018.

[8] Ms S Bopape was appointed as Company Secretary effective 14 November 2018.

[9] Ms P Momoza now attends meetings for items within her area of responsibilities following the departure of the COO.

PSJV

Name	Board	Audit and Risk Committee	Technical Committee	Remuneration Committee	Tender Committee
Ms HB Matseke	2/9				
Mr SJ Danana	9/9	4/4	5/5		
Mr T Haasbroek	9/9	4/4	5/5	1/1	
Ms P Mokhali	7/9	2/4		1/1	
Mr G Oliphant	5/9				
Mr A Maarman	7/9		5/5	1/1	
Mr T Mantona	2/9	2/4			
By invitation (Alexkor Management)					
Mr L Pitsoe	4/9	1/4	5/5		
By invitation (PSJV Management)					
Mr M Carstens	9/9	4/4	5/5	1/1	
Ms R Phillips	9/9	4/4	5/5	1/1	
Mr F Strauss	8/9	4/4			
Mr G Cloete	6/9	1/4	5/5		

ALEXKOR

MODERN, GROWING
AND SUCCESSFUL COMMUNITIES

ANNUAL FINANCIAL STATEMENTS 2019

for the year ended 31 March

INDEX

DIRECTORS' APPROVAL OF FINANCIAL STATEMENTS

The Board of directors (Board) are responsible for the maintenance of adequate accounting records and appropriate systems of internal control as well as the preparation, integrity and fair presentation of the annual financial statements which includes financial results, performance against predetermined objectives and the financial position at the end of the year of Alexkor SOC Limited (Alexkor) and the Joint Venture.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Public Finance Management Act (PFMA), and the South African Companies Act (Companies Act). In preparing the annual financial statements, the directors are required to consistently apply appropriate accounting policies, make reasonable and prudent judgements and estimates, state whether applicable accounting standards have been followed and whether the annual financial statements for Alexkor will continue to be prepared on a going-concern basis in the foreseeable future. Although the Annual Financial Statements have been prepared on a going-concern basis there are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern which are discussed below. The Company has a history of losses with no operating revenue other than interest income and rental income. The Company has applied to the Department of Public Enterprise for financial assistance, however, there is no assurance that such financing will be available on a timely basis or on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail its operations.

To enable the Alexkor Board of directors to meet the abovementioned responsibilities, the Board sets standards and management implements systems of internal control. The controls are designed to provide assurance that assets are safeguarded, and that liabilities and working capital are efficiently managed. Policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities, and contain self-monitoring mechanisms. The controls throughout Alexkor focus on those critical risk areas identified by operational management and confirmed by executive management. Both management and the internal auditors closely monitor the controls, and actions are taken to correct deficiencies as they are identified.

Alexkor's Audit and Risk Committee plays an integral role in risk management as well as in overseeing Alexkor's internal audit function. The Company's internal audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the Company's Audit and Risk Committee, assesses and, when necessary, recommends improvements to the system of internal control and accounting policies, based on audit plans and outcomes that take cognisance of the relative degrees of risk of each function or aspect of the business.

Alexkor's Audit and Risk Committee has reviewed the going concern basis and the effectiveness of Alexkor 's internal controls has concluded that there are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern. The Committee has evaluated Alexkor's annual financial statements and has recommended their approval to the Board. The Audit and Risk Committee's approval is set out on pages 57 to 58. Based on the information and explanations given by management, the internal audit function and discussions held with the independent external auditors, the directors are of the opinion that the internal accounting controls of Alexkor are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities is maintained.

The directors reviewed Alexkor's performance for the year ended 31 March 2019 and the cash flow forecast for the 12 months ending 31 March 2020. The Board is pursuing funding options to implement the Company's investment strategy. In assessing the ability to raise funds, both loans and capital funding, the current economic climate has been considered and Alexkor continues to engage the Department of Public Enterprise. Although the Annual Financial Statements have been prepared on a going concern basis there are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

The independent external auditors are responsible for independently auditing the annual financial statements in accordance with International Standards of Auditing (ISA) and the Public Audit Act (PAA).

The Company's annual financial statements for the year ended 31 March 2019 have been prepared under the supervision of the Chief Financial Officer, Ms A Chowan CA(SA), and approved by the Board of directors and signed on its behalf on 25 July 2019 by:

Mr T Matona
Chairperson

Mr L Pitsoe
Chief Executive Officer

STATEMENT BY THE COMPANY SECRETARY

I, the undersigned, in my capacity as Company Secretary, do hereby confirm that for the financial year ended 31 March 2019, Alexkor SOC Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of the Companies Act, No. 71 of 2008, as amended, and that to the best of my knowledge, such returns are true, correct and up to date.

Ms Shokie Bopape
Company Secretary

AUDIT AND RISK COMMITTEE REPORT

Report of the Audit and Risk Committee in terms of section 94(7) of the Companies Act, No. 71 of 2008.

MANDATE AND TERMS OF REFERENCE

The Audit and Risk Committee (the Committee) presents its report in terms of the requirements of the PFMA, the Companies Act (section 94(7)(f)) and in accordance with the King Code of Governance Principles for South Africa for the financial year ended 31 March 2019.

The role of the Committee is defined in its charter. It covers amongst others, its statutory duties and the assistance to the Board with the oversight of financial and non-financial reporting and disclosure, internal control system, risk management, internal and external audit functions and combined assurance, including information technology governance. Information on the membership and the composition of the Committee is set out in the 2018 integrated report and related information on the Alexkor SOC Limited website.

The Committee fulfilled all its statutory duties as required by section 94(7)(f) of the Companies Act. The Committee reports that it has adopted an appropriate formal term of reference as its Audit and Risk Committee charter, has regulated its affairs in compliance with this charter and has discharged all of its responsibilities contained therein.

The Audit and Risk Committee comprises three independent non-executive directors. The Audit and Risk Committee held six scheduled meetings during the year ended 31 March 2019.

Alexkor applies a combined assurance model to ensure coordinated assurance activities. The Committee oversees the assurance activities and the establishment of effective systems of internal control to provide reasonable assurance that Alexkor's financial and non-financial objectives are achieved and that the preparation of financial statements for external purposes is in accordance with IFRS.

EXECUTION OF FUNCTIONS

In the conduct of its duties the Committee has, *inter alia*, reviewed the following areas:

GOING CONCERN ASSUMPTION

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realise its assets and discharge its liabilities in the normal course of business. There are, however material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern which are discussed below.

The Company has a history of losses with no operating revenue other than interest income and rental income. The Company has applied to the Department of Public Enterprise for financial assistance. However there is no assurance that such financing will be available on a timely basis or on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail its operations. The Company is currently evaluating various opportunities and seeking additional sources of financing. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the audited financial statements.

The Company's assets fairly valued exceeds liabilities fairly valued at 31 March 2019 by R205 698 081.

OVERSIGHT OF FINANCIAL AND NON-FINANCIAL REPORTING AND DISCLOSURE

The Committee considered the following:

- annual financial statements for fair presentation with the relevant requirements of the PFMA, Companies Act and IFRS;
- adequacy, reliability and accuracy of financial and non-financial information provided by management and risks that may impact the integrity of the integrated report;
- the integrated report is presented in accordance with the International Integrated Reporting Framework;
- disclosure of sustainability information in the integrated report to ensure that it is reliable and it does not conflict with the financial information; and
- the expertise, resources and experience of the finance function.

AUDIT AND RISK COMMITTEE REPORT (CONTINUED)

INTERNAL CONTROL, MANAGEMENT OF RISKS AND COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

The Committee considered the following:

- effectiveness of internal control systems and governance processes;
- reviewed legal matters that could have a material impact on the Company;
- effectiveness of the system and process of risk management including the following specific risks:
  - financial reporting;
  - internal financial controls;
  - fraud risks relating to financial reporting;
  - information technology risks relating to financial reporting; and
  - the effectiveness of the entity's compliance with legal and regulatory requirements.

INTERNAL AND EXTERNAL AUDIT

The Committee considered the following:

- charter, annual audit plan, independence, effectiveness, coordination with external auditors and performance of the internal auditors;
- appointment of the external auditors in terms of the Companies Act and other applicable requirements;
- external audit plan, audit budget, actual fee and terms of engagement of the external auditors;
- the independence and objectivity of the external auditors; and
- accounting, sustainability and auditing concerns identified as a result of the internal and external audits, including reportable irregularities.

OPINION

The Committee is of the opinion, based on the information and explanations provided by management, the internal auditors during the year, at year-end and discussions with the independent external auditors, that:

- the expertise, resources and experience of the finance function under the leadership of the Chief Financial Officer are adequate;
- the system and process of risk management and compliance processes are adequate;
- the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities maintained;
- the internal audit charter approved by the Committee was adhered to;
- the expertise, resources and experience of the internal auditors are adequate;
- the internal auditors operated effectively;
- the information contained in the integrated report and related information on the Alexkor website is reliable and does not contradict the information in the annual financial statements; and
- it is satisfied with the independence and objectivity of the external auditors having considered the matters set out in section 94(8) of the Companies Act.

The Committee considered the irregular and fruitless and wasteful expenditure reported in terms of the PFMA. Notwithstanding these aspects, the Committee is satisfied that nothing significant has come to the attention of the Committee to indicate any material breakdown in the functioning of the controls, procedures and systems during the year under review and that the controls are still appropriate to ensure compliance with the requirements of the Companies Act, the PFMA and IFRS.

RECOMMENDATION OF THE ANNUAL FINANCIAL STATEMENTS

The Committee has evaluated the financial statements of Alexkor for the year ended 31 March 2019 and based on the information provided to it, considers that they comply in all material respects with the requirements of the Companies Act, the PFMA and IFRS. Although the Annual Financial Statements have been prepared on a going-concern basis there are material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern.

The Board with the concurrence of the Audit Committee has therefore approved the adoption of the financial statements.

On behalf of the Audit Committee:

Mr T Haasbroek
Chairman Audit Committee

INDEPENDENT AUDITOR'S REPORT

to Parliament and the Shareholder on Alexkor SOC Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

DISCLAIMER OF OPINION

1. We were engaged to audit the financial statements of Alexkor SOC Limited set out on pages 71 to 112, which comprise the statement of financial position as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity, and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. We do not express an opinion on the financial statements of the public entity. Because of the significance of the matter described in the basis for disclaimer of opinion section of this auditor's report, we were unable to obtain sufficient appropriate audit evidence regarding the going concern status, to provide a basis for an audit opinion on these financial statements.

BASIS FOR DISCLAIMER OF OPINION

Going concern

3. As indicated in note 32 to the financial statements, the company has a history of losses with no operating revenue other than interest income and rental income. Alexkor SOC Limited has applied to the Department of Public Enterprises (its shareholder department) for financial assistance; however, there is no assurance that such financing will be available on a timely basis or on acceptable terms. If Alexkor SOC Limited is unable to obtain adequate additional financing, the company will be required to curtail its operations. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. Consequently, we were unable to confirm or dispel whether it is appropriate to prepare the financial statements using the going concern assumption.

MATERIAL UNCERTAINTY RELATING TO FINANCIAL SUSTAINABILITY

4. We draw attention to the matter below. Our opinion is not modified in respect of this matter.

Sustainability risk due to lack of diversification

5. We draw attention to note 16 in the financial statements, which indicates that all the public entity's revenue for continuing operations was generated through the sale of diamonds. Alexkor had no other income-generating operations apart from its 51% in the Pooling and Sharing Joint Venture (PSJV). Therefore, Alexkor SOC Limited is exposed to the financial challenges that face the PSJV, which could pose a risk to the going concern. These events or conditions, along with other matters as set forth, indicate presence of a sustainability risk as reliance is placed on one major revenue source.

EMPHASIS OF MATTERS

6. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Material impairments – Loan to group companies

7. As disclosed in note 9 to the financial statements, material impairment of R189 289 857 was incurred as a result of impairment in loans to group companies after the loan was assessed as irrecoverable.

Adoption of International Financial Reporting Standard (IFRS) 16, leases

8. As disclosed in notes 34 and 35 to the financial statements, the public entity has early adopted IFRS 16 leases. The adoption of IFRS 16 has resulted in an increase in assets due to the lease asset being capitalised as right of use of the leased asset and the liability that relates to the lease obligation was also raised. The change has been applied retrospectively as part of the initial adoption.

Comparative figures

9. As disclosed in note 37 to the financial statements, there were changes on the presentation of comparative numbers from prior year. The company previously presented results for Alexkor SOC Limited as "Company" while the Alexkor SOC Limited results together with proportionate consolidation of the joint operation was presented as "Group". For better presentation in line with IFRS, the proportionate consolidation of the joint operation is now presented together with the Company results to show the overall picture.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

OTHER MATTERS

10. We draw attention to the matters below. Our opinion is not modified in respect of these matters.

Business rescue proceedings

11. Alexkor SOC Ltd did not receive any response from the Shareholder regarding correspondence sent informing the Minister and seeking approval to file for business rescue while the company was in financial distress in terms of the Memorandum of Incorporation , as required by section 129(7) of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

Previous period audited by a predecessor auditor

12. The financial statements of the previous year were audited by a predecessor auditor in terms of section 4(3) of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) on 31 July 2018.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

13. The Board of Directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Framework and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

14. In preparing the financial statements, the accounting authority is responsible for assessing Alexkor SOC Limited's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

15. Our responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, we were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

16. We are independent of the public entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct of registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IESBA code and in accordance other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B).

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

17. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, we have a responsibility to report material findings on the reported performance information against performance objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

18. Our procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

19. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic goals presented in the annual performance report of the public entity for the year ended 31 March 2019:

Objectives – Alexkor SOC Limited	Pages in the directors' report
Objective 1 – Financial Position	3 - 5
Objective 2 – Commodity Diversification	3 - 5
Objective 3 – Mineral Beneficiation	3 - 5
Objective 4 – Conclude Historical Environmental Rehabilitation	3 - 5
Objective 5 – Procurement	3 - 5

Objectives – Alexkor/RMC Joint Venture (PSJV)	Pages in the directors' report
Objective 1 – Financial Performance	3 - 5
Objective 2 – Diamond Production	3 - 5
Objective 3 – Operational Excellence	3 - 5
Objective 4 – Skills Development	3 - 5
Objective 5 – CSI	3 - 5
Objective 6 – Employment Creation	3 - 5
Objective 7 – Procurement	3 - 5

20. We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

21. The material findings in respect of the usefulness and reliability of the selected objectives were as follows:

OBJECTIVE – STRATEGIC INITIATIVES/INDUSTRIALISATION

Indicator – Establish a diamond beneficiation facility (Alexkor)

The planned target for this indicator was not specific in clearly identifying the nature and required level of performance and did not specify the period or deadline for delivery to achieve the end result of establishing the diamond beneficiation facility. However, the planned and reported target was not time bound i.e. the time period or deadline for delivery is not specified as per the SMART requirement.

OBJECTIVE – OPERATIONAL EXELLENCE

Indicator – Implement Coal Strategy (Alexkor)

The planned target for this indicator was not specific in clearly identifying the nature and required level of performance and did not specify the period or deadline for delivery to achieve the end result of implementing the coal strategy. However, the planned and reported target was not time bound i.e. the time period or deadline for delivery is not specified as per the SMART requirement.

OBJECTIVE – EXPANSION OF EXPLORATION PROGRAMME (PSJV)

Indicator – Expansion of Exploration Programme (PSJV)

The planned target for this indicator was not specific in clearly identifying the nature and required level of performance and did not specify the period or deadline for delivery to achieve the end result of completion of the exploration for Cliffs, Perdevlei, Holgat South and Kortdoom sites. However, the planned and reported target was not time bound i.e. the time period or deadline for delivery is not specified as per the SMART requirement.

OTHER MATTERS

22. We draw attention to the matter below. Our opinions are not modified in respect of this matter.

Achievement of planned targets

23. Refer to the directors' report in the financial statements for information on the achievement of planned targets for the year and explanations provided for the underachievement of a significant number of targets. This information should be considered in the context of the opinion expressed on the usefulness and reliability of the reported performance information in paragraphs 6 to 8 of this report.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

24. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

25. The material finding on compliance with specific matter in key legislation is as follows:

Non-Compliance with section 22 of the Companies Act

26. There were instances of non-compliance with section 22 of the Companies Act, No 71 of 2008 on Reckless trading. During the audit of financial statements, it was determined that Alexkor SOC does not have enough cash to continue operating beyond September 2019. Although they are solvent, Alexkor SOC Limited is not a going concern as they are not liquid. As defined in the Companies Act, is appears unlikely that Alexkor SOC Limited will not be able to pay its debts as they fall due within the next six months, as they do not have enough cash to pay their creditors after September 2019. Alexkor SOC Ltd did not receive any response from the Shareholder regarding correspondence sent informing the Minister and seeking approval to file for business rescue while the company was in financial distress in terms of the Memorandum of Incorporation.

OTHER INFORMATION

27. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa,71 of 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected strategic goals presented in the annual performance report that have been specifically reported in this auditor's report.

28. Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

29. In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

30. If based on the work we have performed, we conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

31. We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in a disclaimer opinion and the findings on compliance with legislation included in this report.

Oversight responsibility

32. Despite management and the board of directors' efforts to obtain additional financial assistance from the shareholder sending requests to the Department of Public Enterprises (DPE), there has been no feedback. Therefore, the shareholder (DPE) has failed in their oversight responsibility to ensure that the entity gets the additional finance to enable the company to continue its operations in the foreseeable future.

AUDITOR TENURE

33. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane and Company (Johannesburg) Incorporated has been the auditor of Alexkor SOC Limited for one year.

Ngubane & Co. (Jhb) Inc.

Ngubane & Co. (Jhb) Inc.
Director: **Sicelo Vilakati**
Registered Auditor

15 August 2019

1 Superior Road
Midrand
1685

ANNEXURE – AUDITOR'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to our responsibility for the audit of the financial statements as described in this auditor's report, we also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control;
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority;
   - conclude on the appropriateness of the board of directors, which constitutes the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Alexkor SOC Limited ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease continuing as a going concern;
   - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
   - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, related safeguards.

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

DIRECTORS' REPORT

1. **Board of Directors**

For the year under review, a full complement of Alexkor's Board of directors discharged its duties. The composition of the Board, with respect to the independent non-executive directors, the year ended with four independent non-executive directors. One independent non-executive director resigned with effect on 31 May 2018 and the Chairperson resigned during October 2018.

The independent non-executive directors of the Company during the year were as follows:

Name	Appointed	Resigned/term expired
Ms HB Matseke	August 2015	October 2018
Ms Z Ntlangula	September 2012	
Mr JS Danana	August 2015	
Mr T Haasbroek	August 2015	
Mr T Matona	August 2015	
Ms M Lehobye	August 2015	May 2018

2. **Overview of financial performance**

Performance for the year	2019	2018	% Change
Revenue	209 900 962	208 652 380	1%
(Loss)/profit for the year	(149 591 275)	34 244 397	(537)%
Carats produced (in units)	67 724	41 941	61%
Capital expenditure	13 308 912	43 147 524	(69)%

3. **Dividends**

No dividends have been paid, proposed or declared during the year under review (2018: R nil).

4. **Borrowings**

In terms of the Company's Memorandum Of Incorporation (MOI), the Company's borrowing powers are determined by the Board from time-to-time. The Company currently does not have any borrowings.

5. **Shareholder's Compact**

A Shareholders' Compact was signed between the Board and the executive authority for the period under review. Performance objectives are captured within the Compact and are reported against the outcomes on a quarterly basis.

The Shareholders' Compact Key Performance Indicators (KPIs), which are revised annually by agreement between the Board of directors and the Shareholder representative, serve as the performance monitoring framework for the Company. Performance against the Shareholders' Compact 2019 financial year targets are outlined in section I of the Integrated Report.

6. **Litigation statement**

Isaac Barrow Celeste Elmarita Moot

The legal action against Alexkor by the family of a minor child that allegedly drowned in a sewerage dam situated on Alexkor's property in the mining area in Alexander Bay is still pending. Alexkor does not believe that there is any merit to the claim as the area is restricted and well sign posted. Further the four year old child was left unsupervised.

Nabera Mining

The litigation with Nabera has been amicably resolved, Nabera have since withdrawn the case against Alexkor.

Thornburn Security

Thornburn Security has brought a legal application against Alexkor alleging amounts unpaid. The claim is without merit as Alexkor did not enter into any agreement with the party.

7. Going concern

The annual financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realise its assets and discharge its liabilities in the normal course of business. There are, however, material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern which are discussed below.

The Company has a history of losses with no operating revenue other than interest income and rental income. The Company has applied to the Department of Public Enterprise for financial assistance and the Board is awaiting a response from the Honourable Minister. However, there is no assurance that such financing will be available on a timely basis or on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail its operations. The Company is currently evaluating various opportunities and seeking additional sources of financing. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the unaudited interim financial statements.

The Company's assets fairly valued exceeds liabilities fairly valued at 31 March 2019 by R205 698 081.

8. Share capital

The directors do not have the authority to issue shares in the Company. The directors confirm that there were no changes in the share capital of the Company for the financial year under review.

9. Performance objectives related to Alexkor

As part of the Shareholders agreement with the Honourable Minister, Alexkor agreed on the following Key Performance Areas:

Key Performance Area	Key Performance Indicator	Unit of Measure	YTD Target	YTD Actual	Notes
Financial Position	Cash Buffer	Rand	R60 million	R39 million	Not achieved, due to financial constraints faced by the PSJV. There has been no payment received towards the ICC loan and settlement of intercompany account from the PSJV. Majority of the cash held by Alexkor is for restricted purposes and cannot be accessed for operational purposes.
Financial performance	Rental Income Collected	%	85%	70%	Not achieved. Rentals outstanding includes rental receivable from the PSJV for houses occupied by their staff.
Commodity Diversification	Implement Coal Strategy	Date	Seek approval for the establishment of Alexcoal	N/A	The project was declined by the Department of Public Enterprises during the 2019 financial year.
Mineral Beneficiation	Establish a diamond beneficiation facility	Complete Report	Completed feasibility study on establishment of the diamond beneficiation facility	Complete	The feasibility study on diamond beneficiation has been completed. However, the project has been put on hold due to the Moratorium placed by the Honourable Minister.
Conclude historical environmental rehabilitation	Execution of the plan	Date	Demolition of old buildings and safe storage of the resultant rubble by 31/3/2019	100% complete	By the end of the second quarter the demolition work was completed ahead of schedule due to favourable weather conditions.
Procurement	Black Owned	%	75%	84%	The target was exceeded as the rehabilitation contractor had black female ownership.
	Black Woman Owned	%	3%	76%	The target was exceeded as the rehabilitation contractor had black female ownership.
	Black Youth Owned	%	1%	0.028%	Black youth suppliers were sourced, however, monetary value was not sufficient to meet the target.
	People with disabilities	%	0.5%	0.028%	Suppliers with disabilities were sourced, however, monetary value was not sufficient to meet the target.

10. Performance objectives related to the PSJV

As part of the Shareholders agreement with the Honourable Minister, the PSJV agreed on the following Key Performance Areas:

Key Performance Area	Key Performance Indicator	Unit of Measure	YTD Target	YTD Actual	Notes
Financial Performance	EBITDA Margin	%	10.5%	(10.17%)	Not achieved, due to weaker $/Carat price achieved and lower quality and size of marine production.
Diamond Production	Land and Mine Production	Carats Produced	52 000	48 127	Not achieved due to insufficient information on mining areas.
	Deep Sea production	Carats Produced	–	19 597	Achieved as the IMDSA commenced mining in the latter part of 2018.
	Mid waters production	Carats Produced	5 000	–	Not achieved, the Company does not have sufficient capital to initiate mining in the mid waters.
	Expansion of exploration programme	Exploration report on targeted areas	Complete exploration at Cliffs, Perdevlei, Holgat South and Kortdoom	Exploration is suspended due to financial constraints.	Exploration has been suspended
Safety	Fatalities	Number	–	–	There were no fatalities during the current financial year.
Skills Development	Artisan Trainees	Number	3	6	Achieved as a result of in- house trainees.
	Technical Trainees (Diamond Beneficiation)	Number	3	3	Achieved as a result of in- house trainees.
	Engineering Trainees	Number	4	2	Due to cost-cutting measures additional trainees could not be employed.
	Training Spend (including 1% leviable amount)	% of personnel spent	5%	1.38%	Not achieved due to cost-containment measures.
	CSI interventions as agreed in the CSI forum	Amount of 1% of NPAT	1%	3.81%	Achieved.
	CSI Spend	Rand	R6 million	R1.8 million	Not achieved due to cost-containment measures.

10. Performance objectives related to the PSJV (continued)

Key Performance Area	Key Performance Indicator	Unit of Measure	YTD Target	YTD Actual	Notes
Employment Creation	Direct Jobs created	Permanent vs Contract	2 Permanent and 2 Contract	–	Due to the Company applying for s189, additional employees could not be employed.
	Indirect Jobs	Number	8	–	Due to the Company applying for s189, additional employees could not be employed.
	Spend on BEE compliant companies	%	60%	57%	Due to cash constraints and cost-saving initiatives,this target could not be achieved.
	Total Black-Owned as a % of local spend	%	60%	25%	Due to cash constraints and cost-saving initiatives,this target could not be achieved.
	Total Black Women Owned (BWO) as a % of local spend	%	5%	13%	Concerted effort was made to source suppliers with Black Women Ownership.
	Total Black Youth Owned (BYO) as a % of local spend	%	1%	0%	Due to cash constraints and cost-saving initiatives,this target could not be achieved.
	People with disabilities (PWD) as a % of local spend	%	0.54%	0%	Due to cash constraints and cost-saving initiatives,this target could not be achieved.
	Qualifying Small Enterprises	% per designated Company (BYO, BWO, PWD)	25%	2%	Due to cash constraints and cost-saving initiatives,this target could not be achieved.

11. Irregular, Fruitless and Wasteful Expenditure

No irregular expenditure was identified in the current financial year.

Fruitless and wasteful expenditure was incurred in the current year. This amount relates to interest charged by suppliers on invoices that exceeded payment terms. The interest paid on late invoices was recovered from the employee concerned. Management remains committed to eliminate and avoid any fruitless and wasteful expenditure.

Summary of irregular, fruitless and wasteful expenditure:

	2019	2018
Fruitless and wasteful expenditure – current year	644	5 481
Fruitless and wasteful expenditure – prior year	–	3 465 721
Fruitless and wasteful expenditure written off	–	(3 465 721)
Fruitless and wasteful expenditure recovered	(644)	–
Total fruitless and wasteful expenditure	–	(5 481)
Irregular expenditure spent in the current year	–	14 017 906
Irregular expenditure spent in the prior year	26 018 876	14 436 064
Less: Irregular expenditure condoned	–	(2 435 094)
Remaining irregular expenditure awaiting condonation	26 018 876	26 018 876

12. Significant events after the reporting period

Alexkor SOC Limited's Board approved the s189 consultation process in May 2019; the consultation process was concluded as at the end of June 2019. The Honourable Minister of the Department of Public Enterprise and the Honourable Minister of the Department of Mineral Resources are required to approve the restructuring in terms of Alexkor's Significant and Materiality Framework Agreement.

In the beginning of the year, the PSJV Board approved the s189 consultation process and 150 staff were retrenched at the end of June 2019. It is envisaged that this will assist the Company to improve liquidity in the short term.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Non-current assets			
Property, plant and equipment	4	44 815 922	54 486 387
Intangible assets	5	95 277 586	82 855 771
Investment property	6	6 559 997	14 660 000
Cash held in rehabilitation trust	8	168 010 764	109 022 339
		314 664 269	**261 024 497**
Current assets			
Loans to joint venture	9	–	92 610 000
Inventories	10	6 013 907	21 232 649
Trade and other receivables	11	23 960 203	22 336 504
Cash and cash equivalents	23.2	133 958 736	259 363 858
		163 932 846	395 543 011
Total assets		**478 597 115**	**656 567 508**
Equity and liabilities			
Equity			
Share capital	12	400 000 000	400 000 000
Accumulated loss		(194 301 919)	(44 432 304)
		205 698 081	**355 567 696**
Liabilities			
Non-current liabilities			
Finance lease liabilities	36	3 147 537	–
Environmental rehabilitation liability	13	203 853 789	216 870 898
		207 001 326	**216 870 898**
Current liabilities			
Trade and other payables	14	65 897 708	84 128 914
Total liabilities		**272 899 034**	**300 999 812**
Total equity and liabilities		**478 597 115**	**656 567 508**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

Figures in Rand	Note(s)	2019	2018
Revenue	16	209 900 962	208 652 380
Cost of sales	17	(152 927 135)	(126 782 384)
Gross profit		**56 973 827**	**81 869 996**
Other income	19	7 019 873	35 461 061
Other operating expenses	18	(237 620 696)	(131 182 743)
Operating loss		**(173 626 996)**	**(13 851 686)**
Investment income	20	26 826 068	51 346 797
Finance costs	21	(2 790 347)	(3 823 904)
Fair value gains		–	573 190
(Loss)/profit before taxation		**(149 591 275)**	**34 244 397**
Taxation	22	–	–
(Loss)/profit for the year		**(149 591 275)**	**34 244 397**
Other comprehensive income for the year net of taxation		–	–
Other comprehensive income		–	–
Total comprehensive (loss)/income for the year		**(149 591 275)**	**34 244 397**

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

Figures in Rand	Share capital	Accumulated profit/(loss)	Total equity
Balance at 1 April 2017	**400 000 000**	**(78 676 701)**	**321 323 299**
Profit for the year	–	34 244 397	34 244 397
Other comprehensive income	–	–	–
Total comprehensive income for the year	**–**	**34 244 397**	**34 244 397**
Balance at 1 April 2018	**400 000 000**	**(44 432 304)**	**355 567 696**
Loss for the year	–	(149 591 275)	(149 591 275)
Other comprehensive income	–	–	–
Total comprehensive loss for the year	**–**	**(149 591 275)**	**(149 591 275)**
IFRS 16 – Adjustment – Depreciation Leased Buildings	–	(1 678 279)	(1 678 279)
IFRS 16 – Adjustment – Recognition of interest on leased liability	–	(783 811)	(783 811)
IFRS 16 – Adjustment to rental expense	–	2 020 666	2 020 666
Interest receivable from Trust due to reversal of dividend distribution	–	163 084	163 084
Balance at 31 March 2019	**400 000 000**	**(194 301 919)**	**205 698 081**
Note(s)	12		

STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Cash generated from operations	23.1	(77 980 127)	(28 554 284)
Finance income		26 826 068	51 346 797
Finance costs		(2 790 347)	(3 823 904)
Net cash from operating activities		**(53 944 406)**	**18 968 609**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(208 387)	(9 058 963)
Proceeds from the disposal of property, plant and equipment	5	71 400	229 301
Purchase of other intangible assets	5	(13 100 525)	(27 838 925)
Net cash from investing activities		**(13 237 512)**	**(36 668 587)**
Cash flows from financing activities			
Government funded obligations utilised		–	(28 065 598)
Interest received on government funded obligations		907 251	(12 745 034)
Loans to joint venture repaid		–	4 900 000
Loans advanced to joint venture		(142 030)	(12 706 051)
Contributions to the Rehabilitation Trust Fund		(69 228 275)	–
Rehabilitation Trust funds utilised		23 212 062	30 261 077
Interest received from Rehabilitation Trust		(12 972 212)	(10 067 754)
Net cash from financing activities		**(58 223 204)**	**(28 423 360)**
Total cash movement for the year		(125 405 122)	(46 123 338)
Cash at the beginning of the year		259 363 858	305 487 196
Total cash at end of the year	23.2	**133 958 736**	**259 363 858**
The cash and cash equivalents balance is reconciled as follows:			
Operational cash		17 192 158	50 090 145
Recapitalisation funds (MTEF)		105 184 681	191 897 498
Cash in legal trust		–	6 700 799
Cash held for government funded operations		11 581 897	10 675 416
Total cash and cash equivalents	23.2	**133 958 736**	**259 363 858**

ACCOUNTING POLICIES

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below and are consistent with those of the previous financial year.

1.1 STATEMENT OF COMPLIANCE

The financial statements for the year ended 31 March 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations of those standards issued by the International Financial Reporting Interpretations Committee (IFRIC), the Companies Act, No. 71 of 2008 and the Public Finance Management Act, No. 1 of 1999.

1.2 BASIS OF PREPARATION

The financial statements are prepared in South African Rands and all amounts have been rounded to the nearest rand. The financial statements are prepared on the historical cost basis, except for investment properties which are measured at fair value.

The financial statements are prepared on the going concern basis. The accounting policies are consistent with those applied in the previous years and are consistently applied throughout the Company.

Treasury regulation 28.1.6 requires that in terms of section 55(1)(b) of the PFMA, public entities shall prepare financial statements in accordance with generally recognised accounting practice, i.e. Statements of GRAAP (SA GRAAP). The Company applied for and received approval from the Office of the Accountant General to depart from the requirements of the PFMA and prepare the financial statements in accordance with IFRS.

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of equity, assets and liabilities, revenue and expenses.

The estimates and underlying assumptions are based on historical experience, independent experts' inputs, and various other factors that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.3 JOINT OPERATIONS

A joint operation is a type of joint arrangement in which the Company holds a long-term interest and shares joint control over the strategic, financial and operating decisions with one or more other parties under contractual agreement and has rights to the assets, and obligations for the liabilities, of the arrangement.

Under this method, the Company includes its share of the joint operation's individual income and expenses, assets and liabilities in the relevant components of its financial statements on a line-by-line basis.

Where the Company transacts with the joint operation, any profits or losses arising on the transactions with the joint operation are recognised in the financial statements only to the extent of the interest in the joint operation that are not related to the Company.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Property, plant and equipment are subsequently stated at historical cost less accumulated depreciation and any impairment losses. Historical cost included expenditure that is directly attributable to the acquisition of the items. Depreciation commences when the assets are available for their intended use.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Items of property, plant and equipment are derecognised when they are either disposed of when no future economic benefits are expected to flow from their use or disposal. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is calculated as the difference between proceeds (if any) and the carrying amount of the asset and is recognised in profit or loss.

Depreciation on leased assets (buildings) is calculated over the lease term which is five years.

Depreciation on assets is calculated using the diminishing-balance method to allocate their cost to their residual values over the estimated useful lives and are consistent with prior years, as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Diminishing balance	9 – 34 years
Furniture and fixtures	Diminishing balance	3 – 34 years
Motor vehicles	Diminishing balance	4 – 28 years
Computer equipment	Diminishing balance	3 – 26 years
Leasehold improvements	Diminishing balance	5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and, if appropriate, adjusted. Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection date is derecognised.

The depreciation charge for each period is recognised in profit and loss unless it is included in the carrying amount of another asset.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (expenses)/income" in profit or loss.

1.5 INVESTMENT PROPERTY

Investment properties are properties held to earn rentals and/or for capital appreciation or both. Alexkor's investment properties are held to earn rentals and for capital appreciation.

Investment property exclude:

- property used in the production of income; or
- used in the ordinary course of business.

Investment property is measured initially at its cost, including related transaction costs and where applicable borrowing cost.

After initial recognition, investment property is carried at fair value. Investment properties are measured using the fair value model, where the fair value is assessed every five years.

Gains or losses arising from changes in the fair value is recognised in profit and loss.

1.6 INTANGIBLE ASSETS

Computer software

Intangible assets are initially recognised at cost. An intangible asset is recognised when it is probable that future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Amortisation is charged to profit or loss on a reducing-balance basis over the estimated useful lives of the intangible assets.

The estimated useful lives of the intangible assets for computer software is two to 20 years. The amortisation period and the amortisation method for intangible assets are reviewed at the statement of financial position date.

ACCOUNTING POLICIES (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.6 INTANGIBLE ASSETS (CONTINUED)

Capitalised exploration and evaluation expenditure

Cost directly related to exploration and evaluation expenses are recognised and capitalised once the legal right to explore a property has been acquired, in addition to acquisition cost. These direct expenditures include such costs as materials used, surveying cost, drilling cost, payments made to contractors and depreciation on plant and equipment during the exploration and evaluation phase. Cost not directly attributable to the exploration and evaluation activities, including general administrative costs, are expensed in the year in which they are incurred.

When a project is deemed to no longer have commercially viable prospect to the Company, exploration and evaluation expenditures in respect of those projects are deemed to be impaired. As a result, those exploration and evaluation costs, in excess of estimated recoveries, are written off to profit and loss.

The Company assesses exploration and evaluation assets for impairment when the facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value-in-use.

Once the technical feasibility and commercial viability of extracting the material resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Company reviews the carrying amount of its property, plant, equipment and intangible assets to determine whether there are any events or changes in circumstances indicating that those assets are impaired. If any indication exists, the recoverable amount is estimated in order to determine the extent of the impairment (if any). The recoverable amount is the higher of fair value less the cost to sell and value-in-use.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks to the asset of which the estimate of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment (if any) is recognised as an expense in profit or loss in the period that it is incurred.

Where impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset in prior years. A reversal of impairment is recognised in the profit and loss immediately.

1.8 FINANCIAL INSTRUMENTS

The Company classifies its financial instruments in the following categories:

- Loans and receivables.

The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payment that are not quoted in an active market. When a financial liability is note recognised as fair value through profit or loss it is recognised as "other financial liabilities" and measured at amortised cost.

Initial recognition and measurement

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments. The Company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement. Financial instruments are measured initially at fair value.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables, are subsequently measured at amortised cost using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or has expired.

A gain/loss on derecognition is recognised in profit or loss.

1.8.1 Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired during the ordinary course of business from suppliers. Trade payables are classified as current liabilities even though they are due to be settled more than 12 months after the reporting period as it is part of working capital used in the entity's normal operating cycle.

Trade and other payables are classified as other financial liabilities measured at amortised cost and initially measured at fair value.

1.8.2 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are classified as current assets even though they are due to be settled more than 12 months after the reporting period as it is part of working capital used in the entity's normal operating cycle.

Impairment of trade and other receivables is established when there is objective evidence as a result of a loss event that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment is recognised in the profit and loss within "other expenses". When a receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries are credited against "other income" in profit and loss.

Trade and other receivables are classified as loans and receivables.

1.8.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. These are initially and subsequently recorded at fair value.

Cash that is earmarked for specific purposes (restricted cash balances) is included in cash and cash equivalents, but disclosed separately in the notes to the annual financial statements.

Cash and cash equivalents are classified as loans and receivables.

1.8.4 Loans to/(from) joint venture

These include loans to and from joint operations and are recognised initially at fair value plus direct transaction costs.

Loans to related parties are classified as loans and receivables.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.8 FINANCIAL INSTRUMENTS (CONTINUED)

1.8.5 Cash held in rehabilitation trust

The Company has an obligation to rehabilitate the environment as a result of environmental disturbances caused by its previous mining activities.

The cash in the Rehabilitation Trust is a long-term investment. The financial asset is classified as loans and receivables.

1.9 IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets are credit impaired. A financial asset or group of financial assets are credit impaired and the credit losses are incurred only if there is objective evidence of credit loss as a result of one or more events that occurred after the initial recognition of the asset and if that event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably measured.

Credit losses are recognised in profit/loss.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligator;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease may not yet be identified with the individual financial assets of the Company.

The Company first assesses whether objective evidence of credit loss exists. The amount of the loss is measured as the difference between the carrying amount of the assets and the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any credit loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the credit loss decreases and the decrease can be related objectively to an event occurring after the credit loss was recognised, the reversal of the previously recognised credit loss is recognised in the profit and loss.

Credit losses on equity instruments that were recognised in profit and loss are not reversed in profit and loss in the subsequent period.

1.10 INVENTORIES

Diamonds are valued at the lower of weighted average cost or net realisable value except for those from the optical sorter which are measured at cost; and parts and consumable items are valued at the lower of cost, weighted average cost and net realisable value.

In all cases, obsolete, redundant and slow moving stocks are identified and written down to net realisable value. The amount of any write-down to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal or write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of inventories is determined principally on the average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of production comprises the direct cost of production which includes mining and production overheads, depreciation and amortisation, but excludes transport costs.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

1.11 SHARE CAPITAL

Ordinary shares are classified as share capital. Incremental cost directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

1.12 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to prior experience, but actual results may differ from the amounts included in the financial statements. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The recoverable amount of each asset or cash-generating unit is determined as the higher of the assets' fair value less costs to sell and its value-in-use in accordance with the accounting policy. When such events or changes in circumstances impact on a particular asset or cash-generating unit, its carrying value is assessed by reference to its recoverable amount being the higher of fair value less costs to sell and value-in-use (being the net present value for expected future cash flows of the relevant cash-generating unit). The best evidence of an asset's fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best information available to reflect the amount the Company could receive for the asset or cash-generating unit in an arm's length transaction.

Impairment of financial assets

At each reporting date the Company assesses all financial assets, other than those at fair value through profit and loss, to determine whether there is objective evidence that a financial asset or group of financial assets have been credit impaired.

For amounts due to the Company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of expected credit loss. Expected credit losses are recognised in profit or loss.

Expected credit losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment loss was recognised, subject to the restriction that carrying amount of the financial asset at the date of that impairment is reversed shall not exceed what the carrying amount would have been had the credit losses not been recognised. Reversals of credit losses are recognised in profit or loss.

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of the reporting period. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Environmental rehabilitation liability

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted. Provision is made for the anticipated costs of future restoration and rehabilitation of the mining site to the extent that a legal or constructive obligation exists. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. The future cost estimates are discounted to their present value.

ACCOUNTING POLICIES (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.12 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Calculation of these provision estimates require assumptions such as applicable environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions.

Trade receivables and loans receivables

In determining whether an expected credit loss should be recorded in profit and loss, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The expected credit loss is estimated with reference to known doubtful accounts as well as experience regarding the recoverability of the accounts and the level of ageing. Factors considered by management when considering the level of impairment provisions are:

- any prior knowledge of the potential insolvency or other credit risk; and
- credit checks and assessment by attorneys as to the recoverability of disputed receivables.

Provisions and contingent liabilities

The Company exercises judgement in measuring and recognising provisions and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation as well as other contingent liabilities. Judgement is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the original estimated provision.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income.

Estimates of the future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax asset recorded at the end of the period could be impacted.

Allowance for slow moving, damaged and obsolete stock

The allowance for slow moving, damaged and obsolete stock allows management to write stock down to the lower of cost and net realisable value. Management have made estimates of the selling price and the direct cost to sell on certain inventory items. The write-down is included in the operational profit note.

Residual values and useful lives of items of property, plant and equipment

Property, plant and equipment are depreciated over its useful life taking into account residual values where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as relevant market information, the condition of the asset and management's consideration. In assessing the residual values, the Company considers the remaining life of the assets, their projected disposal value and future market conditions.

1.13 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Irregular expenditure is defined as expenditure, incurred in contravention of the requirement of any applicable legislation.

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999, the financial statements must include particulars of any irregular, fruitless and wasteful expenditure.

All irregular, fruitless and wasteful expenditure is accounted for in profit or loss in the period in which they are identified (see notes 27 and 28).

1.14 EMPLOYEE BENEFITS

Pension Fund

The Company only had a defined contribution plan during the year. A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefit relating to the employee service in the current and prior periods.

The Company operates one pension fund for its employees. The scheme is generally funded through payment to Pension Fund Trust Administrators.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognises termination benefits at the earlier of the following dates (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the Company recognises cost for a restructuring that is within the scope of accounting standards and involves the payment of termination benefits. In case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due within 12 months after the statement of financial position date are discounted to the present value.

Leave accrual

Employee entitlements to annual leave are recognised as short–term employee benefits when they are to be settled wholly within 12 months after the end of the annual reporting period in which the employees rendered the related services. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to reporting date.

1.15 TAXATION

The income tax expense represents the sum of the current tax charge and the movement in deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and items that are not taxable or deductible.

Current income tax

Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to tax authorities.

It establishes provisions where appropriate, on the basis of amounts expected to be paid to tax authorities.

Current income tax relating to items recognised directly to equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

ACCOUNTING POLICIES (CONTINUED)

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.15 TAXATION (CONTINUED)

However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction neither affects accounting nor taxable profit or loss. Deferred taxation is calculated using taxation rates that have been enacted or subsequently enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The effect on deferred taxation of any changes in taxation rates is recognised in the statement of comprehensive income in the year in which the change occurs, except to the extent that it relates to terms previously charged or credited directly to equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.16 PROVISIONS AND CONTINGENCIES

Provision for environmental restoration, restructuring cost, legal claims are recognised when the Company has a constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Contingent assets and contingent liabilities are not recognised, but are disclosed.

1.17 LEASES

All leases are accounted for in terms of the new IFRS 16 standard on leases, by recognising the right-of-use asset and lease liability. There are recognition exemptions for short-term leases and leases of low-value items.

Lessee

A lessee recognises a right-of-use asset representing its right of use of the underlying asset and a lease liability representing its obligation to make lease payments. The discount rate used in calculating the present value of the minimum lease payments is 10,25%, being the current prime lending rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Subsequently, should there be a change in the lease term, lease payments or discount rate then the lease liability will be re-measured to reflect the changes.

1.18 REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company’s activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The Company recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the Company’s activities as described below.

Sale of diamonds

Revenue from diamond production is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer and the Company retains neither continued management involvement to the degree usually associated with ownership nor effective control over the goods sold.

1.19 INTEREST INCOME

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable are impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Interest income on impaired loans and receivables are recognised using the original effective interest rate.

1.20 COST OF SALES

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any write-down of inventories arising from the increase in net realisable value, is recognised as a reduction in the amount of inventories recognised in the period in which the reversal occurs.

1.21 GOVERNMENT GRANTS

Government grants are accounted for at the earliest of the date when the funds are transferred or when there is reasonable assurance that the grant will be received and the Company will comply with the conditions attached to them. Distinction is made between the following types of government grants:

- Government grants received/receivable as compensation for expenses already incurred are accounted for as a credit in profit and loss or disclosed as other income.
- Government grants received/receivable for the purpose of giving immediate financial support to the Company with no related future costs are recognised as income in the period it becomes receivable; and
- Government grants received/receivable for specific purposes are expensed in reporting periods in which the related expenditure is incurred.
- Unutilised government grants received for specific purposes are recognised as other liabilities at the end of each financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

	Effective date
IFRS 10, Financial Statements	Not yet available
IAS 1, Presentation of Financial Statements	1 January 2020
IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
IAS 28, Investments in Associates and Joint Ventures	1 January 2019
IFRIC 23, Uncertainty over Income Tax Treatments	1 January 2019

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2019 or later periods:

IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS

Sale or Contribution of Assets between an Investor and its associate or Joint Venture (Amendments to IFRS 10 and IAS 28): Narrow scope amendment address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale for contribution of assets between an investor and its associate or joint venture.

IAS 1 – PRESENTATION OF FINANCIAL STATEMENTS

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

IAS 8 – ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

IAS 28 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Long-term interest in Associates and Joint Ventures: Clarification provided that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

IFRIC 23 – UNCERTAINTY OVER INCOME TAX TREATMENTS

The interpretation specifies how an entity should reflect the effects of uncertainties in accounting for income taxes.

2.2 STANDARDS AND INTERPRETATIONS ADOPTED

The Company has adopted IFRS 9 Financial Instruments IFRS 15 Revenue and IFRS 16 Leases in the current financial year.

IFRS 9 application has not had a significant impact on the annual financial statements. IFRS 9 requires an expected credit loss model to be used in impairing financial assets.

IFRS 15 application has not had any effect on the Annual Financial Statements.

IFRS 16 The Company has early adopted the IFRS 16 Leases standard in the current financial year. Detailed impact is disclosed in note 34.

3. RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The principal financial risks arising from the Company's activities in the diamond mining are those related to commodity price risk, interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects in the Company's financial performance. The Company has various financial instruments such as trade receivables, trade payables and cash, which arise directly from its operations. It is the Company's policy not to trade in financial instruments.

	Carrying value	
Figures in Rand	**2019**	**2018**
Financial assets		
Trade and other receivables	32 206 705	22 907 720
Cash and cash equivalents	133 958 736	259 363 858
Cash held in Rehabilitation Trust	168 010 764	109 022 339
Loans to joint venture	–	92 610 000
Financial liabilities		
Trade and other payables	35 100 134	63 250 762
Financial assets		
Trade and other receivables	32 206 705	22 907 720
Cash and cash equivalents	133 958 736	259 363 858
Cash held in Rehabilitation Trust	168 010 764	109 022 339
Loans to joint venture	–	92 610 000
Financial liabilities		
Trade and other payables	35 100 134	63 250 762

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Board of directors, which has built an appropriate liquidity risk management framework for management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, and by continually monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities.

The following table sets out the cash flows of the Company's liabilities that will be settled into relevant maturity groupings on the remaining period at the statement of financial position date to maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows:

	Contractual value	Less than 3 months	More than 3 months
At 31 March 2019			
Trade and other payables	35 100 134	11 159 242	23 940 892
At 31 March 2018			
Trade and other payables	63 250 762	25 127 527	38 123 235

Market risk

The diamond market is predominantly priced in United States Dollars (USD) which exposes the Company to the risk that fluctuations in the ZAR/USD exchange rates may also have an impact on the current and future earnings. The sales price in Rand (ZAR) is determined on the date of sale, which limits the Company's exposure to foreign currency risk subsequent to the sale of its diamond inventory.

The analysis of the Company's sensitivity to the exchange rate is based on an average foreign currency exchange rate for the year seeing as the sales price in Rand (ZAR) is determined on the date of the sale and the currency fluctuates throughout the year. The average foreign currency for the year used in the analysis is that which the Company considered reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular the interest rate, remain constant. The analysis is performed on the same basis for 2019, albeit that the reasonable possible foreign exchange rate variances were different, as indicated below.

As at 31 March 2019, a strengthening of the USD against all other currencies of 12% would have, on average, increased the net profit before tax with R25.19 million (2018: R25.04 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2019, a strengthening of the USD against all other currencies of 9% would have, on average, increased the net profit before tax with R18.9 million (2018: R18.8 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Commodity risk

The Company's exposure to commodity risk is limited to the future transactions of diamond sales. Diamond price risk arises from the adverse effect on the current and future earnings resulting from fluctuations in the price of diamonds as determined by the open market trading in diamonds.

As at 31 March 2019, a strengthening of the USD price per carat of 8%, with all other variables remaining constant, would have, on average, increased the net profit before tax with R16.8 million (2018: R16.7 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2019, a strengthening of the carat price of 10%, with all other variables remaining constant would have, on average, increased the net profit before tax with R39.5 million (2018: R39.2 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Cash flow and fair value interest rate risk

The Company is exposed to interest rate risk on deposits held at financial institutions. These deposits are held in current and other short-term accounts on which interest is earned at variable interest rates.

As at 31 March 2019, if interest rates on deposits had been 70 basis points higher with all other variables remaining constant, the pre-tax profit of the year would have been R2.1 million higher (2018: R1.8 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2019, if interest rates on deposits had been 50 basis points higher with all other variables remaining constant, the pre-tax profit of the year would have been R1.5 million higher (2018: R1.3 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Credit risk

The Company's credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and trade and other receivables.

Trade and other receivables

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to internal credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debt is not significant. The Company's maximum exposure is equal to the carrying amount of the trade and other receivables.

An amount of R9 million (2018: R3.2 million) was determined to be impaired. The Company considered these receivables to be irrecoverable as the defaulting debtors have not reacted to follow-up payment requests and were handed over to the Company's lawyers. Included in the Company's provision for doubtful debt is debt owed by the joint venture.

Cash and cash equivalents

The Company's cash and cash equivalents are maintained at only four financial institutions, which exposes the Company to minimal credit risk as a result of credit concentration. The Company limits risk by dealing with, and maintaining its cash and cash equivalents, at well established financial institutions of high quality and credit standing.

Financial assets exposed to credit risk at year-end were as follows:

	Carrying value

Cash held at financial institutions	2019	2018
MMI Group Limited	44 615 563	116 249 656
Investec Bank Limited	78 046 992	128 662 980
Rand Merchant Bank Limited	167 916 672	94 064 421
First National Bank Limited	11 390 273	29 409 140
Total	**301 969 500**	**368 386 197**

CREDIT RISK

The credit ratings of these institutions can be summarised as follows:

	2019	2018
AA-	78 046 992	128 662 980
Aaa	44 615 563	116 249 656
BBB+	179 306 945	123 473 561
Total	**301 969 500**	**368 386 197**

The above ratings were based on Standard and Poor's rating of the banks used by the Company:

- First Rand Bank Limited (BBB+)
- Investec Bank Limited (AA-)

Moody's allocated Aaa rating for MMI Group Limited. The ratings above were based on a stable outlook.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for Shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company is in the process of restructuring its operations as a result of the settlement of the land claim by the Richtersveld Community and its mandate to pursue other mining opportunities. As a result, the Company is not able to finalise a strategy in managing capital and determining an optimal capital structure. The Company is in the process of determining its capital requirements to fund its continued operations along with new mining ventures.

The Company will, consistent with others in the industry, monitor capital on the basis of the gearing ratio, when the restructuring is completed. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

Total capital is calculated as "equity" as shown in the statement of financial position plus net debt. The Company currently does not have any borrowings.

4. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Leasehold improvements	1 171 627	(248 740)	922 887	1 171 627	(192 466)	979 161
Plant and machinery	84 571 746	(48 998 106)	35 573 640	115 204 720	(70 610 190)	44 594 530
Motor vehicles	18 356 667	(14 664 369)	3 692 298	23 505 370	(17 821 607)	5 683 763
Furniture and fixtures	2 427 863	(1 062 726)	1 365 137	2 908 827	(1 579 078)	1 329 749
Computer equipment	3 166 983	(2 488 716)	678 267	5 031 386	(3 913 431)	1 117 955
Capital – Work in progress	22 110	–	22 110	781 229	–	781 229
Leased buildings	5 299 828	(2 738 245)	2 561 583	–	–	–
Total	**115 016 824**	**(70 200 902)**	**44 815 922**	**148 603 159**	**(94 116 772)**	**54 486 387**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Carrying value at beginning of the year	Additions	Disposals	Recognised through finance lease	Transfers	Depreciation	Impairment loss/ reversal	Carrying value at end of the year
Reconciliation of property, plant and equipment – 2019								
Leased buildings	–	–	–	3 621 550	–	(1 059 967)	–	2 561 583
Leasehold improvements	979 161	–	–	–	–	(56 274)	–	922 887
Plant and machinery	44 594 530	145 153	(1 623 504)	–	–	(7 521 165)	(21 374)	35 573 640
Motor vehicles	5 683 763	–	(337 248)	–	–	(1 654 217)	–	3 692 298
Furniture and fixtures	1 329 749	4 624	(8 441)	–	–	(105 381)	144 586	1 365 137
Computer equipment	1 117 955	36 500	(91 906)	–	–	(404 350)	20 068	678 267
Capital – work in progress	781 229	22 110	–	–	(781 229)	–	–	22 110
Total	**54 486 387**	**208 387**	**(2 061 099)**	**3 621 550**	**(781 229)**	**(10 801 354)**	**143 280**	**44 815 922**
Reconciliation of property, plant and equipment – 2018								
Leasehold improvements	858 347	172 721	–	–	–	(51 907)	–	979 161
Plant and machinery	44 205 343	4 578 701	–	–	6 249 636	(8 818 017)	(1 621 133)	44 594 530
Motor vehicles	3 521 524	2 911 651	(120 125)	–	–	(1 631 903)	1 002 616	5 683 763
Furniture and fixtures	1 394 873	196 488	–	–	–	(298 045)	36 433	1 329 749
Computer equipment	1 086 094	418 173	–	–	–	(393 429)	7 117	1 117 955
Capital – work in progress	6 249 636	781 229	–	–	(6 249 636)	–	–	781 229
Total	**57 315 817**	**9 058 963**	**(120 125)**	**–**	**–**	**(11 193 301)**	**(574 967)**	**54 486 387**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the Company. No property, plant and equipment have been pledged as security.

The net book value of property, plant and equipment, stated at historical cost, included fully depreciated assets with a gross carrying value of R1.3 million.

5. INTANGIBLE ASSETS

	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Capitalised exploration and evaluation expenditure	94 698 036	–	94 698 036	81 670 310	–	81 670 310
Computer software	3 475 050	(2 895 500)	579 550	3 824 137	(2 638 676)	1 185 461
Total	**98 173 086**	**(2 895 500)**	**95 277 586**	**85 494 447**	**(2 638 676)**	**82 855 771**

	Carrying value at beginning of the year	Additions	Disposals	Amortisation	Impairment loss	Carrying value at end of the year
Reconciliation of intangible assets – 2019						
Capitalised exploration and evaluation expenditure	81 670 310	13 027 726	–	–	–	94 698 036
Computer software	1 185 461	72 799	(52 384)	(494 175)	(132 151)	579 550
Total	**82 855 771**	**13 100 525**	**(52 384)**	**(494 175)**	**(132 151)**	**95 277 586**

	Carrying value at beginning of the year	Additions	Amortisation	Impairment loss	Carrying value at end of the year
Reconciliation of intangible assets – 2018					
Capitalised exploration and evaluation expenditure	54 134 990	27 535 320	–	–	81 670 310
Computer software	1 334 988	303 605	(453 189)	57	1 185 461
Total	**55 469 978**	**27 838 925**	**(453 189)**	**57**	**82 855 771**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTY

	2019		2018	
	Valuation	Carrying value	Valuation	Carrying value
Investment property	6 559 997	6 559 997	14 660 000	14 660 000

	Carrying value at beginning of the year	Additions	Disposals	Fair value adjustments	Carrying value at end of the year
Reconciliation of investment property – 2019					
Investment property	14 660 000	–	(8 100 003)	–	6 559 997
Reconciliation of investment property – 2018					
Investment property	14 582 810	–	(496 000)	573 190	14 660 000

The fair value of the investment property was determined using the comparable sales method of valuation, whereby recent sales of comparable properties are investigated and the value trend or rate at which the property sold and applied to the subject property to calculate a fair market value for the subject property.

It is the Company's policy to revalue the investment properties every five years. The last valuation was externally performed by Spectrum Valuations and Asset Solutions as at 31 March 2018. The next valuation is expected in 2023.

7. JOINT OPERATION

The Pooling and Sharing Joint Venture (PSJV) named the Alexkor RMC JV was established on 7 April 2011. All mining operations previously performed by Alexkor SOC Limited are now performed by the joint operation. The PSJV's mining operations are in Alexander Bay, Northern Cape, South Africa.

7.1 SUMMARY

The following amounts represent the assets, liabilities, income and expenses of the joint operations. The Company has included 51% interest in its financial statements:

	2019	2018
Assets		
Non-current assets	262 587 083	257 577 320
Current assets	47 080 744	115 290 453
Total	**309 667 827**	**372 867 773**
Liabilities		
Non-current liabilities	–	5 090 947
Current liabilities	288 475 669	292 402 836
Total	**288 475 669**	**297 493 783**
Net assets	21 192 158	75 373 990
Revenue	411 570 514	409 122 314
Cost of sales	(299 857 127)	(248 592 910)
Gross profit	111 713 387	160 529 404
Operating cost	(179 856 740)	(180 800 963)
Other income	5 613 037	6 114 443
Operating loss	(62 530 317)	(14 157 116)
Net finance (loss)/income	(971 288)	1 223 139
Loss before income tax	**(63 501 605)**	**(12 933 977)**
Cash flow from operating activities	(20 747 759)	35 009 655
Cash flow from investing activities	(25 890 265)	(80 396 645)
Cash flow from financing activities	4 879 857	(15 930 714)
Net cash flow	**(41 758 167)**	**(61 317 704)**

The amounts stated above reflect 100% of the PSJV adjusted for differences in accounting policies and intercompany transactions. The PSJV generated an operating loss of R64 million (2018: R12.9 million profit).

7.2 DETAILED ANALYSIS OF THE JOINT VENTURE IN THE STATEMENT OF COMPREHENSIVE INCOME

2019	Alexkor excluding PSJV	51% share PSJV	Alexkor including PSJV
Revenue	–	209 900 962	209 900 962
Cost of sales	–	(152 927 135)	(152 927 135)
Gross profit/(loss)	–	56 973 827	56 973 827
Operating cost	(145 743 403)	(91 726 937)	(237 470 340)
Other income	4 157 224	2 862 649	7 019 873
Operating loss	(141 586 179)	(31 890 461)	(173 476 640)
Net finance income	24 380 724	(495 357))	23 885 367
Loss for the year	(117 205 455)	(32 385 818)	(149 591 273)
Total comprehensive income/(loss) for the year	**(117 205 455)**	**(32 385 818)**	**(149 591 273)**

The amounts stated above reflect Alexkor's 51% share in the PSJV adjusted for intercompany transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

8. CASH HELD IN REHABILITATION TRUST

	2019	2018
Opening balance	109 022 339	129 215 662
Contributions	69 228 275	–
Utilised for rehabilitation	(23 212 062)	(30 261 077)
Interest received	12 972 212	10 067 754
Total	**168 010 764**	**109 022 339**

9. LOANS TO JOINT VENTURE

	2019	2018
Opening balance	92 610 000	84 803 949
Advances	2 352 000	12 706 051
Repayments	(2 249 100)	(4 900 000)
Interest	39 130	–
Impairment recognised	(92 752 030)	–
Total	**–**	**92 610 000**

The loan to the joint venure has been impaired as at 31 March 2019, as the recoverability thereof is doubtful.

The maximum risk exposure to credit risk at the reporting date is the fair value of the loan. Refer to note 3 for further disclosure on credit risk.

The loan is unsecured. The Initial Cost Contribution (ICC) loan bears no interest, while the short-term loan of R4.8 million bears interest at the current prime interest rate of 10.25%.

10. INVENTORIES

	2019	2018
Diamonds – Muisvlak	–	16 528
Parts and consumables stores	1 658 426	5 293 158
Diamonds – Contractors	3 561 950	15 593 434
Diamonds – Tailings	–	3 918
Fuel stock	793 531	325 611
Total	**6 013 907**	**21 232 649**

Diamond inventory from Muisvlak and the contractors are carried at net realisable value. No inventories have been pledged as security.

11. TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables	24 814 841	22 907 720
Other receivables	7 391 864	226 249
Less: Provision for impairment of receivables	(9 068 953)	(3 213 939)
VAT	112 973	1 477 390
Total prepayments	709 478	939 084
Total	**23 960 203**	**22 336 504**
ALLOWANCES FOR CREDIT LOSSES		
Balance at the beginning of the year	3 213 939	3 275 648
Impairment losses recognised	6 965 425	405 972
Amounts written off as unrecoverable	(1 110 411)	(467 681)
Total	**9 068 953**	**3 213 939**

Allowances for expected credit losses of trade and other receivables is based on management's assessment of the recoverability of specific receivables, taking into account the history of default on payments and other available information.

	Gross amount	Impairment	Net carrying amount
2019			
Current/fully performing	1 101 591	–	1 101 591
30 – 60 days	9 295 866	–	9 295 866
60+ days	14 417 384	(9 068 953)	5 348 431
Total	**24 814 841**	**(9 068 953)**	**15 745 888**
2018			
Current/fully performing	8 071 406	–	8 071 406
30 – 60 days	5 309 090	–	5 309 090
60+ days	9 527 224	(3 213 939)	6 313 285
Total	**22 907 720**	**(3 213 939)**	**19 693 781**

The creation and release of the expected credit losses for receivables have been included in operating expenses in the statement of comprehensive income. Where there is no expectation of recovering additional cash, amounts charged to the allowance accounts will be written off.

The maximum exposure to credit risk at reporting date is the carrying amount of each class of trade and other receivables, mentioned above. The Company does not hold any collateral as security. No trade and other receivables have been pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

12. SHARE CAPITAL

	2019	2018
Authorised		
400 000 000 Ordinary shares	400 000 000	400 000 000
Issued		
400 000 000 Ordinary shares	400 000 000	400 000 000

Alexkor received R350 million through its Medium Term Expenditure Framework (MTEF) allocation on 31 December 2012. This was a recapitalisation from the Shareholder and the shares were issued in this regard. Par value shares were converted to no par value shares to be aligned with Alexkor's amended Memorandum of Incorporation.

The R350 million provided by National Treasury was to be utilised in compliance with the Deed of Settlement as follows:

(a) R200 million to attend to the Rehabilitation Liability

(b) R50 million to settle the Post-Retirement Medical Aid Liability

(c) R55 million to settle all the statutory Tax obligations that arose from the stipulations in the Deed of Settlement

(d) R45 million to transfer to the CPA (Property Holding company) to comply with the Deed of Settlement with regards to the 10-year lease.

13. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Company has an obligation to rehabilitate the environment as a result of environmental disturbances caused by its mining activities. A provision is recognised for the estimated costs to rehabilitate the existing environmental disturbances as at year-end. The adjustment in the current year's provision was as a result of a reassessment of the liability. The extent of sand plume increases during the year as result of past disturbances and inevitable need to exercise control over these will result in the rehabilitation cost to escalate in future years. The required rehabilitation includes pebble stabilisation of sources, netting and possible reed grass revegetation.

The following table provides a reconciliation of the carrying value of the rehabilitation liability:

	2019	2018
Opening balance	216 870 898	260 538 631
Unwinding of the discount rate/finance cost	–	(3 704 760)
Rehabilitation costs incurred	(14 461 077)	(30 261 077)
Reassessment of liability	1 443 968	(9 701 896)
Total	**203 853 789**	**216 870 898**

A study was conducted by an independent environmental management consultant during the 2019 financial year which estimated Alexkor's legacy rehabilitation liability to R200 million as at 31 March 2019 (2018: R214 million). During the current year, Alexkor had expended R14 million on the removal of asbestos and demolition of the asbestos affected buildings in the Richtersveld area, at year-end the project was fully completed.

All new environmental disturbances resulting in the Alexander Bay region after the implementation of the PSJV is the responsibility of the PSJV. The PSJV environmental liability as at year-end amounted to R6.5 million (2018: 5 million). Alexkor included its 51% share at R3.3 million (2018: R2.6 million).

The Company's total rehabilitation liability amounts to R204 million as at 31 March 2019 (2018: R216 million), resulting in a reduction of R12 million.

Aerial photography was carried out previously which provided the ground-truthed total recalculation of the rehabilitation liability, taking full cognisance of sand plume increases and sand plume control by netting over the years.

The impact of the current mining activities on the environment are minimised with the concurrent backfilling of excavations where possible, minimising of access to roads and erecting nets in order to curb the movement of sand at the base and toe of the sand plumes. Alexkor will continue to address the high risk areas around Boegoeberg. Netting installed in the Boegoeberg has reduced the decline of sand slopes.

14. TRADE AND OTHER PAYABLES

	2019	2018
Trade payables	35 100 134	63 250 762
Income received in advance	102 000	–
VAT payable	3 396 758	2 306 209
Government Funded Obligations (See note 15)	11 582 667	10 675 416
Accrued leave pay	4 364 153	4 607 979
Accrued bonus	662 164	696 818
Other payables	10 689 832	2 591 730
Total	**65 897 708**	**84 128 914**

15. GOVERNMENT FUNDED OBLIGATIONS

The Company received funding from government for a number of specific projects and assistance in relation to the execution of the land claim settlement agreement, as well as assistance for other community projects.

The government funds received and utilised for specific projects are reconciled as follows:

	Opening balance	Utilised in the period	Interest on investment of funds	Closing balance
2019				
Township establishment	3 932 639	–	334 793	4 267 432
Cost related to Deed of Settlement	6 742 777	–	572 458	7 315 235
Total	**10 675 416**	**–**	**907 251**	**11 582 667**

	Opening balance	Utilised in the period	Interest on investment of funds	Interest allocated for operational use	Closing balance
2018					
Township establishment	5 512 536	(2 026 527)	446 630	–	3 932 639
Cost related to Deed of Settlement	6 310 533	(108 354)	540 598	–	6 742 777
PSJV Recapitalisation	39 662 978	(25 930 716)	2 658 541	(16 390 803)	–
Total	**51 486 047**	**(28 065 597)**	**3 645 769**	**(16 390 803)**	**10 675 416**

TOWNSHIP ESTABLISHMENT

Funding was granted for the establishment of a township for the Alexander Bay town as part of the implementation of the Deed of Settlement (DoS). Significant capital is required to upgrade the services in the town, which include water and electricity supply to existing houses and other establishments, upgrade of road infrastructure and other related activities.

The project consisted of four phases as discussed below.

Phase 1: The project included the upgrade of the water network, sewer network, storm water control network, solid waste disposal and roadworks were completed in December 2011.

Phase 2: The project included the Electrical Reticulation Upgrade Project and the contractors established the site in March 2011. The project was completed in June 2012 after all outstanding prepaid meters were installed.

Phase 3: The tender for Mechanical and Electrical Pumping, was awarded in February 2011. This phase was completed in February 2012.

Phase 4: The Waste Water Treatment Works was completed in March 2013.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. GOVERNMENT FUNDED OBLIGATIONS (CONTINUED)

The township upgrade has been completed with the acceptance of the final completion certificate for Phase 4 in March 2013. Therefore, Alexander Bay complies with the minimum standards of a municipal town in the Republic of South Africa.

The quality of the upgrade has been monitored over the retention period of the phases and virtually all the infrastructure has been in operation for the last three years.

COST RELATED TO DEED OF SETTLEMENT

Funding was received from the Department of Public Enterprises to assist Alexkor and the Richtersveld Community with the cost to implement the Deed of Settlement. The funds received were allocated as follows:

- Transaction cost: R11 million was received to cover implementation cost incurred by Alexkor. Any excess funds are ringfenced, and are only available for its intended purposes.
- Company establishment: R5 million was received on behalf of the Richtersveld Community to assist in the establishment of businesses in the area. Alexkor administers the funds.
- Richtersveld Community legal costs: R5 million was received on behalf of the Richtersveld Community to be utilised for any legal expenses incurred with the implementation of the Deed of Settlement.

The handover of the township to the Richtersveld municipality will be done in a phased approach during the 2020 financial year.

16. REVENUE

	2019	2018
Diamond sales	209 900 962	208 652 380

All revenue from continuing operations was generated through the sale of diamonds. Alexkor had no other income-generating operations apart from its 51% interest in the PSJV.

The Company has adopted IFRS 15 Revenue standard and has concluded that there is no impact on the Annual Financial Statements.

17. COST OF SALES

	2019	2018
Sale of goods	152 927 135	126 782 384

18. OTHER OPERATING EXPENSES

	2019	2018
Employee costs	68 644 451	66 170 033
Consumables	20 001 206	17 072 403
Other expenses	22 343 490	18 926 965
Depreciation, amortisation and impairments	11 295 534	11 640 272
Impairments of loan	92 752 030	–
Security services	7 193 007	7 859 564
Legal expenses	879 883	1 845 652
Loss on disposal of assets	1 973 326	386 824
Loss on write-off of buildings	8 100 003	–
Consulting and professional fees	4 437 772	7 281 030
Total	**237 620 702**	**131 182 743**

Included in the Company's operating expenses is impairment of the intercompany loan as the recoverability of the amount is doubtful.

The write–off of properties relate to the properties that Alexkor had developed in Port Nolloth and the cost was capitalised. As the cost of the buildings exceeds the benefits, Alexkor has since handed over the properties back to Department of Public Works.

19. OTHER INCOME

	2019	2018
Other income	7 019 873	7 395 463
Government transfers – specific expenditure incurred	–	28 065 598
Total	**7 019 873**	**35 461 061**

The Company's other income comprises of R4.2 million earned from rental and R2.9 million profit on the supply of consumables to contractors operating in Alexander Bay. The R28 million in the prior year represents revenue recognised from government grants which were capitalised when received. These monies were expended in terms of the mandate that it was originally received for. Detailed information regarding this is disclosed under note 15.

20. INVESTMENT INCOME

	2019	2018
Interest received from cash in bank	12 907 474	34 029 712
Interest received from cash held in Rehabilitation Trust	12 972 212	10 067 754
Interest received on government funds	907 252	3 645 769
Unwinding of discount on provisions	–	3 603 562
Interest received on loan to joint venture	39 130	–
Total	**26 826 068**	**51 346 797**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

21. FINANCE COSTS

	2019	2018
Finance leases	360 773	–
Unwinding of discount on provisions	1 443 968	–
Interest paid on government funds	907 252	3 645 769
Other interest paid	78 354	178 135
Total	**2 790 347**	**3 823 904**

The interest received on government funds is shown as finance cost in this note as the interest received on those funds is allocated to specific government funding obligations and increases the liability.

22. TAXATION

MAJOR COMPONENTS OF THE TAX EXPENSE

	2019	2018
Estimated tax losses	149 599 082	201 770 249
Estimated unutilised capital allowances	1 410 310	105 486 343
Total	**151 009 392**	**307 256 592**

No deferred tax asset has been recognised on the assessed losses and other deductible timing differences as the Company does not foresee a taxable profit in the short term.

RECONCILIATION BETWEEN ACCOUNTING PROFIT/(LOSS) AND TAX EXPENSE

	2019	2018
Accounting (loss)/profit	(149 591 275)	34 244 397
Tax at the applicable tax rate of 28% (2018: 28%)	(41 885 557)	9 588 431
Tax effect of adjustments on taxable income		
Income not subject to tax	–	(8 018 860)
Expenses not deductible for tax purposes	896 681	–
Recoupment of assets sold	–	34 347
Tax losses brought forward	54 907 468	(56 511 386)
Capital expenditure brought forward	(45 148 380)	(29 536 176)
Capital expenditure for the year	(13 308 912)	(15 612 204)
Tax losses for which no deferred tax asset was recognised	(13 918 592)	54 907 468
Capital expenditure for which no deferred tax asset was recognised	58 457 292	45 148 380
Total	**–**	**–**

23. NOTES TO THE STATEMENT OF CASH FLOWS

23.1 CASH USED IN OPERATIONS

	2019	2018
(Loss)/profit before taxation	(149 591 275)	34 244 397
Adjustments for:		
Depreciation and amortisation	11 295 528	11 646 490
Loss on disposal of assets	1 989 699	386 824
Loss on write-off of properties	8 100 003	–
Impairment of assets	(11 129)	574 910
Impairment of loans to JV	92 752 030	–
Investment income	(26 826 068)	(51 346 797)
Finance costs	2 790 347	3 823 904
Fair value gains	–	(573 190)
Movement in environmental rehabilitation liability	(13 017 109)	(43 667 734)
Provision for doubtful debt adjustment	(5 855 014)	(61 709)
Reallocation of dividend	–	–
Loss on disposal of intangible assets	52 385	–
Transfer from Capital work in progress to PPE	781 229	–
Changes in working capital:		
Decrease in inventories	15 218 742	6 563 356
Increase/(decrease) in trade and other receivables	4 231 216	(15 904 691)
(Decrease)/increase trade and other payables	(19 138 458)	25 759 956
Recognition of finance lease liability	3 147 537	–
IFRS 16 Adjustment	(278 240)	–
Recognition of leased building	(3 621 550)	–
Total	**(77 980 127)**	**(28 554 284)**

23.2 CASH AND CASH EQUIVALENTS

	2019	2018
Restricted cash and cash equivalents		
Cash held in legal trust – ongoing litigation*	–	6 700 799
Cash held in call accounts – Government related funds**	11 581 897	10 675 416
Recapitalisation funds (MTEF)***	105 184 681	191 897 498
Unrestricted cash and cash equivalents		
Cash held in call accounts	17 192 158	50 090 145
Total	**133 958 736**	**259 363 858**

* *Funds held in the legal trust related to the Nabera Mining court case. Alexkor and Nabera mining reached an agreement that Nabera mining will withdraw the case. The matter was resolved amicably before the end of current financial year.*
** *The government funds received is ringfenced to be utilised in Township Establishment and implementation of the Deed of Settlement.*
*** *Cash received for MTEF allocation will be utilised as approved by the Board in conjunction with the Shareholder.*

The R45 million allocated to the community on transfer of the properties in terms of the Deed of Settlement towards a 10 year lease is ringfenced in a Trust and are under the control of the Company's lawyers. Alexkor's liability per the Deed of Settlement is limited to R45 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

24. GUARANTEES

The Company has the following guarantees with the FirstRand group for the following:

	2019	2018
Eskom	18 900	18 900
Department of Mineral Resources (Rehabilitation)	13 913 934	200 000
Total	**13 932 834**	**218 900**

The guarantees issued by the bank for Eskom, relates to the electricity supplied to the town and is issued as security for default. The guarantees issued by First Rand Bank, relate to rehabilitation of land associated with the various mining rights held by the Company.

25. RELATED PARTIES

25.1 RELATED PARTY RELATIONSHIPS

The Company is a State-Owned Entity and transactions with the following state entities occurred during the financial year:

- State Diamond Trader
- South African Airways
- Eskom
- Telkom SOC Limited
- Sentech
- Alexkor RMC JV

The Company has a 51% interest in the Pooling and Sharing Joint Venture (PSJV).

25.2 RELATED PARTY TRANSACTIONS

Transactions with related parties are conducted at an arm's-length basis similar to the transactions with third parties.

	2019	2018
Department of Water Affairs	–	233 907
Eskom	11 849 851	16 215 824
Sentech	50 209	93 120
South African Airways	371 074	623 216
State Diamond Trader	15 128 128	5 293 158
Telkom SOC Limited	1 012 805	833 798
Total	**28 412 067**	**23 293 023**
Balances included in trade and other payables		
Eskom	822 746	1 120 187
Sentech	12 552	3 958
Telkom SOC Limited	92 264	25 992
Total	**927 562**	**1 150 137**

26. DIRECTORS' EMOLUMENTS AND EXECUTIVE MANAGEMENT REMUNERATION

EXECUTIVE

	Capacity	Basic salary	Other benefits/ allowances	Total
2019				
Mr L Pitsoe	CEO	2 210 836	656 309	2 867 145
Mr H Mokwena*	COO	1 093 651	269 049	1 362 700
Ms A Chowan	CFO	1 283 439	518 928	1 802 367
Total		**4 587 926**	**1 444 286**	**6 032 212**

** Contract ended 30 September 2018.*

	Capacity	Basic salary	Other benefits/ allowances	Total
2018				
Mr V Bansi[1]	Acting CEO	1 115 732	14 461	1 130 193
Mr L Pitsoe[2]	CEO	786 811	177 465	964 276
Mr H Mokwena	COO	2 187 302	24 000	2 211 302
Ms TTAC Mhlanga[3]	Acting CFO	105 000	–	105 000
Mr J Bonnet[4]	Acting CFO	317 060	4 000	321 060
Ms A Small[5]	Acting CFO	276 799	–	276 799
Ms A Chowan[6]	CFO	327 929	97 442	425 371
Total		**5 116 633**	**317 368**	**5 434 001**

[1] *Resigned 7 November 2017*
[2] *Appointed 1 December 2017*
[3] *Contract ended 30 April 2017*
[4] *Resigned 31 October 2017*
[5] *Appointed for the period 7 November 2017 – 8 January 2018*
[6] *Appointed 8 January 2018*

NON-EXECUTIVE

	Capacity	Service fees
2019		
Ms H Matseke*	Chairperson	754 753
Mr T Matona**	Chairperson	829 121
Ms Z Ntlangula	Member	307 341
Mr J Danana	Member	459 995
Mr T Haasbroek	Member	592 796
Ms M Lehobye***	Member	55 696
Mr AL Maarman****	Member	151 572
Mr G Oliphant****	Member	141 372
Ms P Mokhali****	Member	146 472
Total		**3 439 118**

** Resigned 23 October 2018.*
*** Appointed 23 October 2018.*
**** Resigned 31 May 2018.*
***** PSJV directors.*

	Capacity	Service fees
2018		
Ms H Matseke	Chairperson	1 271 575
Ms Z Ntlangula	Member	263 952
Mr J Danana	Member	437 500
Mr T Haasbroek	Member	596 602
Mr T Matona	Member	368 087
Ms M Lehobye	Member	290 596
Total		**3 228 312**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) Public Finance Management Act, No.1 of 1999 (PFMA); or

(b) the State Tender Board Act, 1968 or any regulations made in terms of that Act; or

(c) any provincial legislation providing for procurement procedures in that provincial government.

There was no irregular expenditure incurred in the current financial year. Irregular expenditure incurred in 2018 financial year, does not relate to fraud and did not result in fruitless and wasteful expenditure. In most instances, Alexkor applied the Company's internal Delegation of Authority to approve and condone the deviations. National Treasury Interpretation note 3 only allows deviations in instances of sole source and emergencies to be approved by the executive authority.

The following amounts have been determined as being irregular expenditure, in terms of section 55(2)(b)(i) of the Public Finance Management Act, No.1 of 1999, as amended. No losses have been incurred as a result of the irregular expenditure identified:

Irregular expenditure

	2019	2018
Opening balance	26 018 876	14 436 064
Irregular expenditure identified in the current year	–	14 017 906
Add: Irregular expenditure – current year spend	–	14 017 906
Add: Irregular expenditure – prior year spend	–	–
Less: Amounts condoned	–	(2 435 094)
Irregular expenditure awaiting condonation	**26 018 876**	**26 018 876**

DETAILS OF IRREGULAR EXPENDITURE

Incident	**Disciplinary steps taken/(criminal proceedings)**	2019	2018
Non-compliance to national treasury requirements	0/(0)	–	1 462 732
Non-adherence to DOA	0/(0)	–	9 349 642
Other	0/(0)	–	3 205 532
Total		–	**14 017 906**

27. IRREGULAR EXPENDITURE (CONTINUED)

		2019	2018
Details of irregular expenditure condoned	Condoned by condoning authority		
Incident			
Non-compliance with Supply Chain Policy	Board of Directors		2 435 094
Details of irregular expenditure recoverable (not condoned) – current year		–	–
Incident		–	–
None			
Details of irregular expenditure recoverable (not condoned) – identified in the current year relating to the prior year		–	–
Incident		–	–
None			
Details of irregular expenditure not recoverable (not condoned) – current year		–	–
Incident		–	–
None			
Details of irregular expenditure not recoverable (not condoned) – identified in the current year relating to the prior year		–	–
Incident		–	–
None			
Analysis of expenditure awaiting condonation per classification			
Current year		–	12 854 947
Prior year		–	13 163 929
Total		–	26 018 876

The Shareholders' representative has determined the materiality limit for reporting in terms of section 55(2)(b)(i), (ii), and (iii) of the PFMA at R10 million per transaction. Refer to the Report of the directors for reporting in terms of the materiality framework.

In the financial year under review, Alexkor approached National Treasury to request condonation on the irregular expenditure. Alexkor is awaiting the National Treasury's response for the condonation of the irregular expenditure.

28. FRUITLESS AND WASTEFUL EXPENDITURE

The following material losses, through fruitless and wasteful expenditure, have been identified as being reportable in terms of section 55(2)(b)(i) of the Public Finance Management Act, No. 1 of 1999, as amended for the year under review for the Company:

	2019	2018
Fruitless and wasteful expenditure – current year	644	5 481
Fruitless and wasteful expenditure – prior year	5 481	3 465 721
Less: Amounts written off	(5 481)	(3 465 721)
Less: Amounts recovered	(644)	–
Total	**–**	**5 481**

Details of fruitless and wasteful expenditure	Disciplinary steps taken/(Criminal proceedings)		
Incident			
Interest paid on late supplier payment	0/(0)	644	5 481

The Shareholders' representative has determined the materiality limit for reporting in terms of section 55(2)(b)(i), (ii), and (iii) of the PFMA at R10 million per transaction. Refer to the Report of the directors for reporting in terms of the materiality framework.

There were no losses incurred through criminal conduct.

29. COMMITMENTS

OPERATING LEASES – AS LESSEE (EXPENSE)

Alexkor SOC Limited leases a building under an operating lease agreement.

Minimum lease payments due

	2019	2018
– within one year	–	1 447 451
– in second to fifth year inclusive	–	3 300 840
Total	**–**	**4 748 291**

30. CONTINGENT LIABILITIES

ISAAC BARROW CELESTE ELMARITA MOOT

The legal action against Alexkor by the family of a minor child that allegedly drowned in a sewerage dam situated on Alexkor's property in the mining area in Alexander Bay is still pending. Alexkor does not believe that there is any merit to the claim as the area is restricted and well sign posted. Further, the four-year old kid was left unsupervised.

NABERA MINING

The litigation with Nabera has been amicably resolved, they have since withdrawn the case against Alexkor.

THORNBURN SECURITY

Thornburn Security has brought a legal application against Alexkor alleging amounts unpaid. The claim is without merit as Alexkor did not enter into any agreement with the party.

30. CONTINGENT LIABILITIES (CONTINUED)

RESTRUCTURING

The poor economic conditions combined with smaller and inferior quality of diamonds further exacerbated by adverse sea conditions, contributed to the poor performance of the Company. This has had a negative impact on the liquidity and solvency of the Company. Subsequent to year end a board decision was taken to restructure the Company. The employees of both Alexkor SOC Limited and the PSJV are adversely impacted by the restructuring. The Board and management have taken steps to mitigate against the restructuring and will endeavour to minimise the impact on staff by engaging the Shareholder to assist in raising capital either through grant funding or Shareholder capital injection.

In the beginning of the year, the PSJV Board approved the s189 and 150 staff were retrenched at the end of June 2019. It is envisaged that this will assist the Company to improve liquidity in the short-term.

Alexkor SOC Limited's Board approved the s189 consultation process in May 2019, the process was concluded as at the end of June 2019. The Honourable Minister of the Department of Public Enterprise and the Honourable Minister of the Department of Mineral Resources are required to approve the restructuring in terms Alexkor's Significant and Materiality Framework Agreement. The Board and Management will continue to engage with the Shareholder during the course of the 2020 financial year to conclude this process.

31. GOING CONCERN

These financial statements have been prepared on the basis of the accounting principles applicable to a going concern which assumes that the Company will realise its assets and discharge its liabilities in the normal course of business. There are, however, material uncertainties that cast significant doubt upon the Company's ability to continue as a going concern which are discussed below. The Company has a history of losses with no operating revenue other than interest income and rental income. The Company has applied to the Department of Public Enterprise for financial assistance, however, there is no assurance that such financing will be available on a timely basis or on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail its operations. The Company is currently evaluating various opportunities and seeking additional sources of financing. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. These financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the audited annual financial statements.

The Company's assets fairly valued exceeds liabilities fairly valued at 31 March 2019 by R258 329 532.

32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Alexkor SOC Limited's Board approved the s189 consultation process in May 2019, the consultation process was concluded as at the end of June 2019. The Honourable Minister of the Department of Public Enterprise and the Honourable Minister of the Department of Mineral Resources are required to approve the restructuring in terms of Alexkor's Significant and Materiality Framework Agreement.

In the beginning of the year, the PSJV Board approved the s189 and 150 staff were retrenched at the end of June 2019. It is envisaged that this will assist the Company to improve liquidity in the short term.

33. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities

	Opening balance	New leases	Total non-cash movements	Closing balance
2019				
Finance lease liabilities	–	3 147 537	3 147 537	3 147 537

34. CHANGES IN ACCOUNTING POLICY

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

IFRS 16 LEASES

During the year, the Company changed its accounting policy with respect to the treatment of operating leases in order to conform with the benchmark treatment of IFRS 16 Leases. The Company now accounts for leases with a period longer than 12 months as Finance Leases.

The Company changed the accounting for the rental of office premises for which the Company is a lessee from operating lease to a finance lease.

The Company has adopted the modified retrospective approach, whereby the lessee is not required to restate comparative information. At the date of initial application which is 31 March 2019, the Company recognised the cumulative effect of initial application as an adjustment to the opening balance of retained earnings.

The application has resulted in:

- recognition of a lease liability, measured at the present value of the remaining lease payments, discounted using the current prime interest rate;
- recognition of the right-of-use asset being the leased buildings.

The opening balance of the retained earnings was adjusted for the following:

- Recognition of depreciation of leased buildings amounting to R1 678 279
- Recognition of interest on leased liability amounting to R783 811
- Adjustment to rental expense R2 020 666

Other adjustments in the current year were as follows:

- Recognition of carrying value of leased buildings amounting to R2 561 584
- Recognition of lease liability amounting to R3 147 537

35. LEASES

The following amounts are included in the statement of profit or loss for finance leases for the period:

	2019	2018
Depreciation – leased buildings	1 059 966	–
Interest expense on lease liabilities	360 773	–
Total	**1 420 739**	**–**

36. FINANCE LEASE LIABILITIES

	2019	2018
Minimum lease payments due		
– within one year	1 276 210	–
– in second to fifth year inclusive	1 871 327	–
Present value of minimum lease payments	**3 147 537**	**–**

It is the Company's policy to recognise this lease of the Head office premises as a finance lease.

The average lease term is five years and the average effective borrowing rate is 10.25% (2018: 10.25%).

37. COMPARATIVE FIGURES

There were changes on the presentation of comparative numbers from prior year. The Company previously presented results for Alexkor SOC Limited as "Company" while the Alexkor SOC Limited results together with proportionate consolidation of the joint operation was presented as "Group".

In order to comply with IFRS the proportionate consolidation of the joint operation is now presented together with the Company results.

GLOSSARY

A	
AAR-P	Alexander Bay rehabilitation project
Acting CEO	Acting Chief Executive Officer
AET	Adult Education Training
AGM	Annual General Meeting
Alexkor	Alexkor SOC Limited
ARC	Audit and Risk Committee
B	
B-BBEE	Broad-Based Black Economic Empowerment
C	
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Companies Act	Companies Act No. 71 of 2008
COO	Chief Operations Officer
CPA	Communal Property Association
CSI	Corporate Social Investment
D	
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DoS	Deed of Settlement
DPE	Department of Public Enterprises
DRDLR	Department of Rural Development and Land Reform
E	
EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
EE	Employment Equity
EMP	Environmental Management Plan
F	
FMPPI	Framework for Managing Programme Performance Information
FY	Financial Year
H	
HR	Human Resources
I	
IDP	Integrated Development Plans
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IMDSA	International Mining and Dredging South Africa (Pty) Limited
IR	Industrial Relations
IT	Information Technology
J	
JV	The Pooling and Sharing Joint Venture
K	
King III	King Report on Governance for South Africa 2009
King IV	Report on Corporate Governance for South Africa 2016
KPIs	Key Performance Indicators

L	
LTIFR	Lost Time Injury Frequency Rate
M	
Minister	The Minister of Public Enterprises
MHSA	Mine Health and Safety Act
MOI	Memorandum of Incorporation
MOU	Memorandum of Understanding
MP	Member of Parliament
MPRDA	Mineral and Petroleum Resources Development Act
MTEF	Medium Term Expenditure Framework
N	
NDP	National Development Plan
NGOs	Non-Governmental Organisations
NGP	National Growth Path
NIHL	Noise Induced Hearing Loss
NUM	National Union of Mineworkers
O	
ORCA	ORCA (Pty) Limited – Outsourced Risk and Compliance Assessment
P	
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act
PSJV	Pooling and Sharing Joint Venture
PTB	Lung disease (Tuberculosis)
R	
Regulations	Regulations for the Companies Act 71 of 2008
Rehab Committee	Environmental Rehabilitation Committee
RMC	Richtersveld Mining Company, an entity created by the DoS and part of the CPA
S	
SA	South Africa
SADC	Southern African Development Community
SDCT	South Dunes Coal Terminal
SE&HR	Social, Ethics and Human Resources Committee
SLP	Social Labour Plans
SOC	State-Owned Company
SOMCO	State-Owned Mining Company
SSI	Scarlet Sky Investments (Pty) Limited
U	
UASA	United Association of South Africa
V	
VAT	Value Added Tax
VSP	Voluntary Severance Packages

GENERAL INFORMATION

Country of incorporation and domicile:	South Africa
Registered office:	The Woodlands Office Park Block 15, 2nd Floor 20 Woodlands Drive Woodmead 2191
External Auditors:	Ngubane and Co. Chartered Accountants (SA) I Registered Auditor I Superior Road 16th Road Midrand 1685
Secretary:	Ms Desiree Bopape
Internal Auditors:	Outsourced Risk and Compliance Assessment (ORCA) 257 Oxford Road Block/Building 2 Illovo Sandton 2196