INTEGRATED REPORT 2014

ALEXKOR

CONTENT



COMPANY PROFILE

Alexkor was established in terms of the Alexkor Limited Act, No. 116 of 1992, and amended by the Alexkor Amendment Act, No. 29 of 2001. Alexkor (referred to as "the company") is listed as a schedule 2 public entity wholly owned by the government through the Minister of Public Enterprises as the Shareholder representative. The company has two business units, which includes the Pooling and Sharing Joint Venture (PSJV) and the Alexkor corporate unit. Whilst the company, as a commercialised state asset, is not perceived as a strategic asset in the national sense, it has significant strategic importance for the Namaqualand region.

The core business of the company is the mining of diamonds on land, along rivers, on beaches and in the sea along the north-west coast of South Africa. These activities are complemented by geology, exploration, ore reserve planning, rehabilitation and environmental management.

The non-core business activities comprise of residential services, community services, outside engineering services, external transport services, guesthouses, a fuel station and an airport.

The management of considerable investment funds, together with the traditional supporting services (information systems and human resources), constitutes additional non-core business activities.

The company's distinctive competencies are its quality of diamonds and its unique land and mineral resources. Over the life of the mine approximately 10,000,000 cts of gemstone quality diamonds have been recovered.

The company's mandate as specified in the Alexkor Act, No. 116 of 1992 as amended by Alexkor Act, No 29 of 2001, having regard to existing skills, resources and capability, has been expanded into the areas of coal and lime.

STRATEGIC OVERVIEW

The mining division is the core business of the company, exploiting a large land-based diamond resource and extensive diamondiferous marine deposits. Having been created by statute and as a state-owned company (SOC), Alexkor is expected to comply with the Constitution of the Republic of South Africa Act No. 108 of 1996 ("the Constitution"), and other legislation such as the National Environmental Management Act, No. 107 of 1998 (NEMA), Public Finance Management Act, No. 1 of 1999 (PFMA), and the Treasury Regulations passed in terms of the PFMA (TR).

VISION STATEMENT

To be a competitive, progressive, forward looking organisation with a conscience.

This is aligned with the vision of the Shareholder that strives to:

"Drive investment, productivity and transformation in the department's portfolio of State Owned Companies, their customers and suppliers so as to unlock growth, drive industrialisation, create jobs and develop skills".

MISSION STATEMENT

"To operate a growing, profitable and sustainable mining organisation, that contributes to the developmental needs of the communities".

This supports and underpins the Shareholder's mission to be strategic instruments of the industrial policy and core players in the New Growth Path (NGP) in order to drive specific outputs:

- Improving the delivery and maintenance of infrastructure;
- Achieving policy and regulatory clarity in sectors in which the SOC operates; and
- Improving operational efficiencies of the SOCs.

VALUES

Alexkor subscribes to five key values. Each value is described as follows:

Integrity - We will always deliver on our promise;

Professionalism - We will always strive for the highest possible standards;

Accountability - We will always take full responsibility for the outcomes of our behaviour;

Dedication - We will be focused, goal oriented and not sidetracked; and

Dynamic - We will be highly energetic, creative and innovative.

ALEXKOR OBJECTIVES

- Ensuring a viable dynamic mining company;
- Focusing on organic growth at Alexander Bay;
- Acquiring new opportunities;

- Creating a sustainable, healthy, safe and environmentally responsible organisation;
- Caring for people, providing sound leadership and building credible processes; and
- Building strong relationships with all our strategic partners.

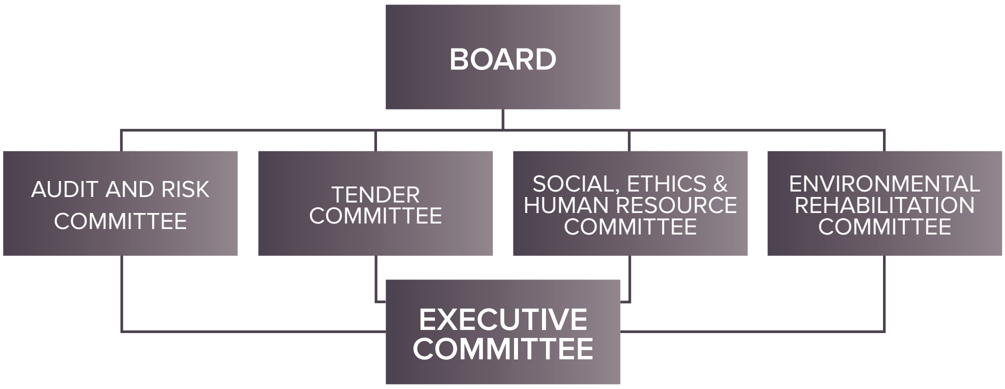
PERFORMANCE OBJECTIVES

Alexkor attained most of its performance objectives against the predetermined objectives for the financial year 2013/14. The performance objectives cover the following areas:

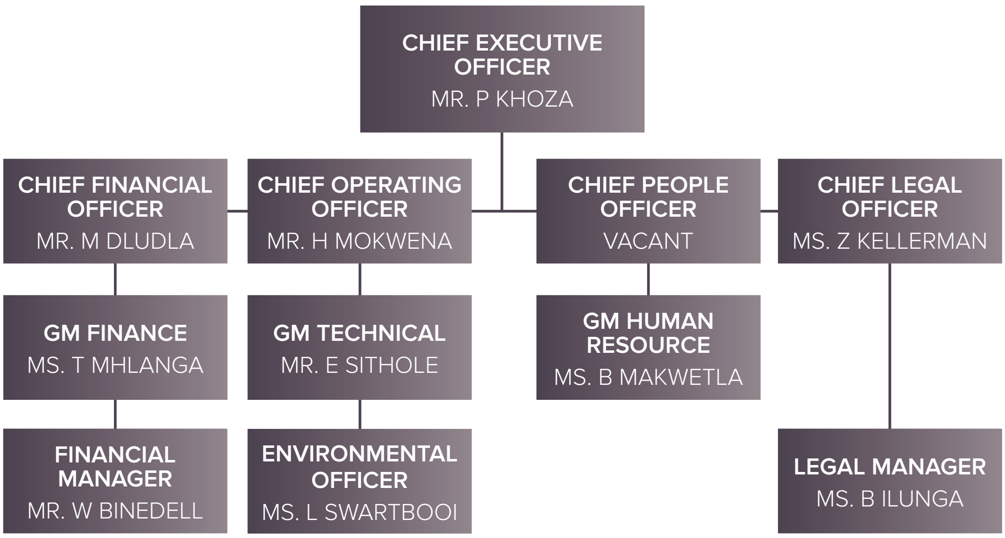
- Alexkor's sustainability;
- Environmental rehabilitation;
- PSJV sustainability and Health and Safety; and
- Socio-economic indicators.

The only performance objective not achieved in the financial year related to the key performance area of an anticipated 70 000 carats of production (actual 46,681). The related key performance financial indicator of R13 million EBITDA was achieved (actual R19.3 million). The reasons for not achieving the objective lies in the following areas: capacity constraints at the PSJV level, non-availability of indicative resources, inability of the company to proceed with the coffer dams and limited sea-days.

ORGANISATIONAL STRUCTURE



OPERATING STRUCTURE



BOARD OF DIRECTORS

Mr. MR BAGUS (50)

Independent Non-Executive Chairperson
Appointed: 07 September 2012

Qualifications
- BA Economics (Masters)
- BA Economics (Honours)
- Horton Executive Management
- Stanford Executive Management

Experience
- Executive Management
- Economics
- Business Strategy

External Directorships
- Aspen Pharmaceuticals

Dr. R Paul (65)

Independent Non-Executive Director
Appointed: 01 June 2007

Qualifications
- Ph.D
- MBA

Experience
- Technology
- Mining
- Metallurgy

External Directorships
- Rados International Services plc
- Kruger Park Lodge Share Block Ltd

Mr. M Bhabha (54)

Independent Non-Executive Director
Appointed: 07 September 2012

Qualifications
- B.Proc
- Leadership Programme

Experience
- Admitted Attorney
- PFMA
- Executive Management
- Conflict Resolution
- Public Administration

External Directorships
- Evraz Highveld Steel
- Yammin, Hammond and Partners

Mr. B Grobbelaar (44)

Independent Non-Executive Director
Appointed: 01 June 2013

Qualifications
- B.Sc Mining Engineering
- Executive Development Programme

Experience
- Operations Management
- Human Resources
- Safety, Health & Environment
- Business Improvement
- Technical Mining Engineering
- Project Management

External Directorships
- None

Ms. Z Ntlangula (41)

Independent Non-Executive Director
Appointed: 07 September 2012

Qualifications
- B. Juris
- LLB
- Human Resources (Masters Diploma)
- Project Management (Diploma)

Experience
- Attorney and Conveyancer
- Project Management
- Corporate Governance
- Corporate and Commercial Law

External Directorships
- National Empowerment Fund
- Black Conveyancers Association
- Ntlangula Attorneys & Conveyancers
- Glencore Operations SA (GOSA)

Ms. S Zilwa (47)

Independent Non-Executive Director
Appointed: 01 June 2013

Qualifications
- Chartered Accountant SA

Experience
- Accounting
- Financial Management
- Auditing

External Directorships
- Gijima Group Limited
- Aspen Pharmaceuticals
- Metrofile Holdings Limited
- Discovery Limited
- Rebosis Property Fund
- Air Traffic Navigation Services (ATNS)

Mr. P Khoza (42)

CEO - Executive Director
Appointed: 04 March 2013

Qualifications
- B.Sc Mining Engineering
- Executive Development Programme

Experience
- Production Optimisation – Surface Mines
- Business Development
- Strategy Implementation

External Directorships
- None

Mr. M Dludla (46)

CFO - Executive Director
Appointed: 01 December 2013

Qualifications
- B Com Accounting
- B Compt
- B Compt Honours, Certificate in Theory of Accounting (CTA)
- BA Honours - Psychology

Experience
- Auditing
- Financial Accounting
- Cost and Management Accounting

External Directorships
- None

Mr. D Mkhwanazi (61)

Independent Non-Executive Director
Appointed: 01 June 2013

Qualifications
- Bachelor of Administration
- MBA
- Post-graduate Diploma in Marketing
- Graduate Diploma in Company Direction – GMIT
- PMD - Harvard Business School - USA
- Certificate in Finance - Henley University UK
- Leadership

Experience
- Marketing
- Strategy
- Corporate Governance
- Foreign Direct Investment
- Investments
- Human Capital Development
- High Performance Organisation
- Executive Management (12 years)

External Directorships
- Southern African Shipyards (Pty) Ltd
- Moses Kotane Institute Ltd
- Royal Household Trust
- Agri Development Agency
- Gibb Holdings (Pty) Ltd (Consulting Engineer)
- Rod Col Contracts (Pty) Ltd
- Ace to Wise (Pty) Ltd

Dr. N Mohutsioa-Mathabathe (62)

Independent Non-Executive Director
Appointed: 07 September 2012

Qualifications
- Ph.D Education and Counselling
- Psychology - Southern Illinois University
- M.A (Masters of Science in Educ. and Counselling Psychology-Illinois, USA
- BA Honours - Psychology
- BA Psychology and Education
- H.E.D Higher Education Diploma
- ULDPLR –Dip. Programme in Labour Relations School of Business
- FMP-Fundamental Management Development Programme-SBL

Experience
- Labour Relations
- Corporate Governance
- Employment Equity
- Business Leadership
- Organisational Development

External Directorships
- Dyodisani Women in Mining Minerals Investment Holdings
- Dyondisani Investment Holdings (Pty)
- Champion Diamonds (Pty) Ltd
- Dyondisani - Bolotola Platinum and Mineral Resources (Pty) Ltd
- Nono Makhudu & Associates (Pty) Ltd

Mr. B Lategan

Acting CFO - Executive Director
Contract ended: 31 December 2013

EXECUTIVE MANAGEMENT COMMITTEE

Ms. Z Kellerman (38)

Chief Legal Officer
Appointed: 01 October 2013

Qualifications
- CEDR (UK) Mediator
- FA Arb (Association of Arbitrators)
- ACI Arb (UK)
- LLB (Wits)
- BA (Wits)

Experience
- Corporate and Commercial Law
- ADR including mediation, adjudication and arbitration
- Compliance and company secretarial

External Directorships
- Coach and Assessor, Conflict Dynamics SA (Pty) Ltd

Mr. H Mokwena (36)

Chief Operations Officer
Appointed: 01 October 2013

Qualifications
- MBA
- B.Tech Mining Engineering

Experience
- Strategy
- Contract Management
- Project Management
- Risk and Safety Management
- General Mining
- Operations Management

External Directorships
- None

*Chief Executive Officer and Chief Financial Officer dealt with under the Board of Directors
*Chief People Officer - Position vacant

ALEXKOR BOARD MEMBERS

Back Row (left to right)

Mr. MR Bagus
CHAIRPERSON

Dr. R Paul
NON EXECUTIVE MEMBER

Mr. M Bhabha
NON EXECUTIVE MEMBER

Front Row (left to right)

Mr. D Mkhawanazi
NON EXECUTIVE MEMBER

Mr. P Khoza
CHIEF EXECUTIVE OFFICER

Back Row (left to right)

Ms. Z Ntlangula
NON EXECUTIVE MEMBER

Mr. B Grobbelaar
NON EXECUTIVE MEMBER

Front Row (left to right)

Mr. M Dludla
CHIEF FINANCIAL OFFICER

Dr. N Mohutsioa-Mathabane
NON EXECUTIVE MEMBER

Ms. S Zilwa
NON EXECUTIVE MEMBER

ALEXKOR STAFF MEMBERS

Back Row (left to right)			Front Row (left to right)	
Joy Chama PERSONAL ASSISTANT	**Bianca Ilunga** LEGAL MANAGER	**Bongane Ngcongo** EXPEDITOR	**Lerato Sachaka** GENERAL OFFICE ADMINISTRATOR	**Tsundzukani Mhlanga** GM FINANCE

Back Row (left to right)

Zarina Kellerman
CHIEF LEGAL OFFICER

Humphrey Mokwena
CHIEF OPERATIONS OFFICER

Front Row (left to right)

Buhle Makwetla
GM HUMAN RESOURCE

Ephraim Sithole
GM TECHNICAL

CHAIRPERSON'S FOREWORD

Alexkor as a State-Owned Company exists to achieve both commercial and developmental objectives. These objectives are made concrete and specific in the strategic intent statement supplied by Alexkor's Executive Authority, the Minister of Public Enterprises.

Key elements of the strategic intent statement include the need to stabilise and then expand all components of the company's diamond operations in the Northern Cape, build the relationship with the Richtersveld community and position the company to act as a comprehensive vehicle of local development. This includes starting a process of repositioning Alexkor as a coal miner with the aim of unlocking the transformation in the industry and ensuring Eskom's security of supply.

As chairperson of the Alexkor Board, it is my role to ensure that the corporate plans and operations are aligned with this strategic intent. I am pleased to report, that we have made significant progress over the last year in achieving this goal and it is my pleasure to present some of the key highlights in this regard.

THE PSJV

The PSJV was created through the Deed of Settlement between the government of South Africa and the Richtersveld community specifically to undertake mining activities in Alexander Bay. As Alexkor's only operational asset the Board conducted a thorough analysis of the business. The Board's focus was to stabilise the company from its loss-making situation by cutting costs without retrenching workers, introducing efficiencies in the shallow marine mining, considering innovative beach mining methodologies, initiating the deep sea mining contract and starting an exploration programme on land to boost overall production. Equally important was to adhere to good corporate governance principles and the PFMA.

These initiatives have yielded good initial results. The PSJV is on a sound commercial footing and poised for growth in the coming years. Whilst production has already risen above 30% and continues to grow, the ability to meet production targets is largely dependent on available sea-days, which have been in decline over the past year. The introduction of cofferdams and an optical sorter to treat tailings at the final recovery has mitigated some of the risk. However, the real boost will come from an aggressive land based exploration programme.

An investment of more than R60m for the Muisvlak plant has breathed new life into the Richtersveld. For the first time in 12 years land based mining is taking place, resulting in 230 jobs being created with most of the new employees recruited in the four towns from which the beneficiaries originate, namely Kuboes, Sanddrift, Lekkersing and Eksteenfontein.

A detailed exploration programme is underway with Z-Star Mineral Resource Consultants (Pty) Ltd, which was appointed to identify additional areas for further investments and growth for the land based diamond operations. Corporate governance has improved and there is now compliance with the PFMA.

Several challenges remain for the PSJV, but we are confident the highly focussed and dedicated team of professionals at the mine will grow the business to the benefit of the community and the region.

THE COMMUNITY

Following the conclusion of the land claim and the settlement agreement as captured in the Deed of Settlement, relations between Alexkor and the community were neglected. Therefore, a key priority for the Board was to re-engage with the community and re-establish relationships with the communal property association (CPA) and related community structures. A cornerstone of this engagement was to ensure that there was direct benefit to the community from Alexkor's mining efforts.

Encountering a community with several concerns and challenges, the Board committed itself to stabilising the mine and to work with the community to solve problems within its purview. Moreover, we elevated the remaining concerns to the Shareholder.

In response to the concerns raised by the community, the Shareholder, under the leadership of the Minister of Public Enterprises, convened a governmental task team headed by the Deputy Minister of Public Enterprises, which was deployed to all four towns. Its aim was to restore stability to the region. The deputy ministers of the DPE, DMR and DRDLR undertook several visits to the Richtersveld between February and August 2013. The task team's interventions resulted in a recapitalisation of the farms which are now operational, creating employment in the area, a plan to upgrade infrastructure in the four towns by the DRDLR, and a long overdue election monitored by the Independent Electoral Commission (IEC) that resulted in a legitimate CPA being appointed.

At the 2013 AGM, the deputy minister urged the company to deepen its engagement with the legitimate community structures, which the Board and management have undertaken to do. Alexkor is assisting to capacitate these leaders with necessary training in order for them to act as directors and trustees of these companies and trusts.

TOWNSHIP ESTABLISHMENT

In terms of the Deed of Settlement Alexkor was required to establish a formal township in Alexander Bay.

In order to do so, Alexkor was required to upgrade all municipal services to the requisite municipal standards. These services comprised roads, stormwater, sewage and reticulation networks, associated pump stations and sewage treatment works, water and associated reticulation networks,

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source treatment, pump stations and reservoirs, solid waste, electricity and telecommunications.

In addition, the Deed of Settlement required the transfer of several properties to the community, the municipality, church institutions, provincial government and various other government departments. All of these transfers have been effected with the exception of one final property, which transfer is currently being finalised.

As part of its social responsibility, the company is capacitating the municipality to ensure that the municipality can take over its duties for these municipal services by concluding a transitional agreement which will put in place a transitional period for the handover of these services to the municipality.

By the establishment of the first property on 22 November 2013, a formal township had come into existence.

The community stands to benefit significantly in 2014/15 from some non-mining related activities that the company is undertaking as part of its sustainability endeavours in the region.

THE COAL-MINING MANDATE

The Deed of Settlement requires of Alexkor to exit its 51% equity holding in the PSJV but needs to do so in a socially responsible manner.

Already in December 2012 the DPE and the Deputy Minister indicated to the Board that it needed to broaden its focus within the context of its statutory mandate.

This prompted the Board's decision to enter into coal and limestone mining to supply Eskom to help alleviate the energy crisis and to give effect to the emerging miners strategy.

Part of the underlying reasons for the energy crisis is the shift in focus by private sector mining companies towards exporting high value thermal and coking coal.

Studies show that Eskom will experience a shortage of coal of approximately 60 million tons by 2018. At present the mining environment has seen a reduction in investment, with accompanying job losses and a general decline in the sector. Whereas the private sector is likely to mechanise many of its operations in line with international trends, Alexkor is focused on increased investment, creating jobs and improving output and profitability.

This is in line with SOCs' fiduciary responsibility to the Shareholder and the State, to contribute directly to the developmental and transformational agenda of the country. Collaboration between Alexkor and Eskom therefore not only ameliorates the effects of the energy crisis but also makes a positive contribution to the investment climate for the South African economy.

In becoming involved in the coal-mining sector in this manner, Alexkor can ably contribute to South Africa's developmental and transformational agenda whilst remaining a commercially viable entity.

FUTURE OUTLOOK

The long-term outlook for diamonds is positive and the world's largest diamond producers are confident that the next few years will see a return to robust demand growth, notably from the BRICS nations.

It is likely that 2014 will see a stable balance between demand and supply on the rough diamond market, and the diamond

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price stability that was the norm in 2013 is expected to continue. These developments augur well for the company.

We anticipate an exciting new year ahead with the company entering an era where it will actively drive value creation and prosperity in the Richtersveld and Namaqualand region, with additional land and marine mining, and exploring non-mining opportunities.

We are positive about the immediate future of Alexkor. In a relatively short space of time the Board and management team have been able to turn around both Alexkor and the PSJV. Negotiations for better prices for our rough diamonds will have a further positive impact on future revenues and profitability.

Our diversification strategy will require additional funding. Over the coming year, the company will explore a range of different financing mechanisms and investment sources. Ultimately, funding will depend on having a robust business case for the financier to invest in, which the Board will vigorously pursue.

APPRECIATION

The progress Alexkor and the PSJV have made is largely attributable to our Shareholder who invested trust in the Board and management team to deliver on this massive turnaround task.

I particularly thank outgoing Honourable Minister Malusi Gigaba for his guidance and support, and in welcoming the new Honourable Minister Lynne Brown, I look forward to continue our journey under her oversight.

I also wish to thank the Honourable Deputy Minister Bulelani Gratitude Magwanishe for his commitment, knowledge and understanding, particularly in securing the turnaround in our finances and our relationship with the community.

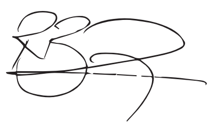
We are truly grateful for the support received from the team at the Department of Public Enterprises and in particular the Director-General Mr. Tshediso Matona, Deputy Directors-General Mr. Kgathatso Tlhakudi and Ms. Matsietsi Mokholo and their respective teams, including Chief Directors Ms. Orcilla Ruthnam, Mr. Phahlani Mkhombo, Ms. Vuyo Tlale and Mr. Weekend Bangane.

In addition, I express my gratitude to fellow Board Members who have been an invaluable resource in securing our success over the last year.

Thank you to the community of the Richtersveld and in particular the current CPA headed by Mrs. L Obies and Mr. F Strauss. Their dedication and commitment to seeing their people flourish is remarkable.

Finally, the Alexkor management team, and in particular the CEO Mr. Percy Khoza, deserve our gratitude. Thank you for your commitment, sturdy leadership and guidance. We are also hugely grateful to Mr. Mervyn Carstens and the management team at the PSJV for their excellent support and contribution.

We are excited about Alexkor's future and look forward to a prosperous year with the continuous support of an excellent team at Alexkor and the PSJV.



Mr. MR BAGUS
CHAIRPERSON

CHIEF EXECUTIVE OFFICER'S OVERVIEW

ALEXKOR SOC LIMITED REVIEW

The past financial year was highlighted by a new Executive management and management team that we employed to carry out the mandate received from the Minister in June 2013. We were required to strengthen the sustainability of the PSJV land and marine operations, diversify business operations by investigating better leveraged alluvial deposits within Southern Africa and develop a business case with Eskom to assist in improving coal supply security under the emerging miner supply strategy.

Most of the senior management positions were filled during the year, including a new Chief Financial Officer (CFO), Chief Operations Officer (COO) and Chief Legal Officer (CLO), as well as a Group Manager: HR and Group Manager: Technical.

FINANCIAL PERFORMANCE

Alexkor's financials incorporate our 51% interest in the PSJV operations. It is proportionately consolidated on a line-by-line basis and disclosed as such in the records of Alexkor. Total comprehensive income for the 2014 financial year amounted to R47.0 million.

More information on financial performance is disclosed as part of the annual financial section.

PSJV OPERATIONS

The PSJV posted a net profit of R23.7m (previous year R4.7m). Diamond sales were 46 210 carats against 36 157 in 2013.

Income from the sale of rough gem-quality diamonds remains the PSJV's primary revenue source. The PSJV sells its diamond stock on a closed tender basis to local and international buyers. In this manner the PSJV is able to maximise the potential revenue stream, as prices are determined by the domestic and foreign markets rather than by single buyers.

Diamond prices are denominated in US dollars (USD). The exchange rate was R10.23 to the USD, compared to a budgeted average rate of R8.50, resulting in an increase of 20% in rand prices per carat compared to budget.

Diamond revenue for the PSJV for the year amounted to R277.0m compared to the previous year revenue of R184.1m. A total of 46 681 carats were produced during 2013/14, against the production of 35 358 carats in 2012/13.

The PSJV operations were relatively stabilised due to a strong collaborative effort between the Executive managers of both the PSJV and Alexkor, the community leaders and support from the Board and the Department of Public Enterprises. The highlight was the commissioning of a 200 tons per hour recovery plant to strengthen the land exploration programme, in order to promote recently declared inferred resources to bankable indicated resources. This plant at Muisvlak is the first new land-based mining initiative in more than 12 years. We created over 200 permanent jobs for the four Richtersveld towns in line with the Deed of Settlement and the National Development Plan (NDP).

We further concluded key elements of the deep-sea exploration exercise for concession 1 c in partnership with International Mining Dredging South Africa (IMDSA). This enabled us to strengthen our mining right application that will underpin our expected significant carat increase over the next three years. We plan to have the mining right issued during the third quarter of this financial year to enable our chartered mining vessel to commence full-scale mining operations towards the last quarter. Our mining methods for shallow water mining were reviewed successfully with the relevant State authorities to improve efficiencies and overall diamond exploitation. Our efforts were rewarded by an increase in carat production of 32% compared to the previous financial year. This performance is expected to double in two years as underpinned by tangible operational plans that now exist.

The sustainability of the mining operations within Alexander Bay is crucial to the existence of the community in the Richtersveld. The Deed of Settlement limits Alexkor's Executives from intervening directly in PSJV operations. Three Non-Executive members of the Alexkor Board and three Board members of the Richtersveld Mining Company (RMC) lead our PSJV engagement.

Alexkor endeavours under these circumstances to give full effect to the Deed of Settlement whilst ensuring that operations at the PSJV are commercially sound and benefit all stakeholders.

Both mining and non-mining efforts are being put in place to ensure sustainability of the community.

NEW BUSINESS

Alexkor and Eskom have completed a terms of reference and memorandum of cooperation to enable the two State entities to collaborate and to synergise efforts on coal supply in partnership with emerging miners. The relationship will be enhanced this financial year to ensure that it gives full effect to both the NDP and the NGP.

The company is currently positive about the diamond price outlook as underpinned by increased global demand versus current constricted production. The focus will be on still further stabilising the PSJV operations and we will evaluate three potential Southern African alluvial diamond opportunities that can yield a sizeable diamond mine.

Diamond revenue for the PSJV for the year amounted to R277.0m compared to the previous year revenue of R184.1m. A total of 46 681 carats were produced during 2013/14, against the production of 35 358 carats in 2012/13.

HISTORICAL DISTURBANCES – REHABILITATION

The Deed of Settlement requires that all overdue historic rehabilitation responsibilities remain the responsibility of the company. The State would assume the financial responsibility as regards the rehabilitation. A rehabilitation fund was established as is required by the MPRDA.

The company has awarded a tender for the development of an optimised historical five-year rehabilitation implementation plan and an SLA has been concluded with the service provider. The whole process is underpinned by an integrated stakeholder management process, ground truthing, aerial surveys, dust plume monitoring and re-vegetation trials.

MTEF ALLOCATION

Alexkor applied for funding through the MTEF process as compensation for material losses as a result of the land claim settlement. Alexkor ceded 49% of its operations in Alexander Bay to the RMC and effectively ceded management control to the PSJV Board in line with the Deed of Settlement.

Alexkor received R350 million on 31 December 2012 to settle all outstanding liabilities and obligations in terms of the Deed of Settlement. The Post Retirement Medical Aid Liabliltity was settled, VAT and capital gains tax issues arising from the Deed of Settlement were dealt with and funds were put aside to address the rehabilitation shortfall, as well as the residential lease of the Alexander Bay properties.

The allocated funds were received in the form of equity and the sole Shareholder, the Government represented by the Minister of Public Enterprises, issued shares in this regard in line with its revised Memorandum of Incorporation (MoI). The allocation stabilised Alexkor's financial position to more or less where it was before the land claim process started.

We are in the process of requesting the remainder of the funds due, in an amount of R202 million in line with state laws on land claims.

CONCLUSION AND ACKNOWLEDGEMENTS

We are adequately positioned to start to concentrate on and take advantage of current opportunities in the coal environment to build an economically viable and sustainable mining company.

Most of Alexkor's legacy issues have been sufficiently dealt with and our task as the new management team is to look towards the future of Alexkor as a coal mining company. In partnering with Eskom, as part of the DPE family, we can enhance the security of coal supply to power stations in order to meet the energy requirements of the industry.

Alexkor is committed to transformation and partnerships with emerging miners to ensure that we can secure jobs, broaden economic participation and positively contribute to the wealth of all our stakeholders and the communities we serve in South Africa. I would like to thank the Chairperson and the Board of Directors for the support and direction they have given in positioning this organisation to contribute to the needs of the country.

I would also like to thank my Executive management and management teams who have worked tirelessly over the past financial year to see Alexkor succeed in its efforts and endeavors.

Mr. P KHOZA
CHIEF EXECUTIVE OFFICER

CHIEF FINANCIAL OFFICER'S REPORT

I am pleased to present the audited annual financial statements representing the results of the company for the year ended 31 March 2014, with comparative results for the year ended 31 March 2013. Of the PSJV operations, 51% has also been proportionately consolidated into the annual financial statements of Alexkor.

Alexkor reported an operating profit of R20.7m (2013: loss R38.3m) for the year. The loss from discontinued operations amounted to R3.3m (2013: R0.9m) and included the expenses from town maintenance, as well as 51% of the profits from the guesthouse and fuel station.

Total comprehensive income for the year amounted to R40.7m (2013: R29.7m) with the main contributor being the grant utilisation of R47m. Operational cash decreased to R113.6m (2013: R139.5m). Restricted funds amounted to R350.9m (2013: R406.3m) and included the balance of the MTEF funds and Government funds towards the PSJV, township establishment and the DOS MOU. Cash in the legal trust was R10.7m (2013: R10.9m).

Cash held in the rehabilitation trust increased to R115.0m (2013: R109.5m) and the pension fund surplus decreased to R13.9m (2013: R16.3m). Cash and cash equivalents amounted to R475.1m (2013: R556.7m)

The PSJV achieved a gross profit of R26.0m (2013: R7.0m) for the year, resulting in a net profit for the year of R23.7m (2013: R4.7m).

Supply chain management processes and systems were in place and we were satisfied with the outcome of Alexkor's procurement activities. However, we are in a process of ensuring we strengthen areas of weakness highlighted through the internal audit process and ensure supply chain processes are consistently applied throughout the coming financial year.

I would like to thank everyone at the PSJV, as well as Alexkor, for enabling us to be in a position to report on these good results and ensuring a smooth audit process.

Mr. M DLUDLA
CHIEF FINANCIAL OFFICER

DELIVERING ON OUR PREDETERMINED PERFORMANCE OBJECTIVES

Programmes	No.	Key Performance Area	Key Performance Indicator	Unit of measure	2014 target
1. Alexkor Sustainability	1.1	Develop a strategy for the company outside of the PSJV	Target of aligned projects as agreed with Shareholder	Number of signed NDAs	3
			Ministerial approved strategy	Letter of approval	30 Nov 2013
	1.2	Financial ratios	Debt to equity ratio	Ratio (total liabilities/ total equity)	Less than 10%
			Current ratio	Ratio (current assets/ current liabilities)	Higher than 2:1
			Cash ratio	Ratio (cash and cash equial/current liabilities)	Higher than 1:1
2. Township Establishment	2.1	Establish and hand over township as per Deed of Settlement	Registration of one property	Date	30 Nov 2013
			• Handover to Municipality • Ensure that all municipal challenges are taken into consideration through an MOU between the Municipality and the PSJV	Date	30 Nov 2013
3. Rehabilitation Obligation	3.1	Implement and execute a five-year rehabilitation plan	Employment number of full-time and temporary employees	Number	40
			Finalise framework for implementation	Award tender for an environmental consultant	30 Oct 2013
			CSR initiatives (students to be awarded bursaries to do environmental studies)	Amount and date	4 students by 30 March 2014
4. PSJV Sustainability	4.1	Production	Carats produced	Number	70 213 carats
	4.2	Profitability	Earnings before interest, taxes, depreciation and amortisation/ revenue (EBITDA) margin	Number	R13 million
	4.3	Exploration	Inferred resource statement - finalised report on all land inferred resources to enable targets for indicated resources	Report	31 Dec 2013
	4.4	Safety	Lost Time Injury Frequency Rate (LTFIR)	Number	0.7
			Fatalities	Number	Zero
5. Socio-economic Indicators	5.1	Employment equity	HDI as % of total appointments on all categories	Number	80%
	5.2	Corporate Structure	Approved corporate structure	Letter of approval from Minister	30 Nov 2013

Actual 2014	Comments
Achieved	Three projects were identified for this purpose. We are awaiting execution through the MSA with ESKOM and related negotiations with emerging miners.
Achieved	All required approvals were received on 29 Nov 2013.
1%	Achieved
3.2 : 1	Achieved
3.15 : 1	Achieved
Achieved	Alexkor registered one property on 22 November 2013.
Achieved	All necessary steps for Alexkor has been performed and the Shareholder is facilitating all outstanding issues. Achieved 22 November 2013.
40	All met and all are currently on-site working.
Achieved	Alexkor awarded the tender on 20 September 2013.
Achieved	All four students signed bursary agreements before year-end.
46 681	The target was not met and full explanation on file
R19.3 million	Achieved
Achieved	Achieved
0.46	Achieved
Zero	Achieved
93%	Achieved
Achieved	Approval received on 29 November 2013 and on-file

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2014

The Board is responsible for submitting a report on predetermined objectives as required by the Public Finance Management Act (Act No.1 of 1999). The report on predetermined objectives was approved by the Board of Directors on 30 July 2014 and is signed on its behalf by:

Mr. P KHOZA
CHIEF EXECUTIVE OFFICER

Mr. MR BAGUS
CHAIRPERSON

The company has also taken steps to ensure it communicates with regional and national political structures, as well as organised labour and has again, ensured open lines of communication between the Municipality of the Richtersveld and the provincial government.

STAKEHOLDER ENGAGEMENT

The past financial year was characterised by continuous interaction and engagement between the Shareholder, other key stakeholders and the Board. Through this interaction and engagement, the Shareholder is well informed of all significant business activities of the company and the activities that occur at the PSJV.

This engagement and interaction enable the Shareholder to monitor the performance and the activities of the Board and management. The Board accordingly expresses its appreciation for the consistent support by the Minister, the Deputy Minister, the Director-General and officials of the DPE.

The company also consults and communicates with all other stakeholders, and in particular with the community of the Richtersveld which is its local community. The Board has taken the view that transparent and effective communication is key in developing trust relationships. The mandate given to the company by the Minister at the 2012 AGM and confirmed at the 2013 AGM was to strengthen community relations.

The company's Board and management as well as the management of the PSJV, have attempted to ensure that the community relationships be strengthened continuously, particularly because the community and the company are in a joint venture arrangement. In this regard, a specific communication strategy has been developed to ensure compliance with this mandate.

The company has also taken steps to ensure it communicates with regional and national political structures, as well as organised labour and has again, ensured open lines of communication between the Municipality of the Richtersveld and the provincial government.

These proactive steps have resulted in strengthening the relationship within the community and the governmental structures.

Informal stakeholder associations have been formed and the Board, together with management, interacts with stakeholders at informal functions at least once a quarter, to provide an update on new developments and progress being made in the mining sector and by the company.

GOVERNANCE AND COMPLIANCE REPORT

1. OVERVIEW OF RELEVANT LEGISLATION AND POLICIES REGULATING ALEXKOR

1.1 Alexkor Act No. 116 of 1992 (as amended in 2001);

1.2 Employment Equity Act No. 55 of 1998;

1.3 Income Tax Act No. 58 of 1962;

1.4 King Code of Governance Principles for South Africa 2009 (King III);

1.5 Mine Health and Safety Act No. 29 of 1996;

1.6 Mining Charter;

1.7 Minerals and Petroleum Resources Development Act No. 28 of 2002;

1.8 National Environmental Management Act No. 107 of 1998;

1.9 Public Finance Management Act No. 1 of 1999;

1.10 Treasury Regulations in terms of the Public Finance Management Act No. 1 of 1999;

1.11 Preferential Procurement Policy Framework Act, 2000;

1.12 Corporate Plan;

1.13 Memorandum of Incorporation;

1.14 Protocol on Corporate Governance in the Public Sector;

1.15 Shareholder's Compact;

1.16 Shareholder's Strategic Intent Statement; and

1.17 Significance and Materiality Framework.

1.18 The company has attempted to ensure that all its marketing material including its website and its policies and procedures are gender neutral.

1.19 The company's new Board induction programme and employee induction programme includes exposure of all to the relevant laws and policies relating to the company. As it relates to the principles of the King III report, the company applies the 'comply or explain' approach. Both induction programmes also include an understanding of the company's expanded mandate as set out in its Strategic Intent Statement as well as an understanding of its Corporate Plan.

1.20 As a result, the company has taken steps to ensure that the Board of Directors and each staff member have a working understanding of the effect of the laws, rules and standards applicable to the company and its business, which is aligned to the Alexkor governance framework.

2. ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

2.1 The company has a Code of Conduct and ethics policy approved by the Board.

2.2 The performance of the company's ethics is assessed, monitored and reported on by the audit and risk committee on a quarterly basis.

2.3 The Board ensures the company's ethics performance is assessed, monitored, reported and disclosed.

2.4 The fraud prevention hotline is managed and reported on by an external service provider to ensure independence.

3. INTEGRATED RISK MANAGEMENT

3.1 Compliance risk forms part of the company's enterprise risk management process, which is managed internally. During the course of this financial year, and with a new Executive management team in place, the company has reviewed all policies and procedures to ensure compliance with relevant laws, rules, codes and standards.

3.2 The company has a risk management policy and framework developed in line with the risk management framework issued by its Shareholder. A risk assessment is performed by the senior management team, and a detailed risk matrix is developed and presented to the audit and risk committee for recommendation to the Board on a quarterly basis, where all the material risks and mitigating actions in the entity are identified and documented.

These risks are then reviewed and rated on their impact and likelihood, along with the necessary mitigating factors to address these risks. Once the enterprise-wide risk assessment is performed the results are captured into the risk management policy and framework and transferred to an adequate risk register (risk matrix) for continuous monitoring and updating.

The mitigation actions will be implemented and reported on a quarterly basis to ensure that the major risks are effectively managed in compliance with the risk management policy. The risk matrix will also be reviewed in light of the amendments to the strategic document.

The governance of risk takes place through formal processes within each of the sub-committees as well as at the Board level. The legal and financial teams manage the company's risk management profile though a risk management policy. The risk management profile considers the maturity of the risk management of the company and is tailored to the specific circumstances of the company.

The risk management plan is reviewed during the process of finalising the company's Corporate Plan, which takes place once a year. Management is always accountable to the Board for designing, implementing and monitoring the system of risk management, which takes place on a day-to-day activities basis. Every quarter, the risk assessment is conducted following a risk evaluation process, which is conducted by the legal and financial departments. The results of this are presented to the Board.

The Board has taken particular cognisance of the necessity to ensure that the IT strategy of the company is integrated with the company's strategic and business processes. A full IT risk assessment has been done during the year under review and management is responsible for the implementation of these structures and to execute the IT governance framework.

Assistance has been sought from the IT auditor as well as from IT professionals to ensure proper implementation of an IT governance framework. The Board is also cognisant of the fact that the protection of information, the management of information and the protection of personal information are processed properly. This has been given particular attention during the year under review.

3.3 The company has identified its top risks in the table below:

	Challenges & Risks	Outlook
1	Lack of funding for new ventures and inability to give effect to the Coal Strategy.	Management, in conjunction with the Shareholder, is engaging with relevant role-players including Eskom with respect to the purchase of specific assets as well as negotiating the conclusion of pertinent contracts to ensure that the company is able to properly leverage itself. The company is also engaging with companies in the private sector on the purchase of various coal assets and looking at private funding opportunities for these assets. The company is strengthening relationships with various emerging miners.
2	Adequacy of working capital.	Monitoring the company's financial position in respect of current and anticipated future operations, ensuring compliance with rules and regulations including ensuring payment of creditors on 30 days, payment of BEE suppliers within 7 days, and that payment dates are met to prevent interest and penalty charges.

	Challenges & Risks	Outlook
3	Under budget performance of Muisvlak reserves – under performance of reserves resulting in budgeted carats and grade not being met.	Management is currently evaluating their operational indicators against an independent service provider report, Z-Star Mineral Consultants Pty Ltd, to formulate and address its mine plan and schedule to ensure continuous plant feed and sufficient open window. Further, continuous review and update of the long term and short-term plans are in place.
4	Theft of diamonds due to inadequate fencing, patrol and increase in illegal mining. Due to the historic reputation of Port Nolloth in diamond smuggling, increased security will be required at Muisvlak.	With the start of the Muisvlak plant and its proximity to Port Nolloth, security measures across all operations are in the process of being reassessed and upgraded, including security personnel, equipment, and processes.
5	Status of the PSJV – the Deed of Settlement and Unanimous Resolution does not provide for practical aspects of legal compliance with regards to mining activities.	A Cooperation agreement between Alexkor and the PSJV management is being drafted to ensure that legal, financial, mining and socio-economic factors are properly spelt out to ensure smoother running of the PSJV.
6	Full and final implementation of the Deed of Settlement.	Various steps have been taken in regard to implementation of the Deed of Settlement including engagement with the community and its leadership, the DRDLR, provincial government and the Shareholder. Management has engaged legal services to assist in carrying out its obligations as regards infrastructure, township establishment and the transfer of properties. Relevant government departments are being engaged to ensure that with their assistance the company is able to comply with the stringent requirements of the Deed of Settlement.
7	Conflict with the community.	Management is concentrating on increased community involvement, employment creation and mining profits as well as non-mining activities being undertaken to ensure sustainability of the community should Alexkor exit as the community's mining partner. Emphasis is also placed on strengthening of relationships with the community and its legitimate leadership structures.
8	Non-compliance with MPRDA, SLP, DMR auditing requirements including permitting process delays as regards mining rights, exploration rights and licences.	The company has taken steps to improve its relationship with relevant government departments including, in particular, the DMR, to ensure smoother running of its operations in an attempt to avoid delays and disruptions.
9	Conversion of diamond resources from Inferred to Indicated Level of Confidence.	A geological review process was completed in August 2013 by Mineral Consultants, Z-Star, of all exploration data accumulated over the life of mining operations in Alexander Bay. The review has allowed the diamond resources to be restated at the Inferred Level of Confidence, and guided the decision to construct the Muisvlak plant. The first 6 months of mining has revealed that additional exploration is urgently required in order to progress to the Indicated Level of Confidence, which is essential for the future sustainability of mining operations at Alexander Bay.
10	Review of all marine contracts.	The 2011 tenders expired in August 2014 and a new tender was issued with more stringent performance based criteria. The qualification criteria have also been enhanced to ensure that priority is given to regionally based contractors and to eliminate "fronting".
11	Rehabilitation of land based mining operations prior to the Deed of Settlement.	A tender was awarded April 2014 to assess the liability of the historical mining operations in Alexander Bay, and is scheduled for completion in April 2015. Close interaction with all relevant state agencies will be maintained throughout the process.
12	Compliance with Health and Safety Act.	With the re-award of the marine contracts and the start of the Muisvlak operations, all safety related training programmes must be reviewed to accommodate the influx of new employees.

4. CORPORATE GOVERNANCE OVERVIEW

Alexkor's corporate governance is guided by the Public Finance Management Act No. 1 of 1999, as amended (PFMA); the Companies Act No. 71 of 2008, as amended; King Code on Governance 2009 (King III Report) and international best practice on corporate governance.

Alexkor takes into account various recommendations of previous corporate governance and internal control investigations carried out at Alexkor. The company strives to apply the principles and guidelines of the King III Report and those of its Shareholder, including the Protocol on Corporate Governance in the Public Sector, which it deems appropriate for the company.

The Board is committed to enhancing and consistently reviewing the corporate governance processes of the company, to deliver on the mandate and to ensure that best practice principles are applied.

SHAREHOLDING

Alexkor remains a state-owned company (SOC) with 100% shareholding by the Government of South Africa, with the Minister of Public Enterprises exercising Executive Authority on behalf of the government.

ALEXKOR BOARD OF DIRECTORS

The Board is responsible for driving the strategic direction whilst ensuring the optimal allocation of resources are accessible, as well as effective risk management and effective stakeholder communication and engagement.

The Board is committed to best practice principles that include ethical fairness, accountability, transparency and social development.

The financial year under review commenced with five independent Non-Executive Directors being appointed at the 2012 AGM. These include Mr. Rafique Bagus (chairperson), and independent Non-Executive Directors, Mr. Mohammed Bhabha, Dr. Nono Yvonne Mohutsioa-Mathabathe, Ms. Zukiswa Ntlangula and Dr. Roger Paul.

Further, during June 2013, the Minister appointed three new independent Non-Executive Directors, namely Messrs Brian Grobbelaar & Don Mkhwanazi and Ms. Sindiswa Zilwa. A new Chief Executive Officer Mr. Percy Khoza was appointed during February 2013 and on 1 December 2013, a new Chief Financial Officer Mr. Mxolisi Dludla.

During the period under review, the company had a unitary Board complement of eight independent Non-Executive Directors and two Executive Directors, a total of ten directors.

The independence of Non-Executive Directors, the appraisals of the Board and its sub-committees form part of the annual Board evaluation process. The results for the period under review are that the Board is balanced with experience, skills and qualifications to deliver on the mandate of the company. The results of the appraisal confirmed that all directors are independent by character and judgement.

EXECUTIVE MANAGEMENT

During October 2013 and January 2014, the company employed a new Executive management team, namely Mr. Mxolisi Dludla as Chief Financial Officer (CFO); Ms. Zarina Kellerman, Chief Legal Officer (CLO) and Mr. Humphrey Mokwena, Chief Operating Officer (COO). The company has also employed a Group Manager: Human Resources (GMHR), Ms. Buhle Makwetla with a view of developing the incumbent whilst ensuring that she is able to fill the position of Chief People Officer (CPO) within a relatively short space of time.

WOMEN OF ALEXKOR

The women employed in management positions are Ms. Zarina Kellerman, CLO; Ms. Buhle Makwetla, GMHR, Ms. Tsundzukani Mhlanga, Group Manager: Finance (GMF) and Ms. Bianca Ilunga, legal manager (LM) and assistant company secretary.

RESPONSIBILITIES OF THE BOARD

The duties and responsibilities of the Alexkor Board are clearly defined in the approved Board Charter. The company's Memorandum of Incorporation as amended from time to time, national legislation including Alexkor's enabling act, as well as corporate governance best practice also informs the statutory accountability of the Board. The Board provides the Executive management with clear strategic direction, as documented in the company's Strategic Intent Statement and Corporate Plan.

The Board ensures that it effectively monitors Board resolutions and company decisions and transactions by receiving quarterly reports detailing all significant operational, risk, financial and non-financial occurrences. Active monitoring is enabled through Board meetings and sub-committee meetings. Details of the number of Board meetings and the attendance by the Board members are contained in the table on page 30.

Through the company's delegation of authority, the Board delegates certain powers and functions to Executive management, whilst retaining material decision-making powers. Due regard is also given to those powers prescribed by legislation, such as the PFMA, either in consultation with, or with the approval by the Shareholder and/or the Minister of Finance.

In addition to the monitoring of operational performance, the Board also monitors the performance of management through the audit and risk committee, social, ethics and human resources committee, environmental rehabilitation committee and the tender committee.

The Board recently approved the constitution of the Executive management committee to ensure the resolutions and recommendations received from management follow the required compliance and best practice principles have been applied.

The Board also fulfills this role in relation to the PSJV Board, which operates as a sub-committee of the Board of Alexkor for reporting purposes only. Governance processes have been implemented to enable regular reporting and sharing of information between the Board of Alexkor and the PSJV Board. The governance framework of the Alexkor have been implemented at the PSJV Board.

All directors, in addition to having been inducted, have also undertaken site visits at Alexander Bay and are therefore familiar with the operations of the company.

In terms of the directors' and officers' indemnity cover, Alexkor's directors and officers are covered for liability, loss or damage arising from the normal course of exercising their duties as directors or prescribed officers. This cover excludes the normal legal exclusions as contained in the Companies Act, such as fraud and reckless trading.

The Board is committed to operating within the highest standards of professional ethics by ensuring that all material and potential conflicts of interest between a director and the company are declared and recorded, and where necessary, a material or potential conflict is addressed according to the provisions of the Companies Act. These matters are also reported to the Shareholder at AGMs.

BOARD SUB-COMMITTEES

The Board has appointed the following sub-committees:

Audit and Risk Committee
(Chairperson: Ms. S Zilwa)

Tender Committee
(Chairperson: Dr. N Mohutsioa-Mathabathe)

Social, Ethics and Human Resources Committee
(Chairperson: Mr. B Grobbelaar)

Environmental Rehabilitation Committee
(Chairperson: Dr. R Paul)

AUDIT AND RISK COMMITTEE

The audit and risk committee (ARC) is a statutory committee and is established in accordance with the guidelines in the King III Report and the provisions of the PFMA and the Companies Act. The ARC has adopted a formal terms of reference as approved by the Board. The ARC is satisfied that the responsibilities as stated in the terms of reference have been fulfilled. In keeping with its duties as contained in the King III Report and the Treasury Regulations passed under the PFMA, the ARC considers and recommends all financial requirements and aspects of the company prior to these being presented to the Board for approval and onward submission to the Shareholder and/or National Treasury and other prescribed stakeholders, where applicable.

The ARC continues to monitor the role of the internal and external auditors. The internal audit plan for the period under review has been approved and quarterly monitoring and reporting against the performance of the internal plan is considered. The ARC considers, reviews and recommends the annual financial statements and the complete integrated report to the Board for approval. Both the external and internal auditors have unrestricted access to the ARC. The CFO has a good working relationship with the ARC, and has unrestricted access to all members.

A report by the committee on the duties that it has carried out during the financial year under review is contained on pages 53 to 54.

The committee is tasked primarily with ensuring that the company carries out its responsibilities as they relate to: financial and risk management and other reporting practices, strategic guidance and assistance in regard to accounting policies and procedures, internal controls and management of risks, monitoring of the risk management policy and plan and compliance with laws, regulations and ethics.

IT governance also forms part of the ARC's responsibilities which processes ensure relevant, timely, accurate and complete reporting to the Board on a quarterly basis. This process is still under review and shall be implemented during the next financial year.

The audit and risk committee is chaired by Ms. S Zilwa with Ms. Z Ntlangula, Dr. R Paul and Mr. D Mkhwanazi as the other members of the committee, all of whom are independent Non-Executive Directors of the company. The CEO and CFO have a standing invitation to all audit and risk committee meetings.

Members serve on the ARC for a period of one year renewable for a maximum of three years. The members are re-appointed at the AGM of each year. The ARC reviews the terms of reference annually.

Alexkor regularly informs its Shareholder, through quarterly reports and ad hoc communication with the Department of Public Enterprises (DPE) officials, and through the AGM, on the business of the company, in line with its statutory and regulatory obligations.

Members and attendance at the committee meetings during the period under review appear in the table on page 31.

SOCIAL, ETHICS AND HUMAN RESOURCE COMMITTEE

The social, ethics and human resource committee (SE&HR) was established in April 2012 in terms of the requirements of section 72(4), read with regulation 43, of the Companies Act, which prescribe the establishment of a mandatory social and ethics committee by various types of companies, including state-owned companies.

This committee is a statutory committee and was formed through a merger of the remuneration committee and the statutory social and ethics committee, thus the new emerged committee was renamed the SE&HR committee.

The SE&HR committee's mandate includes monitoring of the company's implementation of the Code of Conduct and the effectiveness thereof, activities pertaining to relevant legislation, legal requirements of prevailing codes of best practice, and matters relating to social and economic development and good corporate citizenship. It also includes the company's promotion of equality, prevention of unfair discrimination, and introducing initiatives to reduce matters of corruption, matters relating to the environment, health and public safety, consumer relationships, labour and employment and human resource related responsibilities.

Mr. B Grobbelaar is the chairperson of the SE&HR committee with Dr. Mohutsioa-Mathabathe, Ms. Ntlangula and Mr. Bagus being the members, all of whom are independent Non-Executive Directors. The CEO, CFO and GMHR have standing invitations to all SE&HR committee meetings.

The SE&HR committee fulfills the social and ethical responsibilities of the company as contemplated in section 72 (4), read with regulation 43, of the Companies Act, as well as the remuneration and human resource functions and responsibilities of the Board.

The committee is required to report on the activities that it has undertaken during the financial year under review at every AGM. This report was provided during the financial year under review and this practice will continue in the ensuing years.

Members serve on the SE&HR committee for a period of one year renewable for a maximum of three years. The members are re-appointed at the AGM of each year. The SE&HR committee reviews the terms of reference annually.

The table on page 31 depicts members and attendance at the SE&HR committee meetings during the year under review.

ENVIRONMENTAL REHABILITATION COMMITTEE

The environmental rehabilitation committee (Rehab committee) performs all the functions necessary to fulfil its role in respect of environmental rehabilitation responsibilities.

The Rehab committee has a terms of reference approved by the Board which clearly states the roles and responsibilities of the committee.

The Rehab committee administers the Rehabilitation Trust Fund, oversees the amendment of the EMP and its submission to the DMR and monitors the on-going historic rehabilitation of the mined areas at Alexander Bay, as required by national environmental legislation.

The Rehab committee consists of Dr. R Paul as the chairperson, Mr. Bhabha, Mr. B Grobbelaar and Mr. Mkhwanazi as the members, all of whom are independent Non-Executive Directors of the company. The CEO and CFO have standing invitations to all committee meetings.

Members serve on the Rehab committee for a period of one year renewable for a maximum of three years. The Rehab Committee reviews the terms of reference annually.

The table on page 31 reflects the members and attendance at the Rehab committee meetings for the year under review.

TENDER COMMITTEE

The tender committee assists with matters regarding the adjudication and awarding of company tenders. Depending on the expertise, skills, knowledge and experience required to adjudicate on a specific tender, members of management are invited to join the committee.

The tender committee performs all the functions as are necessary to fulfil its role as it relates to the supply chain management, procurement of goods and/or services, matters relating to disposal of state assets and implementation of the National Industrial Participation programme (where appropriate).

Dr. Mohutsioa-Mathabathe is the chairperson of the tender committee, Dr. R Paul and Mr. M Bhabha are members of the committee, all of whom are independent Non-Executive Directors of the company. The CEO and CFO have standing invitations to all committee meetings.

Members serve on the tender committee for a period of one year renewable for a maximum of three years. The tender committee reviews the terms of reference annually.

The table on page 31 reflects the members and attendance at tender committee meetings for the year under review.

BOARD MEETINGS

Board meetings are held at least once a quarter and thereafter where special business needs to be dealt with, the Board may call a special meeting through the chairperson and company secretary where necessary. The Board also holds one strategy meeting within a financial year.

The Board ensures compliance at all times with relevant laws and legislation and in particular, with its Memorandum of Incorporation (MoI). The table below reflects the member's attendance at Board meetings for the year under review.

ALEXKOR MEETINGS - ATTENDANCE AT BOARD MEETINGS

Member	13/05/13	25/07/13 Special Meeting	12/08/13	13/11/13	19/02/14
Mr. MR Bagus	P	P	P	P	P
Mr. M Bhabha	P	P	P	P	P
Mr. B Grobbelaar	N/A	P	P	P	P
Mr. P Khoza (CEO)	P	P	P	P	P
Mr. D Mkhwanazi	N/A	P	A	P	P
Dr. N Mohutsioa-Mathabathe	P	P	P	A	VT
Ms. Z Ntlangula	P	P	A	A	VT
Dr. R Paul	P	P	P	P	P
Ms. S Zilwa	N/A	P	P	VT	A

ATTENDANCE AT AUDIT AND RISK COMMITTEE MEETINGS

Member	06/03/13	24/07/13 Special Meeting	05/08/13	04/11/13	31/01/14
Mr. M Bhabha	VT	P	P	P	N/A
Mr. P Khoza (CEO)	P	P	P	P	A
Mr. D Mkhwanazi	N/A	N/A	N/A	N/A	N/A
Ms. Z Ntlangula	P	A	P	P	A
Dr. R Paul	P	P	P	P	P
Ms. S Zilwa	N/A	P	A	A	P

ATTENDANCE AT SE&HR COMMITTEE MEETINGS

Member	06/08/13	20/01/14
Mr. MR Bagus	N/A	VT
Mr. M Bhabha	P	N/A
Mr. B Grobbelaar	N/A	P
Mr. P Khoza (CEO)	P	P
Dr. N Mohutsioa-Mathabathe	P	P
Ms. Z Ntlangula	P	VT

ATTENDANCE AT ENVIRONMENTAL REHABILITATION COMMITTEE MEETINGS

Member	06/08/13	20/01/14
Mr. M Bhabha	P	A
Mr. B Grobbelaar	N/A	P
Mr. P Khoza (CEO)	P	P
Mr. D Mkhwanazi	N/A	P
Ms. Z Ntlangula	P	N/A
Dr. R Paul	P	P

ATTENDANCE AT TENDER COMMITTEE MEETINGS

Member	20/01/14
Mr. M Bhabha	A
Mr. P Khoza (CEO)	P
Dr. N Mohutsioa-Mathabathe	P
Dr. R Paul	P

ALEXKOR RMC JV ATTENDANCE AT BOARD MEETINGS					
Member	24/04/13	26/08/13	30/10/13	30/01/14	16/04/14
Mr. MR Bagus	P	P	P	VT	P
Dr. J Bristow	P	P	N/A	VT	VT
Mr. M Carstens (CEO)	P	P	P	P	P
Mr. W Diergaardt	P	P	A	N/A	N/A
Mr. D Korabie	N/A	N/A	N/A	VT	VT
Mr. C Matthews	P	VT	A	N/A	N/A
Ms. Z Ntlangula	P	VT	P	VT	A
Dr. R Paul	P	P	P	VT	P
Mr. W Vries	N/A	N/A	N/A	VT	P

ATTENDANCE AT AUDIT AND RISK COMMITTEE MEETINGS					
Name	22/04/13	22/08/13	01/11/13	23/01/14	14/04/14
Mr. MR Bagus	P	N/A	N/A	N/A	N/A
Dr. J Bristow	N/A	N/A	N/A	N/A	VT
Mr. M Carstens (CEO)	P	P	P	P	P
Mr. C Matthews	P	A	VT	N/A	N/A
Ms. Z Ntlangula	P	VT	P	VT	A
Dr. R Paul	P	VT	P	VT	VT

ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS		
Member	22/04/13	19/08/13
Mr. MR Bagus	P	VT
Dr. J Bristow	A	A
Mr. M Carstens (CEO)	P	P
Mr. C Matthews	P	VT
Ms. Z Ntlangula	P	VT

ATTENDANCE AT TECHNICAL COMMITTEE MEETINGS					
Name	23/04/13	15/08/13	21/10/13	17/01/14	10/04/14
Dr. J Bristow	P	VT	N/A	VT	VT
Mr. M Carstens (CEO)	P	VT	P	P	P
Mr. W Diergaardt	P	VT	P	N/A	N/A
Dr. R Paul	P	VT	P	VT	VT

Legend: A = **Apology** **P** = **Present** **VT** = **via telecom** **N/A** = **not applicable**

ALTERNATIVE DISPUTE RESOLUTION

Disputes involving companies are an inevitable part of doing business and provide an opportunity not only to resolve the dispute at hand, but also to address and solve business problems and to avoid recurrences.

Executives of the company carry out their duty of care, skill and diligence to the company to ensure the disputes are resolved effectively, expeditiously and efficiently.

In this regard, the management team has ensured that in the event of a dispute arising, prior to pursuing any form of formal adversarial processes, it follows a process of conciliation and/or mediation. Insofar as interactions with governmental institutions are concerned, the company implements the terms of the Intergovernmental Relations Framework Act No. 13 of 2005.

DIRECTORS' REMUNERATION

The remuneration of the Executive and Non-Executive Directors of the company remains guided by the State-Owned Companies Remunerations Guidelines, 2007 and takes place on a fair and responsible basis.

The SE&HR committee considers the remuneration of the Non-Executive Directors and makes recommendations to the Shareholder. At the company's AGM, the Shareholder then decides on the remuneration of the Non-Executive Directors.

The SE&HR committee evaluates the remuneration of the CEO, CFO and Executive Management, and makes its proposals in that regard to the Board. The Shareholder and the Board jointly determine the remuneration of the CEO, whilst the Board, in consultation with the CEO, determines the remuneration of Executive Management.

Details of the remuneration structure of the independent Non-Executive Directors and of Executive Directors appear on page 35.

COMPANY SECRETARY

During the year under review, the Board appointed Ms. Jane Mbatia as the company secretary. However, in August 2013, Ms. Mbatia's contract of employment was terminated by agreement between the parties. On 1 October 2013 the Board appointed a new company secretary, Ms. Zarina Kellerman.

The company secretary is fully empowered by the Board to perform the function and reports directly to the independent Non-Executive chairperson. Amongst other duties, the company secretary ensures that the company adheres to all legislative, regulatory and Shareholder requirements by advising the Board on all legislation and governance issues affecting the company. The Board members have unrestricted access to the advice and guidance of the company secretary.

The company secretary satisfies the Board that its meeting proceedings and resolutions are properly recorded, communicated and implemented. The company secretary also provides new directors with induction and access to specific training programmes to assist the directors to execute their duties with due care, skill and diligence.

CODE OF CONDUCT AND ETHICS

The company subscribes to the highest level of professionalism and integrity in conducting all of its business dealings with its stakeholders. The company continually strives to reinforce a culture of openness, honesty, responsibility and accountability to ensure the conduct of its directors, Executive Management and employees is beyond reproach. The Board and the company are committed to a code of ethical and moral behavior encompassing fairness, honesty and transparency to all stakeholders. The company has adopted a zero-tolerance approach for fraud or any form of corrupt activity and conflict of interest in any decision or action affecting the company.

FRAUD PREVENTION

The company's fraud prevention plan is currently under review. Any fraudulent and corrupt activities that may arise are addressed at the company's quarterly audit and risk committee meeting. In addition, the company has a fraud hotline, also known as a "whistle-blowing" facility, which is a simple yet effective management tool to enable concerned employees or stakeholders in an organisation, as well as third parties associated with the company, to report fraudulent, corrupt and unethical practices in the workplace.

The hotline is part of KPMG's ethics line and is an accredited hotline service provider (EthicSA). This line has been implemented at both Board and PSJV levels. The hotline has been given particular consideration during the course of this financial year and the company, together with the PSJV, will be considering the effectiveness of the hotline.

The Board is of the view, based on the information and explanation given by management, that the above controls provide reasonable assurance that any fraud and material misstatements will be detected.

BOARD CHARTER

The Board continues to implement the Board Charter, the objective of which is to assist the Board and management in carrying out their functions as prescribed by the Alexkor Limited Act, the PFMA, the Companies Act and King III. The Board Charter provides the terms of reference of the Board and its committees, including the delineation of the roles, functions and responsibilities and powers of the Board, the sub-committees and the Executive Management.

It clearly articulates the policies and practices of the company in respect of matters such as corporate governance, declarations of interest, conflict of interest, Board meeting documentation, induction, training and evaluation of the Board and its sub-committees.

The Board Charter seeks to ensure that the Board and the management exercise stewardship at all times and uphold the highest degree of ethics in all forms of conduct.

The Board conducts an independent assessment of its effectiveness through a Board evaluation process on a yearly basis. This is done for purposes of reporting at the AGM and also to assist the Board in identifying areas of weaknesses in its performance as a whole and to identify weaknesses with individual directors, if any. The review of the independence of directors forms part of the Board evaluation process.

DIRECTORS' EMOLUMENTS AND EXECUTIVE REMUNERATION

Directors' emoluments including the top 3 Executive Management remuneration

Name	Capacity	Fee for services as members	Basic Salary	Total 2013/2014	Total 2012/2013
EXECUTIVE MANAGEMENT					
P Khoza ^	Chief Executive Officer	-	2 600 000	**2 600 000**	195 699
B Lategan ^	Acting Chief Financial Officer	-	1 120 000	**1 120 000**	1 680 000
M Dludla ^	Chief Financial Officer	-	600 000	**600 000**	-
H Mokwena	Chief Operating Officer	-	900 000	**900 000**	-
Z Kellerman	Chief Legal Officer	-	810 000	**810 000**	-
NON-EXECUTIVE DIRECTORS					
MR Bagus #	Chairperson	1 201 285	-	**1 201 285**	623 530
R Paul #	Non-Executive Director	632 063	-	**632 063**	515 739
N Mathabathe #	Non-Executive Director	248 314	-	**248 314**	131 260
Z Ntlangula #	Non-Executive Director	397 255	-	**397 255**	161 250
M Bhabha #	Non-Executive Director	275 333	-	**275 333**	128 927
N Jiyane #	Non-Executive Director	-	-	-	83 774
R Muzariri *	Chairperson	-	-	-	519 395
V Makin *	Non-Executive Director	-	-	-	85 106
S Ngoma *	Non-Executive Director	-	-	-	157 992
C Towell *	Non-Executive Director	-	-	-	140 864
S Zilwa	Non-Executive Director	214 958	-	**214 958**	-
B Grobberlaar	Non-Executive Director	206 809	-	**206 809**	-
DB Mkhwanazi	Non-Executive Director	196 263	-	**196 263**	-
Total		▸ 3 372 279	▸ 6 030 000	▸ **9 402 279**	4 423 536

^ The Chief Executive Officer is also an Executive Director of the Company. M Lategan was replaced by M Dludla on 01 December 2013.

The new Board of Alexkor was appointed during its AGM on 07 September 2012. Dr. Paul remained on Alexkor's Board for another term.

* The previous Board was replaced during Alexkor's AGM on 07 September 2012.

The highest paid employees include Mr. Khoza, Mr. Lategan and Messrs Dludla and Mokwena for the period under review, noting the CEO and CFO are also ex officio directors of the Board. Mr. Lategan's contract ended on 31 December 2013.

SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE REPORT

The social, ethics and remuneration committee was established in April 2012 to meet the requirements of section 72(4), read with regulation 43, of the Companies Act, which prescribes the establishment of mandatory social and ethics committees by various types of companies, including state-owned entities.

This committee was formed through a merger of the existing remuneration committee and the new mandatory social and ethics committee, thus the new merged committee was renamed the social, ethics and human resources committee (SE&HR committee). It consists of Mr. B Grobbelaar as chairperson, Ms. Z Ntlangula, Dr. Mohutsioa-Mathabathe and Mr. MR Bagus.

The committee fulfils the social and ethical responsibilities of the company as contemplated in section 72(4), read with regulation 43, of the Companies Act, as well as the remuneration and human resources functions and responsibilities of the Board.

This report deals with the year under review.

The SE&HR committee, under the guidance of the new Board, has made significant strides in changing the face of Alexkor.

In 2013 Alexkor undertook to attract skilled and qualified personnel in preparation for the strategic business plans of the organisation.

A new Executive Committee (Exco) in the form of the Chief Financial Officer, Mr. Dludla, a Chief Operations Officer, Mr. Mokwena and a Chief Legal Officer, Ms. Z Kellerman were appointed. In addition, the management team consisting of the Group Manager: Technical Services Mr. E Sithole, Group Manager: human resources Ms. B Makwetla and Group Manager: Finance Ms. T Mhlanga have been recruited.

The focus will be to build this new team and establish various processes and procedures in order that the team be enabled to deliver Alexkor's new mandated diversified strategy.

Salaries paid are based on the total package concept as per the approved remuneration policy. For the period under review, salaries paid to employees amounted to R18 132 429, R3 372 279 for Directors and R7 573 768 for contractors and consultants.

For the year under review the company offered employees and members of local communities opportunity to participate in or benefit from learnerships, internships, bursaries, skills development programmes and acquisition of portable skills. An amount of R768 993 has been expended on various training initiatives including in-house training and bursary contributions to community members.

Alexkor views Employment Equity as a fundamental strategic business imperative and is committed to attract, retaining and promote talented and qualified black females into Senior and Top Management positions. Our current Employment Equity status indicates that we have 25% female representation on Top Management, with 67% and 50% made up of Senior and Middle Management respectively. In addition a career development plan has been implemented to progress black talented women.

HR will play a significant role in developing and retaining the best talent and to create human resources systems that will maximise the potential of employees and the company, and focus on sound performance management principles.

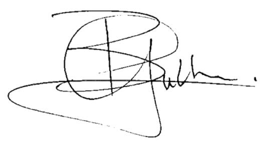
We are delighted to report that the DMR finally indicated that revised social and labour plan submissions for both Marine and Land mining rights have met the requirements of regulation 44 of the MPRDA.

All LED projects identified are incorporated into the Municipal IDP programme and amongst these are: poverty alleviation; capacity building; improvement of quality of life of the communities; job creation; portable training skills; HR development; sustainable & equitable provision of drinking water to communities; waste removal; provisioning of sanitation services to communities; health care; and rural and land development. The targeted communities are Eksteenfontein, Lekkersing, Sanddrift and Kuboes (as we are required to do in terms of the Deed of Settlement).

The focus for 2014 will be to lay the foundation for proper human resource practices and governance within Alexkor and to standardise processes and practices to ensure best employee/employer relationship experience across our business. HR will be focused on the following: policies and procedures; HR systems and processes; developing short-term and long-term incentive schemes; training and development.

HR will also play a significant role in developing and retaining the best talent and to create human resources systems that will maximise the potential of employees and the company, and focus on sound performance management principles.

We believe that our people are at the core of our success as a business and we are currently in the process of establishing policies and procedures that will enable us to develop and manage all Alexkor employees.



MR B GROBBELAAR
CHAIRPERSON OF THE SE&HR COMMITTEE

INTERNAL AUDIT REPORT

The internal audit function concentrated on the basic internal control environment (financial management review) and compliance with relevant acts and regulations, as well as performance information (economy, efficiency and effectiveness). Internal audit concentrated on the operational risks identified during the risk assessment.

Management was responsible for mitigating all risks. A risk discussion was set up as part of the audit committee and will monitor the high-level risks through follow-up of the risk matrix. The main focus during the review of internal controls was to evaluate the effectiveness of controls around initiation, approval, final processing and recording of transactions. Internal control took into consideration the following focus areas:

1. Human resources (HR) and payroll
2. Expenditure, procurement, supply chain and contract management
3. Fixed asset management
4. Banking, treasury and funding
5. Commitments, contracts, projects, contingencies
6. Compliance
7. Information technology (IT) and systems
8. Monthly, quarterly and annual reports
9. Follow-up of Auditor-General management letter
10. Follow-up of internal control deficiency tracking register
11. Predetermined objectives

The main focus during the review of internal controls was to evaluate the effectiveness of controls around initiation, approval, final processing and recording of transactions.

HUMAN RESOURCES & SOCIAL DEVELOPMENT ANNUAL REPORT

FY 2013/2014

1. INTRODUCTION

In 2013 Alexkor undertook to attract skilled and qualified personnel in preparation for the strategic business plans of the organisation. The focus for 2014 will be to lay the foundation for proper Human Resource (HR) practices and governance within Alexkor and to standardise processes and practices to ensure best employee/employer relationship experience across our business. HR will be focussed on the following:

- Policies and procedures;
- HR systems and processes;
- Developing short-term and long-term incentive scheme;
- Training and development;
- Performance management;
- Employment equity; and
- The social and labour plan.

HR will also play a significant role in developing and retaining the best talent, and to create human resources systems that will maximise the potential of employees and the company. It will also focus on sound performance management principles.

2. STAFF COMPLIMENT

As of 31 March 2014 the staff complement was:

Permanent employees at the mine	51
Temporary employees at the mine	26
Permanent employees Head Office	13
External contractors & other	16
TOTAL	106

Over the period of 2013/14, the following positions were filled:

2.1 PERMANENT POSITIONS

TOTAL	TOTAL
GM: Finance	01/01/2014
Chief Legal Officer	01/10/2013
Chief Operations Officer	01/10/2013
GM: Technical	01/11/2013
Expeditor	01/12/2013
Chief Financial Officer	01/12/2013
Legal Officer	08/10/2013
Executive PA	01/01/2014
GM: Human Resources	01/01/2014
Executive PA	01/02/2014

The focus will be to build this new team and establish various processes and procedures in order to solidify a team that is ready to implement Alexkor's business strategy.

2.2 TEMPORARY APPOINTMENTS

In March 2014, 25 general workers were appointed on a limited duration basis on the rehabilitation team based at our Muisvlak operation.

3. REMUNERATION

Salaries are paid based on the total package concept aligned to Alexkor's remuneration policy.

During the period under review salaries paid to employees amounted to R18 132 429. Non-Executive Directors' emoluments for the period amounted to R3 372 279.

Payments to contractors and consultants for the period under review amounted to R 7 573 768.

4. INDUSTRIAL RELATIONS

For the period under review one disciplinary matter was conducted as detailed in the table below:

NO	OUTCOME
0	Verbal Warning
0	Written Warnings
0	Final Written Warnings
0	Dismissals
1	Settlement

No grievances were lodged during the year under review.

5. HUMAN RESOURCES DEVELOPMENT & TALENT MOBILITY

We believe that our people are at the core of our success as a business. For this reason we are currently in the process of establishing policies and procedures that will enable us to develop and manage all Alexkor employees.

Learnerships and Internships

For the year under review the company offered employees and members of local communities opportunity to participate in:

- Learnerships;
- Internships;
- Bursaries;
- Skills development programmes; and
- Acquisition of portable skills.

An amount of R768 993 has been expended on various training initiatives including in-house training and bursary contributions to community members.

5.2 Bursaries:

In February 2014 we offered four students bursaries with all the successful candidates studying towards a qualification in environmental and water management.

QUALIFICATION	RACE	GENDER	INSTITUTION
ND: Environmental Management	C	Male	Cape Peninsula University of Technology
Integrated Water Resource Management	A	Female	University of the Western Cape
ND: Environmental Management	A	Female	Cape Peninsula University of Technology
B.Sc Applied Geology	C	Female	University of the Western Cape

6. EMPLOYMENT EQUITY (EE)

Alexkor views employment equity (EE) as a fundamental strategic business imperative. For our organisation to be truly competitive, we need to create an environment that aims to attract and develop previously disadvantaged individuals. We are especially committed to ensuring that we attract talented and qualified black females in senior and top management positions.

Alexkor is representative of designated groups in all levels as the table below depicts:

COURSE	RACE	GENDER	INSTITUTION
Junior Engineer	C	M (employee)	Black Mountain – in preparation for the GCC (DMR)
B.Sc Geology	C	F (bursar-community member)	University of Western Cape
B.Com Honours	C	F (employee)	Unisa
Elementary Surveying	C	M (employee)	Spiro Surveying Services
Human Resources Management	C	M (employee)	Internal mentorship programme

EMPLOYMENT EQUITY MARCH 2014									
		MALE			FEMALE				
OCCUPATIONAL LEVEL	NUMBER OF INCUMBENTS	AM	CM	WM	AF	IF	CF	WF	% OF DESIGNATED GROUP
Top management	4	3				1			100%
Senior management	3	1			2				100%
Professionally qualified	2			1	1				50%
Skilled	5	1	2		2				100%
Semi-skilled	5		2		1		2		100%
Unskilled/core and critical skills	45	2	40				3		100%
TOTAL	64	7	44	1	6	1	5		

The following structures exists to augment EE in the workplace:

- Our EE policy is currently under review to ensure that Alexkor becomes an enabling environment to encourage sustainable transformation.
- Through the SE&HR committee we will ensure that we create a workplace that is free from any form of discrimination.
- Other policies that are important to ensure the sustainability of EE progress such as the recruitment and selection policy are also currently under review.

7. CORPORATE SOCIAL RESPONSIBILITY

No corporate social responsibility (CSR) initiatives were undertaken during this period at head office. However, CSR initiatives were undertaken in Alexander Bay.

8. SOCIAL AND LABOUR PLAN (SLP)

We are delighted to report that the DMR indicated that the revised SLP submissions for both marine and land mining rights have met the requirements of regulation 44 of the MPRDA.

All LED projects identified are incorporated into the Municipal IDP programme and amongst these are:

- Poverty alleviation;
- Capacity building;
- Improvement of quality of life of the communities;
- Job creation;
- Portable training skills;
- HR development;
- Sustainable and equitable provision of drinking water to the communities;
- Waste removal;
- Provisioning of sanitation services to communities;
- Health care; and
- Rural and land development.

The targeted communities are Eksteenfontein, Lekkersing, Sanddrift and Kuboes.

The table on the following pages depicts a 5-year plan in terms of the revised and approved SLP budget commitment.

REVISED SOCIAL AND LABOUR PLAN BUDGET COMMITMENTS										
Commercial diver training	1	40 000			1	48 400			1	
Hyperbaric chamber operators and attendant courses	2	20 000								
Diving first-aid and emergency response	20	70 000	20	77 000	20	84 700	20	93 170	20	
Skipper courses	1	4 500	1	4 950	1	5 445	1	5 990	1	
Diving equipment technician	20	1 500			1	1 815			1	
Basic rigging and welding	1	20 000	20	22 000	20	24 200	20	26 620	20	
Commercial diving supervisor		10 000			1	12 100			1	
Training										
SUB-TOTAL		**166 000**		**103 950**		**176 660**		**125 780**		
Accommodation		600 000				2 000 000		1 400 000		
Bursaries	2	115 000	3	126 500	4	211 250	3	179 135	3	
Learners	6	514 800	7	660 660	7	726 726	5	571 000	4	
ABET – Alexkor		8 000		13 200		12 100		5 324		
ABET – Contractors		4 000				2 420		10 648		
Projects		976 877		1 528 000		1 724 800		4 324 200		
TOTAL		**2 384 677**		**2 432 310**		**4 853 956**		**6 616 087**		
	AL	498 207		779 280		879 648		2 205 342		
	JV	478 670		748 720		845 152		2 118 858		

PSJV HR & SOCIAL DEVELOPMENT ANNUAL REPORT

FY 2013/2014

1. INTRODUCTION

For the PSJV to provide the business with value adding HR practices and in so doing improve on economic and social performance, the functions in which contributions will be made are listed below:

- Employee sourcing;
- Reward and compensation;
- Employment equity;
- Training and development – incorporating retraining and deployment;
- Industrial relations and
- The social and labour plan.

In the coming year the company will endeavor to develop and retain the best talent and to create human resources systems to maximise the potential of employees and the company, and to focus on sound performance management principles.

Effective performance management should occur throughout the year, not just at annual performance review time. Managers will therefore be coached to adopt and embrace this reality and get into the habit of setting agile short-term goals to drive productivity.

58 564		146 964	72 012	74 952
		20 000	9 800	10 200
102 487		427 357	209 405	217 952
6 588		27 473	13 462	14 011
2 196		5 511	2 700	2 811
29 282		122 102	59 830	62 272
14 641		36 741	18 003	18 738
213 758		**786 148**	**385 213**	**400 935**
2 000 000		6 000 000	2 940 000	3 060 000
197 049	15	828 934	406 178	422 756
502 480	29	2 975 666	1 458 076	1 517 590
14 641		53 265	26 100	27 165
2 928		19 996	9 798	10 198
2 050 000		10 603 877	5 195 900	5 407 977
4 980 856		**21 267 886**	**10 421 264**	**10 846 622**

1 045 500		5 407 977	2 649 909	2 758 068
1 004 500		5 195 900	2 545 991	2 649 909

2. STAFF COMPLEMENT

As at 31 March 2014 the staff complement was:

Permanent employees at the mine	230
Temporary & casual employees	36
External contractors & other	821
TOTAL	**1087**

We were successful in our attempts to recruit highly qualified and experienced individuals to fill high profile positions, amongst others, the mining manager, chief safety officer, geologist and human resources manager. Most of these candidates were locally sourced and play pivotal roles in the turnaround strategy, which the company is committed to in terms of its Corporate Plan for 2013/14.

We have achieved our manpower requirements for Muisvlak and other critical positions within marine and land mining.

We endeavor to develop and retain the new and existing talent within the organisation through vigorous development strategies that include on the job training, formal and institutionalised accredited training, mentorship and coaching to support a continuous learning environment.

3. REMUNERATION

Salaries are paid based on the total package concept and the remuneration policy developed by the company that is based on a remuneration philosophy offering equal rates of pay for male and female employees of equal qualifications and experience.

During the period under review salaries paid to employees amounted to R26 410 415.

Payments to the marine, land based and other contractors for the review period amounted to R162 507 265.

4. INDUSTRIAL RELATIONS

For the year under review continuous engagement with organised labour were held in endeavours to ensure the smooth running of all operations.

The two representative unions with whom the company has recognition agreements are the National Union of Mineworkers (NUM) and the United Staff Association of South Africa (UASA). UASA subsequently upholds their constitutional rights, but forfeited their bargaining rights due to a decline in membership representation.

NUM remains the active union with an elected branch committee representing the bargaining arena during wage negotiations for 2014-2015 upcoming years.

Relationships between organised labour and management remained cordial and we were fortunate not to experience any industrial action during the review period.

Union membership is indicated in the table below:

NUM	56%
UASA	7%
Non-affiliates	37%

For the period under review 14 disciplinary cases were conducted and are detailed in the table below:

NO	OUTCOME
1	Verbal warning
6	Written warnings
5	Final written warnings
2	Dismissals

No grievances were lodged during the year under review.

5. HUMAN RESOURCES DEVELOPMENT & TALENT MOBILITY

A well-developed talent mobility strategy is crucial for succession management success. Our primary focus is to develop and deploy the right skill for the right practice within our organisation in both land and marine spheres. The identification of critical skills in core functions remains ongoing and key to the mine-life and sustainability of the PSJV.

By leveraging our employees' unique skills, backgrounds and experiences, the PSJV will be better able to maintain a competitive advantage in fierce global markets, looming skills shortages, and baby-boomer retirement.

Whilst we have made significant strides in the up-skilling of employees, we remain committed to talent development and training with the objective of achieving developmental goals and the company being able to fill senior positions from existing employee ranks in future.

The table below depicts the areas in which the company assisted employees to acquire requisite skills in order to be able to fill future needs:

COURSE	RACE	GENDER	INSTITUTION
Fitting & Turning (apprentice)	C	M (employee)	Kathu FET/Technical Training Centre
Electrician (apprentice)	C	M (employee)	Kathu FET/Technical Training Centre
Auto Electrician (Section 28)	C	M (employee)	Northlink FET Cape Town
Electrician (Section 28)	C	M (employee)	FET College Namaqualand
Electrician (Section 28)	C	M (community)	FET College Namaqualand
Diamond Evaluating Course	C	F (employee)	DTCSA

COURSE	RACE	GENDER	INSTITUTION
Junior Engineer	C	M (employee)	Black Mountain –in preparation for the GCC (DMR)
B.Sc Geology	C	F (bursar - community member)	University of Western Cape
B.Com Honours	C	F (employee)	Unisa
Elementary Surveying	C	M (employee)	Spiro Surveying Services
Human Resources Management	C	M (employee)	Internal Mentorship Programme

Learnerships / Internships:

For the year under review the company offered employees and members of local communities opportunity to participate in:

- Learnerships;
- Internships;
- Bursaries;
- Skills development programmes; and
- Acquisition of portable skills.

An amount of R768 993 has been expended on various training initiatives, including in-house training and bursary contributions to community members.

6. EMPLOYMENT EQUITY (EE)

The PSJV views EE as a strategic priority and monitors progress closely in this regard. Most barriers that impede on the enhancement of EE numerical and other goals have been eliminated.

The PSJV is representative of designated groups in all levels as depicted in the table below:

EMPLOYMENT EQUITY MARCH 2014									
		MALE				FEMALE			
OCCUPATIONAL LEVEL	NUMBER OF INCUMBENTS	AM	CM	WM	AF	IF	CF	WF	% OF DESIGNATED GROUP
Senior managementt	6	1	3	1	0	0	1	0	83%
Professionally qualified	12	0	7	0	0	0	5	0	100%
Skilled	52	0	33	10	0	0	7	2	81%
Semi-skilled	109	2	80	4	0	0	21	2	96%
Unskilledd	51	1	21	0	0	0	29	0	100%
TOTAL	**230**	**4**	**144**	**15**	**0**	**0**	**63**	**4**	**93%**

The following structures exist to augment EE in the workplace:

- The PSJV has articulated HR policies that do away with workplace discrimination as well as engendering management sensitising on stereotypes;
- A committee has been established to investigate and act on any workplace discrimination; and
- Management investigates any obstructive behavior within its ranks.

We are also focusing on the recruitment of young talent and training them to fill future positions.

7. CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) initiatives are currently acting as a contributing aid in the recruitment and retention of competitive job candidates, drive corporate branding, increase customer loyalty, and establish a positive public image.

The PSJV's role as a transformation vehicle was noted from requests for social assistance, not only from its employees, but also from the surrounding communities.

The company remains committed to support local entrepreneurs by offering business contracts in diamond extraction on both land and marine operations.

For the review period an amount of R1 409 800 was contributed towards CSR interventions, which included donations, feeding schemes, educational assistance, sport development, transportation, youth development and HIV/Aids support.

As a further initiative to enhance the education transformation process in the Richtersveld area, the PSJV partnered with five local schools and two nurseries by sponsoring the salaries of mathematics and science teachers, as we remain committed to the general upliftment of not only our employees, but also of the communities in which we operate. This contribution amounted to R524 748.

REVISED SOCIAL AND LABOUR PLAN BUDGET COMMITMENTS										
Commercial diver training	1	40 000			1	48 400			1	
Hyperbaric chamber operators and attendant courses	2	20 000								
Diving first-aid and emergency response	20	70 000	20	77 000	20	84 700	20	93 170	20	
Skipper courses	1	4 500	1	4 950	1	5 445	1	5 990	1	
Diving equipment technician	20	1 500			1	1 815			1	
Basic rigging and welding	1	20 000	20	22 000	20	24 200	20	26 620	20	
Commercial diving supervisor		10 000			1	12 100			1	
Training										
SUB-TOTAL		**166 000**		**103 950**		**176 660**		**125 780**		
Accommodation		600 000				2 000 000		1 400 000		
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	AL	498 207		779 280		879 648		2 205 342		
	JV	478 670		748 720		845 152		2 118 858		

As part of its CSR initiatives the company also provided meals to employees and contractors residing in the single quarters to an amount of R2 045 189 for the year under review.

8. SOCIAL AND LABOUR PLAN

We are delighted to report that the DMR indicated that revised social and labour plan submissions for both marine and land mining rights have met the requirements of regulation 44 of the MPRDA.

All LED projects identified are incorporated into the Municipal IDP programme and amongst these are:

- Poverty alleviation;
- Capacity building;
- Improvement of quality of life of the communities;
- Job creation;
- Portable training skills;
- HR development;
- Sustainable & equitable provision of drinking water to the communities;
- Waste removal;
- Provisioning of sanitation services to communities;
- Health care; and
- Rural and land development.

The targeted communities are Eksteenfontein, Lekkersing, Sanddrift and Kuboes.

The following table depicts a 5-year plan in terms of the revised and approved SLP budget commitment:

	58 564		146 964	72 012	74 952
			20 000	9 800	10 200
	102 487		427 357	209 405	217 952
	6 588		27 473	13 462	14 011
	2 196		5 511	2 700	2 811
	29 282		122 102	59 830	62 272
	14 641		36 741	18 003	18 738
	213 758		**786 148**	**385 213**	**400 935**
	2 000 000		6 000 000	2 940 000	3 060 000
	197 049	15	828 934	406 178	422 756
	502 480	29	2 975 666	1 458 076	1 517 590
	14 641		53 265	26 100	27 165
	2 928		19 996	9 798	10 198
	2 050 000		10 603 877	5 195 900	5 407 977
	4 980 856		**21 267 886**	**10 421 264**	**10 846 622**
	1 045 500		5 407 977	2 649 909	2 758 068
	1 004 500		5 195 900	2 545 991	2 649 909

SOCIAL IMPACT

Mining, particularly the diamond industry, is the backbone of the Namaqualand economy and makes the largest contribution to labour remuneration in the region. Although not the biggest employer in Namaqualand, Alexkor provides direct and indirect employment to approximately 2 500 people in the region.

Alexkor provides potable water to the Alexander Bay town and Port Nolloth.

Alexkor, in its endeavour to create jobs for local communities, created an alternative economic activity for retrenched employees by awarding shallow water contracts to redundant Alexkor employees, in line with the Alexkor Social Plan.

Alexkor is also involved in the upliftment and empowerment of women through the contracting and continued involvement and interaction with a group of women mining at Witvoorkop. We also provide opportunities for local small scale mining companies like Gariep.

HEALTH AND SAFETY

Alexkor Limited's core business is the mining of diamonds through marine mining and open-cast mining methods. Alexkor's most important assets are the people working for and associated with the company. The occupational health and safety of our people and the sustainability of our environment are non-negotiable principles on which the company's mining operations are based.

HEALTH AND SAFETY STATEMENT

Every employee and person associated with the mine has the right to work in a safe environment, along with an engrained responsibility to work safety. Every employee must work within the safety standards as defined by the company. All employees and people associated with the company shall work towards the elimination of health and safety hazards.

This shall be achieved by:

- Training and promotion of health and safety.
- Compliance to health and safety procedures and practices.
- Maintenance of communication on all safety aspects.
- An effective health and safety representative system.
- Hazard and injury prevention through risk assessment.
- Promotion of a culture of safety

HIV/AIDS

A Corporate HIV/Aids policy is not a moral or social issue for Alexkor, but rather a strategic issue. The corporate Aids team, consisting of CEO, one Board member, senior management, community leaders and unions, meets regularly, and members direct and ratify policy, strategy and projects. Alexkor takes HIV/Aids very seriously and through this programme we hope to encourage people to know their status and to create an environment that will lead to the reduction of new infections.

Alexkor has consulted widely with the local community before initiating the HIV/Aids programme, and also has the full support of the unions and associations representing the workforce. Discussions were initiated around HIV/Aids with school teachers, church leaders and other community leaders.

Alexkor, in its endeavour to create jobs for local communities, created an alternative economic activity for retrenched employees by awarding shallow water contracts to redundant Alexkor employees, in line with the Alexkor Social Plan.

ENVIRONMENT

Alexkor maintains sound and responsible health, safety and environmental (SHE) management ethics. We believe that order and discipline are better than chaos, conservation and creation are better than destruction, that knowledge and enlightenment are preferable to ignorance and that action and commitment are more valuable than ideology.

ENVIRONMENTAL POLICY STATEMENT

Our policy is to create an environmental management system that complements the regional and national government requirements, pertaining to all aspects of our mining efforts.

Furthermore Alexkor strives to:

- Encourage the wise utilisation of our resources.
- Have committed and responsible waste management strategies and procedures in place, to deal with domestic, industrial and hazardous waste disposal.
- Encourage environmental awareness and training.
- Liaise with all associated mining parties involved with Alexkor, to practice and maintain environmental consciousness by promoting the best practical mining methods to minimise degradation.
- Identify obtainable and manageable environmental targets.
- Continually access and evaluate our terrestrial and marine mining methods, in order to make recommendations and adjustments, so as to minimise our impact on the environment.
- Minimise and contain pollution, or the threat of it.
- Interact with communities and associated parties, pertaining to Alexkor's environmental management programme.
- Do environmental compliance audits on all aspects of our terrestrial and marine impact mining activities.

REHABILITATION

- The Deed of Settlement requires that all overdue historic rehabilitation responsibilities remain the responsibility of Alexkor, and an amount of R256 million has been received from Treasury for this purpose.
- A rehabilitation fund was established as required by the MPRDA. Alexkor has awarded a tender for the development of an optimised historical five-year rehabilitation implementation plan. An SLA has been concluded with a 100% black female-owned service provider.
- The key closure objective is to establish a sustainable native ecosystem, which is similar to the pre-existing ecosystem as can be achieved within the limits of recognised good rehabilitation methods and post-mining environment.
- A team of 40 general workers, consisting of fifteen permanent employees on a limited duration contract basis, is working on historic rehabilitation.
- In addition, four bursaries were awarded in February 2014 for students in the Western and Northern Cape, to study towards a qualification in environmental and water management with a further four internships for environmental management and geology.

ANNUAL FINANCIAL STATEMENTS

CONTENT

DIRECTORS' RESPONSIBILITIES AND APPROVAL REPORT

FOR THE YEAR ENDED 31 MARCH 2014

The Public Finance Management Act requires the directors to ensure that Alexkor keeps full and proper records of its financial affairs. The financial statements should fairly present the state of affairs of Alexkor, its financial results, its performance against predetermined objectives for the year and its financial position at the end of the year in terms of International Financial Reporting Standards (IFRS).

To enable the directors to meet the above-mentioned responsibilities, the Alexkor Board of Directors sets standards and management implements systems of internal control. The controls are designed to provide cost-effective 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 risk 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.

The financial statements are the responsibility of the directors. The external auditors are responsible for independently auditing the financial statements in accordance with International Standards of Auditing (ISA) and the Public Audit Act, No. 25 of 2004.

The directors have made an assessment of the ability of Alexkor to continue as a going concern in the foreseeable future and are satisfied that Alexkor have access to adequate resources and facilities to be able to continue operations for the foreseeable future. Accordingly the Board have continued to adopt the going concern basis in preparing the financial statements. The financial statements of Alexkor have been prepared in terms of International Financial Reporting Standards, the Companies Act of South Africa, No. 71 of 2008, as amended, and the Public Finance Management Act, No. 1 of 1999, as amended. These financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates and are prepared on the going concern basis.

Based on the information and explanations given by management, the internal auditors and discussions held with the independent external auditors, the directors are of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and that accountability for assets and liabilities is maintained.

The audit and risk committee has reviewed the effectiveness of Alexkor's internal controls and considers the systems appropriate for the effective operation of Alexkor.

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 53 to 54. Nothing significant has come to the attention of the directors to indicate that any material breakdown has occurred in the functioning of these controls, procedures and systems during the year under review.

In the opinion of the directors, based on the information available to date, the financial statements fairly present the financial position of Alexkor at 31 March 2014 and the results of its operations and cash flow information for the year then ended. The Alexkor annual financial statements for the year ended 31 March 2014 have been prepared under the supervision of the Chief Financial Officer, ME Dludla, and approved by the Board of Directors and signed on its behalf on 30 July 2014 by:

Mr. MR BAGUS
CHAIRPERSON

Mr. P KHOZA
CHIEF EXECUTIVE OFFICER

STATEMENT BY THE COMPANY SECRETARY

FOR THE YEAR ENDED 31 MARCH 2014

I, the undersigned, in my capacity as Company Secretary do hereby confirm that for the financial year ended 31 March 2014, Alexkor SOC Limited has lodged with the Registrar of Companies 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.

Z KELLERMAN
COMPANY SECRETARY

AUDIT AND RISK COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2014

REPORT OF THE AUDIT AND RISK COMMITTEE IN TERMS OF SECTION 94(7) OF THE COMPANIES ACT, NO. 71 OF 2008

During the year under review, the audit and risk committee performed its functions in accordance with section 97(7) of the Companies Act, No. 71 of 2008, as amended, and the provisions of the Public Finance Management Act, No. 1 of 1999, as amended (PFMA). The committee has adopted appropriate formal terms of reference and has regulated its affairs in compliance with those terms of reference. These terms of reference were also reviewed during the course of the financial year under review, to ensure alignment with the provisions of the Companies Act. The committee has discharged all its responsibilities as contained therein.

The audit and risk committee of Alexkor, which reports to the Board of Directors, comprises of three independent Non-Executive Directors. The committee held four scheduled meetings for the year ended 31 March 2014.

In the conduct of its duties, the committee has performed the following activities:

- agreed, in consultation with the Shareholder to proceed with the current registered external auditor for the company who, in the opinion of the committee, is independent of the company;
- determined the fees to be paid to the external auditor and the external auditor's terms of engagement;
- ensured that the appointment of the external auditor complies with the Companies Act and any other legislation relating to the appointment of auditors;
- determined the nature and extent of any non-audit services which the external auditor may provide to the company;
- pre-approved any proposed contract with the external auditor for the provision of non-audit services to the company;
- considered the independence and objectivity of the external auditor and ensured that the scope of its additional services provided to the company, was not as such that they could be seen to have impaired their independence;
- received and dealt appropriately with any complaints (internal or external) relating either to the accounting practices and internal audit or to the content or auditing of its financial statements, or to any related matter;

AUDIT AND RISK COMMITTEE REPORT

FOR THE YEAR ENDED 31 MARCH 2014

- received and reviewed reports from both internal and external auditors concerning the effectiveness of the company's internal control environment, systems and processes;
- reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management which resulted in their concerns being addressed;
- considered the effectiveness of the internal audit, approved the one-year operational internal audit plan and monitored the adherence of the internal audit to its annual programme;
- reviewed and recommended for adoption by the company's Board, such financial information that is publicly disclosed, which for the year included the annual financial statements for the year ended 31 March 2014;
- made appropriate recommendations to the company's Board regarding the corrective actions to be taken as a consequence of audit findings;
- reviewed the company's compliance with legal and regulatory provisions;
- reviewed the adequacy, reliability and accuracy of the financial information provided to management and other users of such information; and
- reviewed the effectiveness of the procurement policies and procedures of the company.

In the opinion of the committee, the internal controls of the company are considered appropriate to:

- meet the business objectives of the company;
- ensure the company's assets are safeguarded; and
- ensure that transactions undertaken are recorded in the company's accounting records.

Where weaknesses in specific controls have been identified, management has undertaken to implement the appropriate corrective action to mitigate the identified weaknesses. Internal audit has given assurance of the effectiveness of the internal control environment.

We have identified competency within the finance team of Alexkor and the PSJV as one of the key areas of focus in the coming year. We will put in place plans that will ensure all identified gaps are addressed through development and training.

The financial statements have been prepared on a going concern basis. The company has enough cash reserves to meet all its obligations for the next 12 months. Details of cash reserves available are detailed on note 15 of the directors' report.

The internal auditor and the external auditor have unlimited access to the chairperson of the committee and they regularly hold separate meetings with the members of the committee, at the exclusion of management.

The committee has further evaluated the annual report for the year ended 31 March 2014 and considers that it complies, in all material respects, with the requirements of the PFMA, as amended, the Companies Act, and International Financial Reporting Standards. The committee recommended the adoption of the annual financial statements by the Board of Directors on 30 July 2014 during its special audit and risk committee meeting.

Sindi Zilwa

MS S ZILWA
CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2014

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT AND THE DEPARTMENT OF PUBLIC ENTERPRISES ON ALEXKOR SOC LIMITED (ALEXKOR)

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the financial statements of the Alexkor set out on pages 64 to 118 which comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

The board of directors which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa (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.

Auditor-general's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alexkor as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with IFRS and the requirements of the PFMA and the Companies Act of South Africa.

Other Reports Required by the Companies Act

As part of our audit of the financial statements for the year ended 31 March 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between the reports and the audited financial statements. We have not audited the reports and accordingly do not express an opinion on them.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2014

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of Alexkor for the year ended 31 March 2014:

- Programme 1: Alexkor Sustainability on pages 20 to 21
- Programme 2: Township establishment on pages 20 to 21
- Programme 3: Rehabilitation Obligation on pages 20 to 21
- Programme 5: Socio Economic Indicators on pages 20 to 21

I evaluated the reported performance information against the overall criteria of usefulness and reliability.

I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI). I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected programmes for the above-mentioned programmes.

Achievement of planned targets

Refer to the annual performance report on page(s) x to x for information on the achievement of the planned targets for the year.

Compliance with legislation

I performed procedures to obtain evidence that Alexkor had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Financial statements, performance and annual reports

The financial statements submitted for auditing, at 31 May 2014, were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA and section 29(1)(a) of the Companies Act. Material adjustments were made to Property, Plant and Equipment and a reclassification of the Grant Income in the financial statements in order to fairly present the financial statements for the year ended 31 March 2014.

Internal control

I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for opinion, and the findings on non-compliance with legislation included in this report.

Financial and performance management

Management did not adequately review the annual financial statements for completeness and accuracy prior to its submission for audit purposes.

Nexia SAB&T

Nexia SAB&T
Per: S. Kleovoulou
Director
Registered Auditor
31 July 2014

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2014

The Board of Directors is pleased to present its report for the financial year ended 31 March 2014. This report and the audited financial statements comply with the requirements of the Public Finance Management Act (No. 1 of 1999), as amended (PFMA). In promoting the concepts of corporate governance, the Board has included additional information about the company's strategic objectives, the impact on the operations and future sustainability of the PSJV with the RMC on Alexkor, as well as other important matters.

1 RECENT HISTORY OF ALEXKOR

In 1998 the members of the Richtersveld Community ("the community") instituted an action in the Land Claims Court claiming restitution over the entire land on which Alexkor is situated. At that time, the government, through the Department of Public Enterprises (DPE), was the sole owner of the entire issued share capital of Alexkor. The Land Claims Court dismissed the claim in March 2001.

The community then unsuccessfully applied for direct access to the Constitutional Court and for leave to appeal to the Supreme Court of Appeal (SCA). Later attempts saw the community successfully petition the SCA for a hearing, and filed an application for leave to appeal to the Constitutional Court. The SCA decided the matter in the community's favour. On 14 October 2003 the Constitutional Court ruled in favour of the community, stating that it has a right to ownership of the land and minerals held by Alexkor.

In April 2007 the Richtersveld community and the Government of South Africa reached an out-of-court settlement in what is generally known as the Deed of Settlement, which prescribed the establishment of a pooling and sharing joint venture, whereby the mineral assets of the Richtersveld Community and that of Alexkor will be jointly managed and controlled for the benefit of both parties.

The PSJV commenced on 7 April 2011 and was named the Alexkor RMC JV. The financial year of 2012 was the first year that the two entities, Alexkor and the PSJV, operated as two separate entities.

2 NATURE OF BUSINESS

The PSJV is controlled by an independent Board of six directors (three nominated by each party to the joint venture) and managed by an independent Executive Management team that resides in Alexander Bay. This management team reports directly to the independent PSJV Board. The members representing Alexkor on the PSJV Board are also members of the Alexkor Board.

Alexkor only shares in profits or losses that may arise in the joint venture operations but has no outright control of the joint venture. Alexkor and the PSJV are two distinct and separate entities and operate independently of each other.

The main business of the PSJV is the economic exploitation of diamonds from the pooled marine and land mining rights in the Alexander Bay area. The current mining operations comprise of low-scale land operations, due to exploration activities, and shallow and deep water marine mining that are currently performed by mining contractors appointed by the PSJV.

3 BOARD OF DIRECTORS

For the period under review, the three additional directors as reported last year that were awaiting the consent of the Minister, were appointed in June 2013 resulting in a full complement of Alexkor's Board of Directors. The composition of the Board, with respect to the Non-Executive Directors, therefore increased from five to eight during the current financial year. The position of Chief Financial Officer (CFO) was filled in December 2013.

The Board meets at least once quarterly and retains full and effective control over the company's business, and monitors Executive Management through a structured approach to reporting and accountability.

All directors receive regular information about the company in order to equip them to actively participate in Board meetings. Members of the Board also have unrestricted access to management and the company secretary for any further information they require. None of the current directors have any interest in the share capital of the company, or in any contracts entered into by the company, as disclosed by the statutory records of the company and representations made by the directors to the company. Disclosure of remuneration in terms of section 55 of the PFMA and Treasury Regulation 28.1.1 is provided in Note 35 to the financial statements.

The independent Non-Executive Directors of the company during the year were as follows:

Name	Appointed
Dr. Roger Paul	June 2007
Mr. Rafique Bagus	September 2012
Dr. Nono Yvonne Mohutsioa-Mathabathe	September 2012
Mr. Mohammed Bhabha	September 2012
Ms. Zukiswa Ntlangula	September 2012
Mr. Don Mkhwanazi	June 2013
Ms. Sindi Zilwa	June2013
Mr. Brian Grobbelaar	June 2013

4 SHARE CAPITAL

Alexkor received R350 million as part of its Medium Term Expenditure Framework (MTEF) application in the form of equity on 31 December 2012. Par value shares were converted to no par value shares and additional shares were issued to the sole Shareholder. The total share capital of Alexkor amounts to R400 million. Details of the authorised and issued share capital are disclosed in Note 15 of the financial statements.

5 SHAREHOLDER

The national government of the Republic of South Africa, through the Minister of Public Enterprises, is the sole Shareholder of the company.

6 DIRECTORS' RESPONSIBILITY IN RELATION TO THE ANNUAL FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of the annual financial statements (AFS), comprising the Statement of Financial Position as at 31 March 2014, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and the Notes to the Financial Statements, which include a summary of accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act.

The annual financial statements contained in pages 64 to 67, reflect the financial performance, position and cash flow results of the company's operations for the year ended 31 March 2014.

7 STRATEGIC OBJECTIVES

The Board of Alexkor embarked on a strategic planning exercise on December 2012. The purpose of this session was to define the way forward for the business. The session was held in Johannesburg with new Board members and representatives of DPE.

Key challenges were identified that could hamper the effective functioning of Alexkor and therefore, in seeking to address the challenges coupled with delivering on the mandate, the strategic plan has identified the following nine strategic objectives:

1. To give effect to the Deed of Settlement between Alexkor, the government of South Africa and the community of the Richtersveld.
2. To secure and expand the Alexkor operations into new diamond and other mining opportunities in and outside the borders of South Africa in order to ensure that Alexkor becomes a profitable and sustainable company by -
   a) focusing on current business sustainability (marine and land based diamond mining operations in Alexander Bay) through the six identified projects these being;
      - Shallow water mining
      - Land mining
      - Beach water mining
      - Middle water mining
      - Deep water mining

   b) finalising the Africa strategy through completing a pre-feasibility on alluvial diamonds in Africa
   c) expansion and diversification into other mineral opportunities including investigations into the strategic feasibility of entering into coal as a future diversification strategy
3. That Alexkor will be an employer that responsibly invests in and promotes the interest and well-being of its employees (sustainable livelihood and strengthening the skills and human resource base), the community (social development) and the environment that it operates and does business in.
4. Alexkor must comply with all applicable legislation (especially the Mining Charter, the PFMA, Occupational Health and Safety Act, etc. and regulations to ensure an optimal governance structure.
5. Attain and maintain overall financial sustainability, liquidity and solvency.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2014

6. Develop and implement strategies for securing additional funding for projects through state-owned entities and/or open financial institutions.
7. Transformation and people development, to create a conducive organisation aligned to government policies and best practice.
8. Develop and implement a comprehensive stakeholder management strategy and plan (DPE, National Treasury, DMR, DTI, funding institutions, Chamber of Mines, investors, etc.).
9. To develop and implement a comprehensive risk management philosophy and strategy to mitigate the complexity and multiplicity of risks surrounding Alexkor.

8 NEW BUSINESS DEVELOPMENT

Alexkor has been and still is in the process of identifying new projects to expand its mining operations and diamond resource. Its previous operations in Alexander Bay are now being managed within the PSJV under a separate management team and independent PSJV Board. This forced Alexkor to investigate other new business opportunities to generate alternative revenue streams to enable it to grow and to ensure sustainability. Alexkor received a mandate from the Minister to pursue these opportunities should they prove to be viable. Alexkor is currently exploring these potential opportunities.

Alexkor's focus in the past financial year was in South Africa and all the projects were located in the Northern Cape and North West provinces. Projects included kimberlite deposits, dumps and tailings, existing operations as well as greenfield opportunities. Numerous site visits were done and detailed due diligent processes followed after some of the opportunities proved to be prospective.

As a priority Alexkor will apply many of its resources and time to its 51% interest in the PSJV to improve profitability within the operation and to strengthen the PSJV's principles to support its sustainability. We are confident that the expansion on the land mining, especially the Muisvlak region, will yield the necessary profit and employment to address the immediate needs in the area.

FOCUS

Alexkor's focus with regards to new opportunities will be on the following:

- Profitability and expansion of operations
- Increase of resource statement
- Improve sustainability
- Social upliftment, empowerment and job creation within the surrounding communities
- Development of infrastructure and on-going support to surrounding communities

Alexkor's focus in the Northern Cape and North West province will create the opportunities listed above and we are confident that this SOC can play its active role in ensuring this.

9 DIVIDENDS

No dividends have been paid, proposed or declared during the period under review.

10 BORROWINGS

In terms of the company's MoI, its borrowing powers are determined by the Board from time-to-time. The company currently does not have any borrowings.

11 INTERNAL CONTROL

Internal controls are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify, and maintain accountability of assets, and to prevent and detect misstatements and losses.

The internal audit function is outsourced and provides an independent appraisal function designed to examine and evaluate the company's activities. In particular, internal audit is charged with examining and evaluating the effectiveness of the company's operational activities in light of the attendant business risks and the system of internal operation and financial controls. Any major weaknesses detected are brought to the attention of the audit and risk committee, the external auditors and management for their consideration and remedial action.

Alexkor's Executive Management recognises the importance of a strong internal control environment both in terms of mitigating core business risks and in ensuring compliance with legislation. Additionally, management recognises the need to ensure compliance in terms of the PFMA. Management adopts a proactive approach to addressing audit concerns that have been raised over the period under review.

There is a continuous effort in improving compliance with PFMA both at the PSJV level as well as the Alexkor office in Rosebank. The Alexkor office is relatively new and on-going training is being provided to both Executive and staff to ensure proper understanding of all the applicable laws and regulations, especially PFMA and its applicability. Additional policies and procedures are being implemented to cover new areas at Alexkor, for example the information technology (IT) environment.

It is internal audit's assessment that overall control structures designed, implemented and maintained by management are adequate and effective.

Alexkor has a fraud hotline, also known as a "whistle-blowing" facility, which is a simple yet effective management tool designed to enable concerned employees in an organisation, as well as third parties associated with the company, to report fraudulent, corrupt and unethical practices in the workplace. The hotline is part of KPMG's ethics line and is an accredited hotline service provider (EthicSA). This line has been implemented at both Alexkor and PSJV level.

The Board is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements.

12 SHAREHOLDER'S COMPACT

A Shareholder's 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.

13 LITIGATION STATEMENT

Nabera (Pty) Ltd instituted legal action against the company and the South African government for alleged amounts in respect of a contract wherein Nabera managed the company's mining assets and operations from 1999 to 2001. The two claims were for management fees alleged to be due in terms of the contract, for the sum of R4.5 million and a claim for alleged value added to the mining assets over the management period. Both the company and the government have opposed these claims.

The matter has been dormant since 2005.

Ruslyn instituted three claims for damages against the Company relating to a profit sharing agreement entered into on 22 June 2003. The first claim is for damages suffered as a result of fraudulent misrepresentation. The second claim based on contract in which Ruslyn allege that it replaced the profit sharing agreement concluded in 2004. This has been withdrawn and the third claim is on the Company's refusal to release Ruslyn's equipment when it wanted to withdraw same from the mining area.

The trial is partly heard with two court sessions having passed. It is now centered on the alleged misrepresentation, and the action relating to the alleged impoundment of Ruslyn's equipment is still pending. After Ruslyn closed its case, the Company's attorneys lodged an application for dismissal of Ruslyn's first claim on the basis, amongst other that Ruslyn did not prove its case as set out in its pleadings.

The application for dismissal of Ruslyn's claim and amendments of the pleadings were argued during November 2009. During March 2010 judgment was delivered, the application for amendment brought by Ruslyn was refused and the Company's application for dismissal of the second claim was granted.

Status: The matter was set down for hearing on 10 to 14 March 2014 but by agreement between the parties has been postponed to 2015.

Full detail of the litigation has been disclosed in Note 31 and Note 32 to the financial statements.

14 ENVIRONMENTAL MATTERS

Environmental matters are overseen by an environmental sub-committee of the Board. The rehabilitation committee continuously reviews the environmental operations and policies of the company and recommends mitigating strategies and activities to limit the impact of mining operations on the environment as well as to actively address historical damage.

The company has started with the rehabilitation implementation plan for the legacy rehabilitation. The first two stages of the

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2014

plan (project initiation and review, and status quo analysis) have been completed. Currently the team is busy with ground truthing, which is the most critical stage of the implementation plan. As part of ground truthing the aerial photography survey that presents the team with valuable information for ground truthing and other mining related activities (mine planning, vector mapping, etc.) has been completed. The archaeologist, botanist and the environmentalist are currently collecting data from the mine as part of ground truthing.

The dust plume study was completed at the end of February and the recommendations from the study are being implemented at the mine.

Skills transfer is currently taking place with the students and employees from the mine environmental department involved in the process of ground truthing. They were also involved in the process of aerial photography which was conducted by an external survey company. The project implementation stages of the rehabilitation implementation plan have been presented to the regulatory authorities (DMR, DENC, Department of Agriculture, etc.) and they all expressed their satisfaction with the plan.

15 GOING CONCERN

The Board took cognisance of the past performance as well as expected future performance and has considered the impact thereof on the solvency of the company. Due to the substantial amount of cash available to meet its operating cash requirements as well as the rehabilitation liability shortfall (refer to Note 19), the financial statements have been prepared on the going concern basis. Alexkor has no borrowings.

The cash balance available for operating cash requirements is R113.6 million as at 31 March 2014 (2013: R139.4 million). The company budgeted for a total cash outflow of approximately R116.6 million for the 2015 financial year based on the level of operational activities planned, capital expenditure as well as environmental rehabilitation expenditure. All costs for rehabilitation will be catered for from the funds held in a trust currently at R115.0m plus funds held in the recapitalisation funds. All costs associated with Township development, Deed of Settlement and the PSJV recapitalisation are catered for from the government funded obligation account currently at R138.5m. The available cash reserves are therefore more than sufficient to fund the cash requirements for the company for the next 12-month period ending 31 March 2015.

As of 7 April 2011 when the PSJV commenced, Alexkor has a 51% interest in the joint venture. We are of the opinion that these operations will be profitable in future and that Alexkor will, after the period of exploration, generate sufficient income through this venture to justify its stake in these operations.

The Minister of Public Enterprises also gave Alexkor a mandate to pursue other mining related opportunities for new business development outside the Alexander Bay region in order to expand on its mining operations. These opportunities are being investigated and decisions to proceed will be based on the viability and sustainability of such ventures. The Board accepts the risks related to new business development and believes this expansion to be in the best interest of Alexkor's long-term sustainability going forward.

The directors have applied the liquidity and solvency test as required by the Companies Act, No. 71 of 2008. The Board has every reason to believe that the company will have adequate resources in place to continue with operations for the foreseeable future.

16 PUBLIC FINANCE MANAGEMENT ACT NO.1 OF 1999

Except for the matters noted in the report of the independent auditors, no other material non-compliance to the Public Finance Management Act has been identified and/or reported.

17 AUDITORS

In accordance with the provisions of section 90(1) of the Companies Act, 2008, Nexia SAB&T Inc. will continue in office for the next year in terms of the tender that has been awarded to them after the approval of the Shareholder during the AGM in September 2012.

18 COMPANY SECRETARY

Ms. Zarina Kellerman was appointed during the financial year.

19 REPORT ON PREDETERMINED OBJECTIVES

Alexkor produced a report on predetermined objectives for the 2014 financial year outlining its targets and achievements for the period as set out in the signed Shareholder's compact.

20 RISK MANAGEMENT

The relevant risks in Alexkor have been identified during the current financial year and addressed in terms of its risk management policy. The risk matrix was updated with new risks that were identified by the audit and risk committee and the Board. Responsible individuals are allocated to all the risks identified in the report and are mitigated in the best possible ways. Alexkor updates its risks on a quarterly basis and discloses them as part of its quarterly reporting requirements.

21 NON-CURRENT ASSETS

Except for a change in accounting estimate which affected the non-current assets as stated in Note 4 to the financial statements there have been no major changes in the nature of the non-current assets during the year under review.

22 BOARD EVALUATION PROCESS

The Board conducts an independent assessment of its effectiveness through a Board evaluation process on a yearly basis. This is done for purposes of reporting at the AGM and also to assist the Board in identifying areas of weaknesses in its performance as a whole and to identify weaknesses with individual directors, if any. The recent Board evaluation was extensive and thorough, covering a wide range of critical dimensions including inter alia: management of conflict of interest; competency mix of Board members; capacity of Board members; collective responsibility and accountability; and separation of pertinent offices. It noted that the Board had strong leadership and exercised a spirit of focus, accountability and transparency.

23 EVENTS AFTER REPORTING PERIOD

No significant events occurred after the reporting period.

STATEMENT OF FINANCIAL POSITION

	Notes	2014 R	2013 R
ASSETS			
Non-current assets		239 476 626	167 708 131
Property, plant and equipment	7	72 068 621	31 567 329
Intangible assets	8	413 451	227 729
Cash held in rehabilitation trust	10	115 018 955	109 521 614
Pension Fund surplus	18.1	13 883 000	16 351 000
Loan to joint venture	11	38 092 600	10 040 459
Current assets		503 022 042	576 080 229
Inventories	12	14 051 181	13 117 734
Trade and other receivables	13	13 855 622	6 283 324
Cash and cash equivalents	29.2	475 115 239	556 679 171
Non-current assets classified as held for sale	14	162 434 882	162 434 882
TOTAL ASSETS		904 933 551	906 223 241
EQUITY AND LIABILITIES			
Capital and reserves		449 563 088	402 559 561
Share capital	15	400 000 000	400 000 000
Accumulated loss		(125 257 803)	(173 087 331)
Revaluation reserve	16	158 084 892	158 084 892
Actuarial reserve	17	16 736 000	17 562 000
Non-current liabilities		284 687 977	268 751 103
Environmental rehabilitation liability	19	284 687 977	268 751 103
Current liabilities		170 682 485	234 912 577
Trade and other payables	20	170 587 047	234 912 577
Operating lease liabillity	38.1	95 438	-
Total Equity And Liabilities		904 933 551	906 223 241

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2014 R	2013 R
Revenue	21	141 272 566	93 908 207
Cost of sales	22	(156 026 727)	(115 238 394)
Gross profit/(loss)		(14 754 160)	(21 330 187)
Administration expenses		(2 193 205)	(1 075 263)
Other expenses	23	(20 430 689)	(62 681 987)
Other income	24	74 039 989	60 354 476
Provision for environmental rehabilitation liability	19	(15 936 874)	(10 737 109)
Provision for retirement benefit obligations	18.2	-	(2 804 275)
Operating profit/(loss)	25	20 725 061	(38 274 345)
Net finance income	26/27	30 398 888	51 049 903
Taxation	28	-	289 776
Profit/(Loss) for the year from continuing operations		51 123 949	13 065 334
Discontinued operations (net of income tax)			
Loss for the year from discontinued operations	30	(3 294 420)	(921 625)
Profit/(Loss) for the year		47 829 528	12 143 709
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of post employment benefit obligation		(826 000)	17 562 000
Other comprehensive income for the year, net of tax		(826 000)	17 562 000
Total comprehensive income for the year		47 003 528	29 705 709

STATEMENT OF CHANGES IN EQUITY

	Share capital	Accumulated loss	Revaluation reserve	Actuarial reserve	Total
	R	R	R	R	R
Balance as at 1 April 2012	50 000 000	(185 231 040)	158 084 892	-	22 853 852
Total comprehensive income for the year		12 143 709	-	17 562 000	29 705 709
Profit/(loss) for the year	-	12 143 709	-	-	12 143 709
Other comprehensive income	-	-	-	17 562 000	17 562 000
Increase share capital	350 000 000				350 000 000
Balance as at 1 April 2013	**400 000 000**	**(173 087 332)**	**158 084 892**	**17 562 000**	**402 559 561**
Total comprehensive income for the year	-	47 829 528	-	(826 000)	47 003 528
Profit/(loss) for the year	-	47 829 528	-	-	47 829 528
Other comprehensive income	-	-	-	(826 000)	(826 000)
Balance as at 31 March 2014	**400 000 000**	**(125 257 803)**	**158 084 892**	**16 736 000**	**449 563 089**
Notes:	15		16	17	

STATEMENT OF CASH FLOWS

	Notes	2014 R	2013 R
Net cash (out)/inflow from operating activities		50 623 475	(21 429 576)
Cash flow (to)/from operating activities	29	22 010 637	(70 411 346)
Cash flow from discontinued operations	30	(3 294 420)	(921 625)
Interest received	26	40 149 946	61 456 899
Interest paid	27	(8 242 688)	(11 553 504)
Net cash outflow from investing activities		(33 143 846)	(3 560 140)
Expenditure to maintain operating capacity			
Purchase of property, plant & equipment	7	(33 258 480)	(3 573 767)
Disposal of property plant and equipment		217 234	-
Disposal of intangible assets			76 047
Purchase of intangible assets	8	(102 600)	(62 420)
Net cash in/(out)flow from financing activities		(99 043 561)	240 419 108
Loan granted to joint venture	11	(28 052 141)	444 302
Shares issued	15	-	350 000 000
(Increase)/decrease in Rehabilitation Trust Investment	10	(5 497 341)	(61 406 070)
Government funded obligations utilised	20.1	(73 731 068)	(60 168 748)
Interest received on government funded obligations	20.1	8 236 990	11 549 624
Net increase/(decrease) in cash and cash equivalents		(81 563 932)	215 429 392
Opening cash and cash equivalents		556 679 171	341 249 779
Closing cash and cash equivalents	29.2	475 115 239	556 679 171
The cash and cash equivalents balance is reconciled as follows:			
Operational cash		113 552 209	139 477 469
Recapitalisation funds (MTEF)		211 449 024	201 136 731
Cash held in legal trust		10 662 173	10 897 527
Cash held for government funded obligations		139 451 833	205 167 444
Total cash and cash equivalents	29.2	475 115 239	556 679 171

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2014

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 except for the change in accounting policy as explained in note 3.

1.1. STATEMENT OF COMPLIANCE

The financial statements for the year ended 31 March 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Public Finance Management Act No. 1 of 1999, as amended (PFMA).

1.2. BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention, modified by the revaluation of land and buildings. The financial statements are presented in South African Rand and all amounts have been rounded to the nearest rand. The accounting policies have been consistently applied to all the periods presented.

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 accepted accounting practice, i.e. Statements of GAAP (SA GAAP). The company applied for and received approval from the office of the Accountant-General to depart from the requirements of the PFMA and prepare its financial statements in accordance with IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the notes below. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.3. JOINT ARRANGEMENTS

Joint arrangements are arrangements whereby the company has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affects the arrangement's returns. They are classified and accounted for as follows:

- Joint operation: when the company has rights to the assets and obligations for the liabilities relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture: when the company has rights only to the net assets of the arrangement, it accounts for its interest in using the equity method, as for associates.

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.

Land and buildings relating to non-core activities are shown at fair value less subsequent depreciation for buildings. Land is not depreciated. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation commences when the assets are ready 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.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 years
Plant and equipment	9 - 34 years
Motor vehicles	4 - 28 years

▪ Furniture, fittings and equipment	3 - 34 years
▪ Computer equipment	3 - 26 years
▪ Computer software	2 - 20 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 are derecognised.

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

Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

1.5. INTANGIBLE ASSETS

Computer software

Intangible assets are initially recognised at cost. An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of the intangible assets. The estimated useful life for computer software is four years. The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

1.6. IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the company reviews the carrying amount of its property, plant and equipment to determine whether there are any events or changes in circumstances indicating that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). The recoverable amount is the higher of fair value less 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 risks specific to the asset for which estimates 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. Any impairment is first recognised against any existing revaluation reserves, whereafter the balance of the impairment (if any) is recognised immediately as an expense.

Where impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but 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 as income immediately.

1.7. FINANCIAL INSTRUMENTS

The company classifies its financial instruments in the following categories:

- Loans and receivables
- Available for sale financial assets
- Financial liabilities measured at amortised cost

The classification depends on the purpose for which the financial instruments were acquired. Classification is re-assessed on an annual basis. Management determines the classification of its financial instruments at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2014

an active market. When a financial liability is not 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, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

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

Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

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

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss as part of other income.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

1.7.1. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

1.7.2. 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. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

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 or 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 or loss.

Trade and other receivables are classified as loans and receivables.

1.7.3. Cash and cash equivalents

Cash and cash equivalents include cash on 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.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. These are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

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.

1.7.4. Loans to/(from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as available for sale financial assets. Loans from group companies are classified as financial liabilities measured at amortised cost.

1.7.5. Cash held in Rehabilitation Trust Fund

The company has an obligation to rehabilitate the environment as a result of environmental disturbances caused by its mining activities. The company makes monthly contributions towards a duly registered Rehabilitation Trust Fund to fund the environmental rehabilitation obligation.

The cash held in the rehabilitation trust is a long-term investment and classified as an available-for-sale financial asset.

1.8. IMPAIRMENT OF FINANCIAL ASSETS

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

Impairments 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 obligor;
- A breach of contract, such as a default or delinquency in interest or principle 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 in the company.

The company first assesses whether objective evidence of impairment exists. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's 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 impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.9. INVENTORIES

Inventories are valued as follows:

- diamonds are valued at the lower of weighted average cost or net realisable value; and
- parts and consumable items are valued at the lower of weighted average cost and net realisable value.

In all cases, obsolete, redundant and slow moving stock are identified and written down to net realisable value. The

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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 reversal of any 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 product inventories 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.

1.10. SHARE CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.11. 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 asset's 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 of expected future cash flows of the relevant cash-generating unit). The best evidence of an asset's fair value is its 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 or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been 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 impairment. Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale. Impairment losses are also not subsequently reversed for available-for-sale equity investments that are held at cost because fair value was not determinable.

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 each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. 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 mining sites 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. These future cost estimates are discounted to their present value.

The calculation of these provision estimates requires assumptions such as application of 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 and receivables

The company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or 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 impairment provision 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 potential insolvency or other credit risk; and
- Credit checks and assessments by attorneys as to 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 originally estimated provision.

Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 18.

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 liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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 income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of 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 cash flows and taxable income differ significantly from estimates,

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the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Allowance for slow moving, damaged and obsolete stock

An allowance is made to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

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

Property, plant and equipment is 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.

1.12. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

In terms of section 55(2)(b)(i) of the PFMA the financial statements must include particulars of any irregular and fruitless and wasteful expenditure.

Section 1 of the PFMA, as amended, defines irregular expenditure as expenditure, other than unauthorised expenditure, incurred in contravention of or that is not incurred in accordance with a requirement of any applicable legislation and defines fruitless and wasteful expenditure as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All unauthorised, irregular, fruitless and wasteful expenditure is accounted for in profit/loss in the period in which they are identified.

1.13. EMPLOYEE BENEFITS

Pension fund

The company only had defined contribution plans during the year. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The company operates one pension fund for its employees. The scheme is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income.

For the defined contribution plan, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-retirement obligations

The company provides post-retirement health care benefits to their retirees employed before 1 May 1989. IAS 19 states that the current service cost should be recognised as a periodic expense in operating profit and should be matched to the benefit received during the working life of the employee. The current service cost should include the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service.

The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. However, the actual experience of the beneficiaries of Alexkor will vary from these assumptions. These variations emerge at each valuation as actuarial gains or losses. IAS 19 allows a number of methods for the recognition of these gains and losses. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to profit or loss in the period in which they arise. Any actuarial gains and losses are recognised immediately in profit or loss. The approach taken in the valuation complies with the guidelines issued by the Actuarial Society of South Africa with regards to reporting on post-employment health care provision and is consistent with the requirements of IFRS in terms of IAS 19.

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 group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the 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 more than twelve months after the statement of financial position date are discounted to their present value.

Leave accrual

Employee entitlements to annual leave are recognised as short-term employee benefits when they are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render 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.

If a portion of these benefits is expected to be settled outside the twelve months after the end of the annual reporting period, then the whole of the benefits will be considered other long-term employee benefits.

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

Deferred income tax

Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases for tax purposes. 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 substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised

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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 items 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 differences 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 taxes 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.

1.15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use. The condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

1.16. PROVISIONS AND CONTINGENCIES

Provision for environmental restoration, restructuring costs, legal claims, leave and bonus payments are recognised when the company has a present legal or 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 expenditures 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. Contingencies are disclosed in notes 31 and 32.

1.17. LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Assets held under operating leases are not recognised in the statement of financial position.

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 of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below.

(a) 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 continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is 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 loan and receivables are recognised using the original effective interest rate.

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

1.20. GOVERNMENT GRANTS

Government grants are accounted for at the earlier 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 attaching to them. Distinction is made between the following types of government grants:

- government grants received/receivable as compensation for expenses already incurred is accounted as a credit in profit or loss and 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 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.

1.21. RELATED PARTIES

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

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2. NEW STANDARDS AND INTERPRETATIONS

2.1. STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

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 January 2014 or later periods:

- **IAS 19** (Amendment) Employee Benefits (effective for financial periods beginning on/after 1 July 2014) to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.
  Management is in the process of assessing the impact.
- **IAS 32** (Amendment) Offsetting of Financial Assets and Financial Liabilities (effective for financial periods beginning on/after 1 January 2014) – The application guidance of IAS 32 has been amended to clarify some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. The amendments do not change the current offsetting model in IAS 32, but clarify that the right of set-off must be available today – that is, it is not contingent on a future event. It also must be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also clarify that gross settlement mechanisms (such as through a clearing house) with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances. Master netting agreements where the legal right of offset is only enforceable on the occurrence of some future event, such as default of the counterparty, continue not to meet the offsetting requirements.
  Management is in the process of assessing the impact.
- **IAS 36** (Amendment) Impairment of assets (effective for financial periods beginning on/after 1 January 2014). These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
  Management is in the process of assessing the impact.
- **IAS 39** (Amendment) Recognition and measurement', on novation of derivatives and hedge accounting (effective for financial periods beginning on/after 1 January 2014) These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way. Similar relief will be included in IFRS 9, 'Financial instruments'
  Management is in the process of assessing the impact.
- **IFRS 7** (Amendment): Financial Instruments: Disclosures - IFRS 9 Transitional Disclosures (effective for financial periods beginning on/after 1 January 2015) – The amendment requires additional disclosure on the transition from IAS 39 to IFRS 9. This additional disclosure is only required when an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2013. If an entity adopts IFRS 9 for financial periods beginning on/after 1 January 2012 and before 1 January 2013, the entity can either provide the additional disclosure or restate prior periods. The additional disclosure highlights the changes in classification of financial assets and financial liabilities upon the adoption of IFRS 9.
  Management is in the process of assessing the impact.

- **IFRS 9** Financial Instruments (effective for financial periods beginning on/after 1 January 2015) – IFRS 9 published in November 2009, addresses classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard requires a single impairment method to be used, replacing the numerous impairment methods in IAS 39 that arose from the different classification categories. The standard also removes the requirement to separate embedded derivatives from financial asset hosts.

  IFRS 9 was amended in October 2010 to incorporate financial liabilities. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. The amendment introduces new requirements that address the problem of volatility in profit or loss (P&L) arising from an issuer choosing to measure its own debt at fair value. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income (OCI) section of the income statement, rather than within P&L.

  In December 2011 the effective date of IFRS 9 was delayed. The original effective date for annual periods beginning on/after 1 January 2013 has been delayed to annual periods beginning on/after 1 January 2015. The amendment also modifies the relief from restating prior periods, in that if IFRS 9 is adopted for reporting periods: beginning before 1 January 2012, comparatives need to be restated nor does the additional disclosure requirements of IFRS 7 need to be provided; beginning on/after 1 January 2012 and before 1 January 2013, either the additional disclosure required by IFRS 7 must be provided or the prior periods need to be restated; beginning on/after 1 January 2013, the IFRS 7 additional disclosure is required but the entity need not restate prior periods.
  Management is in the process of assessing the impact.

- **IFRS 10** Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements. (Amendments effective for annual periods beginning on or after 1 January 2014. These amendments provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement.
  This amendment will have no impact as Alexkor is not an investment entity (as defined).

- **IFRS 14** Regulatory Deferral Accounts (effective for financial periods beginning on/after 1 January 2016) permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
  No impact.

- Annual improvements 2012 (effective for financial periods beginning on/after 1 July 2014) In December 2013, the IASB issued Annual Improvements to IFRSs 2010-2012 Cycle, a collection of amendments to IFRSs, in response to eight issues addressed during the 2010-2012 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2010, and that were subsequently included in the exposure draft of proposed amendments to IFRSs, *Annual Improvements to IFRSs 2010-2012 Cycle* (published in May 2012). The issues included in this cycle are:
  - IFRS 2: Definition of 'vesting condition'
  - IFRS 3: Accounting for contingent consideration in a business combination
  - IFRS 8: Aggregation of operating segments
  - IFRS 8: Reconciliation of the total of the reportable segments' assets to the entity's assets
  - IFRS 13: Short-term receivables and payables
  - IAS 7: Interest paid that is capitalised
  - IAS 16/IAS 38: Revaluation method—proportionate restatement of accumulated depreciation
  - IAS 24: Key management personnel.

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Management is in the process of assessing the impact.

- Annual improvements 2013 (effective for financial periods beginning on/after 1 July 2014) In December 2013, the IASB issued Annual Improvements to IFRSs 2011-2013 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2011-2013 cycle. The amendments reflect issues discussed by the IASB during the project cycle that began in 2011, and that were subsequently included in the Exposure Draft of proposed amendments to IFRSs, Annual Improvements to IFRSs 2011-2013 *Cycle (published in November 2012). The issues included in this cycle are:*
  - IFRS 1: Meaning of effective IFRSs;
  - IFRS 3: Scope exceptions for joint ventures;
  - IFRS 13: Scope of paragraph 52 (portfolio exception); and
  - IAS 40: Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property.

  Management is in the process of assessing the impact.

- **IFRIC 21**, 'Levies' (effective for financial periods beginning on/after 1 January 2014) This Interpretation is on IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

  Management is in the process of assessing the impact.

3. CHANGE IN ACCOUNTING POLICY

3.1. DEFINED BENEFIT PENSION PLAN

The company has implemented the revised IAS 19 Employee benefits (2011). The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard also requires net interest expense / income to be calculated as the product of the net defined benefit liability / asset and the discount rate as determined at the beginning of the year. The effect of this is to remove the previous concept of recognising an expected return on plan assets.

Impact of change in accounting policy

The change in accounting policy has been applied retrospectively. The effect of the change in accounting policy is as follows:

	2014	2013
Increase/(decrease) actuarial gain/ loss on defined benefit pension (other income)	-	(15 900 000)
(Increase)/decrease actuarial gain/ loss on defined benefit pension (other expenses)	826 000	(1 662 000)
Increase/(decrease) in Other comprehensive income	(826 000)	17 562 000
Increase/(decrease) in comprehensive income	-	-
(Increase)/decrease in accumulated loss	826 000	(17 562 000)
Increase/(decrease) in actuarial reserve	(826 000)	17 562 000
Increase/(decrease) equity	-	-

There is no net change to the balance sheet position as there are no unrecognised actuarial gains or losses on the balance sheet.

4. CHANGE IN ACCOUNTING ESTIMATE

4.1. REASSESSMENT OF USEFUL LIVES OF AND RESIDUAL VALUES

The useful lives and residual values of all property, plant and equipment, as well as intangible asset items have been reassessed. The change in accounting estimate has been prospectively applied. The effect of the change in accounting estimate is as follows:

	2014	2013
(Increase)/decrease in depreciation (cost of sales)	18 095 918	-
Increase/(decrease) in comprehensive income	18 095 918	-
Increase/(decrease) in Property, plant and equipment at cost	18 539 918	-
(Increase)/decrease in Property, plant and equipment accumulated depreciation	(785 221)	-
Increase/(decrease) Intangible assets at cost	(125 703)	-
Increase/(decrease) Intangible assets accumulated amortisation	466 925	-
Increase/(decrease) equity	18 095 918	-

5. FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL RISK FACTORS

The principal financial risks arising from the company's continuing activities in diamond mining are those related to commodity price risk, currency 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 on the company's financial performance. The company has various financial instruments such as trade debtors, trade creditors and cash, which arise directly from its operations. It is the company's policy not to trade in financial instruments.

	Carrying values		Fair values	
	2014	2013	2014	2013
	R	R	R	R
Financial assets				
Trade and other receivables	12 961 558	5 568 001	12 961 558	5 568 001
Cash and cash equivalents	475 115 239	556 679 171	475 115 239	556 679 171
Cash held in the rehabilitation trust	115 018 955	109 521 614	115 018 955	109 521 614
Loan to joint venture	38 092 600	10 040 459	38 092 600	10 040 459
Financial liabilities				
Trade and other payables	170 520 029	232 037 706	170 520 029	232 037 706

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5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. FINANCIAL RISK FACTORS (CONTINUED)

MARKET RISK

Foreign currency 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 exchange rates 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 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 interest rates, remain constant. The analysis is performed on the same basis for 2014, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below

As at 31 March 2014 a strengthening of the USD against all other currencies by 12% would have, on average, increased the net profit before tax with R16.9 million (2013: R10.3 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

As at 31 March 2014 a strengthening of the USD against all other currencies by 9% would have, on average, increased the profit before tax with R12.7 million (2013: R8.5 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax

Commodity price risk

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

As at 31 March 2014 a strengthening of the USD price per carat by 8%, with all other variables remaining constant, would have, on average, increased the net profit before tax with R11.3 million (2013 R7.5 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

As at 31 March 2014 a strengthening of the USD price per carat by 10%, with all other variables remaining constant, would have, on average, increased the profit before tax with R14.1 million (2013: R9.3 million). An equal change in the opposite direction would have caused an equal decrease on 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.

At 31 March 2014, if interest rates on deposits had been 70 basis points higher with all other variables remaining constant, the pre-tax profit for the year would have been R4.1 million higher (2013: R5.0 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

At 31 March 2014, if interest rates on deposits had been 50 basis points higher with all other variables remaining constant, the pre-tax profit for the year would have been R2.9 million higher (2013: R3.3 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

OTHER FINANCIAL RISKS

Credit risk

The company's credit risk arises from cash and cash equivalents, deposits with banks and 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 on-going basis with the result that the company's exposure to bad debts is significant. The company's maximum exposure is equal to the carrying amount of trade and other receivables.

An amount of R4 440 536 (2013: R4 155 637) in trade receivables was determined to be impaired. The company considered these receivables to be irrecoverable as the defaulted debtors have not reacted to follow-up payment requests and were subsequently handed over to the company's lawyers. Refer to Note 13 for further disclosure.

- ***Cash and cash equivalents***

The company's cash and cash equivalents are maintained at only three financial institutions which exposes the company to minimal credit risk as a result of credit concentration. The company limits its risk by dealing with, and maintaining its cash and cash equivalents, at well-established financial institutions of high quality and credit standing. The company's maximum exposure is equal to the carrying amount of cash and cash equivalents. Funds are principally held with Investec Bank, First Rand (includes RMB and FNB) and Nedbank.

Funds are held at the following institutions:

	Cash balances	
	2014	2013
	R	R
Investec Bank Limited	214 290 735	318 800 490
Rand Merchant Bank Limited	345 052 062	311 741 979
First National Bank Limited	13 422 725	35 637 236
Nedbank Limited	17 362 779	13 084
Total	590 128 301	666 192 788

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5. FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1. FINANCIAL RISK FACTORS (CONTINUED)

- *Cash and cash equivalents* (continued)

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

	Credit rating	
	2014	2013
	R	R
BBB	375 837 566	347 392 299
BBB-	214 290 735	318 800 490
Total	590 128 301	666 192 788

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 the 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 continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

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

	Contractual value	0 - 3 months	More than 3 months
	R	R	R
As at 31 March 2014			
Trade and other payables	170 520 029	30 716 637	139 803 392
As at 31 March 2013			
Trade and other payables	232 037 706	26 842 854	205 194 853

5.2. CAPITAL RISK MANAGEMENT

The company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the 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 (including “current and non-current borrowings” as shown in the statement of financial position) 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.

6. DETERMINATION OF FAIR VALUES

The table below analyses recurring assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Financial assets and liabilities that are measured at fair value at 31 March 2014:

2014				
ASSETS	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Cash held in Rehabilitation Trust	115 018 955			115 018 955
Loan to Joint Venture		38 092 600		38 092 600
Total assets	**115 018 955**	**38 092 600**	**-**	**153 111 555**

Financial assets and liabilities that are measured at fair value at 31 March 2013:

2013				
ASSETS	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Cash held in Rehabilitation Trust	109 521 614			109 521 614
Loan to Joint Venture		10 040 459		10 040 459
Total assets	**109 521 614**	**10 040 459**	**-**	**119 562 073**

See note 14 for disclosures of the assets held for sale that are measured at fair value.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. These instruments are included in Level 1. Instruments included in Level 1 comprise the cash held in the rehabilitation trust, which is a long-term investment classified as available for sale.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

6. DETERMINATION OF FAIR VALUES (CONTINUED)

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. Specific valuation techniques used to value financial instruments include:

- Market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business)
- Cost approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost)
- Income approach – converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.
- The company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	2014	2014	2014	2013	2013	2013
	R	R	R	R	R	R
Owned assets						
Land and buildings	22 880 382	-	22 880 382	20 610 222	1 838 791	18 771 431
Plant and equipment	71 302 938	32 764 554	38 538 385	58 325 112	52 109 885	6 215 228
Motor vehicles	17 315 751	9 995 949	7 319 802	24 857 926	18 988 869	5 869 058
Furniture and fittings	2 655 307	572 321	2 082 985	1 197 187	1 129 616	67 571
Computer equipment	3 591 127	2 344 060	1 247 067	4 731 980	4 087 938	644 042
Trade and other payables	117 745 504	45 676 884	72 068 621	109 722 427	78 155 098	31 567 329

7. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of the carrying values of property, plant and equipment

2014	Carrying value at beginning of the year R	Additions R	Disposals/ Impairment R	Reassessment of useful lives R	Depreciation R	Carrying value at end of year R
Owned assets						
Land and buildings	18 771 431	-	-	4 108 951	-	22 880 382
Plant and equipment	6 215 228	28 443 511	(899 006)	10 782 278	(6 003 626)	38 538 385
Motor vehicles	5 869 057	2 057 623	(15 682)	2 182 385	(2 773 581)	7 319 802
Furniture and fittings	67 571	2 322 208	(249 501)	58 262	(115 555)	2 082 985
Computer equipment	644 042	435 138	(41 830)	622 820	(413 104)	1 247 067
Total	**31 567 329**	**33 258 480**	**(1 206 019)**	**17 754 696**	**(9 305 866)**	**72 068 621**

2013	Carrying value at beginning of the year R	Additions R	Disposals/ Impairment R	Reassessment of useful lives R	Depreciation R	Carrying value at end of year R
Owned assets						
Land and buildings	19 282 111	-	(510 680)	-	-	18 771 431
Plant and equipment	5 543 979	2 493 594	(174 794)	-	(1 647 551)	6 215 228
Motor vehicles	7 455 669	1 069 083	-	-	(2 655 694)	5 869 057
Furniture and fittings	120 691	3 433	-	-	(56 553)	67 571
Computer equipment	553 807	440 199	-	-	(349 965)	644 042
Total	**32 956 257**	**4 006 308**	**(685 474)**	**-**	**(4 709 763)**	**31 567 329**

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

8. INTANGIBLE ASSETS

2014	2014 Cost	2014 Accumulated Amortisation	2014 Carrying Value	2013 Cost	2013 Accumulated Amortisation	2013 Carrying Value
	R	R	R	R	R	R
Owned assets						
Computer software	1 886 708	1 473 258	413 451	1 909 811	1 682 083	227 729
Total	**1 886 708**	**1 473 258**	**413 451**	**1 909 811**	**1 682 083**	**227 729**

Reconciliation of the carrying value of intangible assets

2014	Carrying value at beginning of the year	Additions	Disposals	Reassessment of useful lives	Depreciation	Carrying value at end of year
	R	R	R	R	R	R
Owned assets						
Computer software	227 729	102 600	-	341 222	(258 100)	413 451
Total	**227 729**	**102 600**	**-**	**341 222**	**(258 100)**	**413 451**

2013	Carrying value at beginning of the year	Additions	Disposals	Reassessment of useful lives	Depreciation	Carrying value at end of year
	R	R	R	R	R	R
Owned assets						
Computer software	427 466	62 420	(58 153)	-	(204 005)	227 729
Total	**427 466**	**62 420**	**(58 153)**	**-**	**(204 005)**	**227 729**

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 intangible assets have been pledged as security.

9. JOINT OPERATION

The PSJV designated the Alexkor RMC JV was established on 7 April 2011. 31 March 2014 it was in its third year of existence. All mining operations previously performed by Alexkor are now performed in the joint venture.

9.1. SUMMARY

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

9. JOINT OPERATION (CONTINUED)

9.1. SUMMARY

	2014	2013
	R	R
ASSETS:		
Non - current assets	66 335 884	10 692 814
Current assets	100 097 376	70 902 051
	166 433 260	81 594 866
LIABILITIES:		
Long-term liabilities	78 200 167	20 925 262
Current liabilities	55 504 210	48 971 915
	133 704 377	69 897 177
Net assets	32 728 883	11 697 689
Revenue	277 005 032	184 133 739
Cost of Sales	(250 970 566)	(177 099 080)
Gross profit/(loss)	26 034 466	7 034 659
Administration expenses	(2 352 706)	(2 041 125)
Other expenses	(1 014 248)	(993 258)
Other income	8 097	35 088
Provision for environmental rehabilitation liability	(25 637)	(434 529)
Operating profit/(loss)	22 649 972	3 600 835
Net finance income	802 597	334 691
Profit before income tax	23 452 569	3 935 526
Taxation	-	-
Profit for the year from continued operations	23 452 569	3 935 526
Profit /(loss) for the year from discontinued operations	221 955	812 404
Net profit for the year	23 674 524	4 747 930
Cash flow from operating activities	12 417 997	37 114 594
Cash flow to investing activities	(54 997 787)	(6 227 117)
Cash flow from financing activities	57 249 268	(906 738)
Net cash flow	14 669 477	29 980 739

The amounts stated above reflect Alexkor's 51% share in the PSJV adjusted for differences in accounting policies and intercompany transactions. The PSJV generated a gross profit of R 26.0 million.

There are no contingent liabilities relating to the group's interest in the joint operations, and no contingent liabilities to the venture itself.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

9. JOINT OPERATION (CONTINUED)

9.2. DETAILED ANALYSIS OF THE JOINT VENTURE IN THE STATEMENT OF COMPREHENSIVE

	Notes	Alexkor excluding PSJV R	51% share PSJV R	Alexkor including PSJV
Revenue	21	-	141 272 566	141 272 566
Cost of sales	22	(31 310 925)	(124 715 802)	(156 026 727)
Gross profit / (loss)		(31 310 925)	16 556 765	(14 754 160)
Administration expenses		(993 325)	(1 199 880)	(2 193 205)
Other expenses	23	(19 913 422)	(517 267)	(20 430 689)
Other income	24	74 035 860	4 129	74 039 989
Provision for environmental rehabilitation liability	19	(15 923 799)	(13 075)	(15 936 874)
Provision for retirement benefit obligations	18.2	-	-	-
Operating profit/(loss)	25	5 894 389	14 830 672	20 725 061
Net finance income		29 989 563	409 325	30 398 888
Taxation	28	-	-	-
Profit for the year from continued operations		35 883 951	15 239 998	51 123 949
Discontinued operations (net of income tax)				
Profit /(loss) for the year from discontinued operations	30	(3 167 847)	(126 573)	(3 294 420)
Profit for the year		32 716 104	15 113 424	47 829 528
Other comprehensive income:				
Government grants recognised in equity		-	-	-
Remeasurements of post employment benefit obligations		(826 000)	-	-
Other comprehensive income for the year, net of tax		31 890 104	-	(826 000)
Total comprehensive income for the year		**23 674 524**	**15 113 424**	**47 003 528**

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

10. CASH HELD IN REHABILITATION TRUST

	2014	2013
	R	R
Opening balance	109 521 614	48 115 544
Contributions	-	58 846 631
Interest received	5 497 341	2 559 440
Total	**115 018 955**	**109 521 614**

The cash held in rehabilitation trust is a long term investment and will be utilised to fund the rehabilitation liability (refer to Note 19).

11. LOAN TO JOINT VENTURE

	2014	2013
	R	R
Opening balance	10 040 459	10 484 760
Advances	34 543 478	3 357 206
Repayments	(6 491 337)	(3 801 508)
Total	**38 092 600**	**10 040 459**

This loan is neither past due or impaired and originated from the 49% of the loan to PSJV which is not controlled by Alexkor. The loan is unsecured, bears no interest and has no fixed terms of repayment.

12. INVENTORIES

	2014	2013
	R	R
Diamonds	10 184 498	8 594 824
Parts and consumable stores	3 866 683	4 522 910
Total	**14 051 181**	**13 117 734**

Diamond inventory at Muisvlak plant and the Optical Sorter were carried at cost and those from contractors were carried at net realisable value due to high contractor costs at year-end. No inventories have been pledged as security.

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FOR THE YEAR ENDED 31 MARCH 2014

13. TRADE AND OTHER RECEIVABLES

	2014 R	2013 R
Trade and other receivables		
Trade receivables *	2 258 017	1 517 414
Loan to the Richtersveld Agricultural Holding Company *	2 100 443	2 100 443
Less: Provision for impairment of receivables	(2 100 443)	(2 100 443)
Total other receivables *	13 043 634	6 105 780
Less: Provision for impairment of receivables	(2 340 093)	(2 055 194)
VAT receivable †	475 349	-
Total prepayments †	418 715	715 324
Total	**13 855 622**	**6 283 324**

* Financial assets

† Non-financial assets

Movement in the provision for impairment of trade receivables

Balance at the beginning of the year	4 155 637	3 842 235
Impairment losses recognised/(reversed)	284 899	313 402
Amounts written off as uncollectable	-	-
Balance at the end of the year	**4 440 536**	**4 155 637**

Credit quality of trade and other receivables

All debtors' payment terms are net thirty (30) days after invoice date unless otherwise agreed to by the seller and subject to the seller's determination regarding the buyer's qualification for credit.

Provision for the impairment 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 to support the recoverability. Before accepting any new customers, an assessment of the potential customer's credit quality is performed which is also used to set credit limits.

	2014 R	2013 R
Counter parties with no external credit rating		
New customers	5 454 296	10 068
Existing customers with no defaults in the past	1 891 000	1 977 015
Existing customers with some defaults in the past	1 771 746	52 666
Total	**9 117 042**	**2 039 749**

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade and other receivables which are less than 4 months past due are not considered to be impaired. At 31 March 2014 R2 424 234 (2013: R774 075) were past due but not impaired. An impairment provision of R4 440 536 (2013: R4 155 637) was recognised against trade and other receivables

The ageing of the amounts past due but not impaired is as follows:

	2014		
	Gross amount	Impairment	Net Carrying amount
Current/fully performing	9 117 042	(49 028)	9 068 014
30 - 60 days	1 035 405	(38 473)	996 933
60 + days	7 249 647	(4 353 036)	2 896 611
Total	**17 402 094**	**(4 440 536)**	**12 961 558**

	2013		
	Gross amount	Impairment	Net Carrying amount
Current/fully performing	2 039 749	(47 972)	1 991 778
30 - 60 days	2 775 799	(32 116)	2 743 683
60 + days	4 908 090	(4 075 550)	832 540
Total	**9 723 638**	**(4 155 637)**	**5 568 001**

The creation and release of the provision for impaired 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 are generally written off.

The maximum exposure to credit risk at reporting date is the carrying amount of each class of trade and other receivable 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

FOR THE YEAR ENDED 31 MARCH 2014

14. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2014				
	Fair value at the beginning of the year	Impairment	Disposal	Reassessment of useful lives	Fair value at the end of the year
Land and buildings	162 434 882	-	-	-	162 434 882
Total	**162 434 882**	**-**	**-**	**-**	**162 434 882**

	2013				
	Fair value at the beginning of the year	Impairment	Disposal	Reassessment of useful lives	Fair value at the end of the year
Land and buildings	162 434 882	-	-	-	162 434 882
Total	**162 434 882**	**-**	**-**	**-**	**162 434 882**

The land and buildings classified as non-current assets held for sale are those assets specifically identified in the land claim settlement agreement that will be transferred to the Richtersveld Community once the Township upgrade has been completed. The transfer is expected to take place in the 2015 financial year.

In accordance with IFRS 5, the assets and liabilities held for sale were written down to their fair value less costs to sell. This is a non-recurring fair value which has been measured using observable inputs, being the prices for recent sales of similar businesses, and is therefore within level 2 of the fair value hierarchy. During September 2011 a valuation of the properties was done by The Appraisal Corporation. To establish the capital appreciation lost as at the date of the settlement, i.e. 22 April 2007, they have used the same adjustment yardsticks as with their 5 July 2011 submission, namely a factor of effectively 15% per annum to adjust the 2005 values to 22 April 2007 and a factor of 12.5% per annum to adjust the 2007 values to 01 May 1989, when Alexkor obtained these properties.

15. SHARE CAPITAL

	2014	2013
	R	R
Authorised		
400 000 000 Ordinary shares (2013: 50 000 000 Ordinary shares)	400 000 000	50 000 000
Increase of share capital	-	350 000 000
400 000 000 Ordinary shares	**400 000 000**	**400 000 000**
Issued		
Reported as at 1 April 2013	400 000 000	50 000 000
Shares issued	-	350 000 000
Reported as at 31 March 2014	**400 000 000**	**400 000 000**

15. SHARE CAPITAL (CONTINUED)

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

16. REVALUATION RESERVE

	2014	2013
	R	R
Revaluation of land and buildings (assets held for sale)	158 084 892	158 084 892
Total	**158 084 892**	**158 084 892**

The revaluation reserve will be transferred to retained earnings once the assets held for sale are transferred to the relevant entities upon completion of the Township handover in the 2015 financial year. There were no movements in the reserve during the year.

17. ACTUARIAL RESERVE

	2014	2013
	R	R
Opening balance	17 562 000	-
Remeasurement of post employment benefit obligation	(826 000)	17 562 000
Total	**16 736 000**	**17 562 000**

18. RETIREMENT BENEFIT OBLIGATIONS

18.1. PENSION FUNDS

All employees employed before 1 July 2003 were members of the defined benefit pension fund. All defined benefit members have however been converted to defined contribution members. There are no defined benefit liabilities left in the fund. The pension fund is governed by the South African Pension Funds Act of 1956 as amended. All employees appointed after the aforementioned dates are compelled to join the defined contribution fund. The actuarial valuation of the pension fund is performed using the projected unit credit method every third year and updates are performed for each financial year-end. The assets held for the pension plans are held separately from the company and administered independently, in accordance with the statutory requirements and are measured using period end market values.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

18. RETIREMENT BENEFIT OBLIGATIONS

18.1. PENSION FUNDS

Defined Benefit Pension Plan

An estimation of the pension plan status was performed by independent consulting actuaries on 31 March 2014 using certain actuarial assumptions. The previous actuarial valuation was performed on 31 March 2013.

The following highlights the significant events or features of the fund that were taken into account in preparing this report:

- All of the defined benefit members transferred to the defined contribution section.
- The fund had no liabilities as at 31 March 2014.
- Any plan assets are valued at current market value as required by IAS 19. We used the actuarial surplus as at 31 March 2013 and projected this with expected cash flows and expected returns to 31 March 2014. The plan assets are creditor remote, meaning that should the company itself become insolvent, the creditors would not be able to access these assets held to back the post-employment retirement benefit liability.
- The trustees have agreed to allocate the surplus between the member surplus account and the employer surplus account with a 40:60 split. The employer's surplus contribution is disclosed in the Statement of Financial Position. The surplus allocation was effected retrospectively at 31 March 2011. The trustees also approved the use of the employer surplus account for the following purposes:
  - An employer contribution holiday in respect of the defined contribution potion of the fund.
  - A disability waiver.

Membership Data as 31 March 2014

Active members: 197 (2013: 131)
Pensioners: 196 (2013: 174)

Valuation method

The actuarial valuation method used to value the liabilities is the Projected Unit Credit Method prescribed by IAS19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

The following key assumptions were used for the current valuation:

18. RETIREMENT BENEFIT OBLIGATIONS

18.1. PENSION FUNDS

	2014	2013	2012	2011	2010
	%	%	%	%	%
Key economic assumptions					
Discount rate	8.70	7.00	8.25	9.00	9.00
Inflation rate	6.4	5.40	5.5	5.75	5.25
Salary increase rate	7.40	6.40	n/a	6.75	6.25
Expected rate of return on assets	**n/a**	**n/a**	**8.25**	**9.00**	**9.25**
Pension increase allowance	**n/a**	**n/a**	**n/a**	**4.89**	**4.46**

The salary increase rate was non-applicable. The pension increase rate is non-applicable since there were no defined benefit liabilities (hence no defined benefit active members) left in the fund. Furthermore, pensioners were outsourced with effect from 31 December 2009.

Settlement accounting has been performed at 31 August 2010 in respect of the transfer of defined benefit members to the defined contribution section.

	2014	2013	2012	2011	2010
	%	%	%	%	%
Fund Status					
Fair value of plan assets	15 405 000	17 821 000	32 456 000	24 271 000	93 943 000
Present value of obligations	-	-	-	-	(64 470 000)
Asset	15 405 000	17 821 000	32 456 000	24 271 000	29 473 000
Unrecognised surplus - Paragraph 65 limit*	(1 522 000)	(1 470 000)	(32 005 000)	(24 271 000)	(29 473 000)
Asset recognised on the balance sheet	13 883 000	16 351 000	451 000	-	-
Movement Analysis					
Opening balance of recognised asset	16 351 000	451 000	-	-	-
Net income/(expense) recognised in the income statement**	(1 642 000)	(1 662 000)	451 000	(67 000)	(526 000)
Remeasurments recognised in Other comprehensive Income ***	(826 000)	17 562 000			
Company contribution	-	-	-	67 000	526 000
Closing balance of recognised asset	13 883 000	16 351 000	451 000	-	-

* The “paragraph 65 limit” ensures the asset to be recognised in the company’s statement of financial position is subject to a maximum of the present value of any economic benefits available to the company in the form of refunds or reductions in future contributions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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18. RETIREMENT BENEFIT OBLIGATIONS

18.1. PENSION FUNDS (CONTINUED)

** Components of the income (expense) recognised in profit/loss is as follows:

	2014	2013	2012
	%	%	%
Current service cost ^	(2 580 000)	(1 002 000)	
Net interest on net defined liability #	938 000	(660 000)	-
Expected return on Assets *	-	-	2 184 000
Amortisations	-	-	(1 733 000)
(Expense)/Income	**(1 642 000)**	(1 662 000)	451 000

^ Employer contribution holiday in respect of defined contribution benefits.

* Refer to note 3.1 for details of a change in accounting policy

 # Components of the net interest on net defined benefit liability is as follows:

	2014	2013	2012
	%	%	%
Interest cost on defined benefit obligation			
Interest income on assets	(1 041 000)	(1 980 000)	-
Interest on limit	103 000	2 640 000	-
Net interest	**(938 000)**	660 000	-

****** Components of the income (expense) recognised in other comprehensive income was as follows:***

	2014	2013	2012
	%	%	%
Current year gains/(losses)	(877 000)	(15 613 000)	-
Change in paragrapgh 65 limit	51 000	33 175 000	-
Remeasurement recognised	**(826 000)**	17 562 000	-

18. RETIREMENT BENEFIT OBLIGATIONS

18.1. PENSION FUNDS (CONTINUED)

Ownership of surplus in a pension fund has historically been a contentious issue, but has now been addressed by way of the Pension Funds Second Amendment Act.

The effects of the Pension Funds Second Amendment Act, 2001, are quite significant to entities sponsoring retirement funds, in that recognition of any assets in a retirement fund cannot be made by the company, unless it is either as a result of a surplus apportionment exercise, or if a fund's rules allow it.

In terms of paragraph 65 of IAS 19, the asset to be recognised on the company's balance sheet is subject to a maximum of: the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits shall be determined using the discount rate."

The FSB approved the fund's surplus apportionment scheme on 7 November 2007. The approved surplus scheme was then overturned by the FSB in December 2009. A new surplus apportionment scheme was submitted and approved by the FSB on 26 April 2011.

The trustees will decide on the allocation of future surplus as and when it arises, hence we have limited the asset to the balance in the employer surplus account, which was estimated as R13 883 000 as at 31 March 2014.

The movement in the defined benefit obligation during the year is as follows:

	2014	2013	2012	2011	2010
	%	%	%	%	%
Defined benefit obligation at the beginning of the year	-	-	-	64 470 000	141 595 000
Service cost	-	-	-	311 000	748 000
Member contributions	-	-	-	81 000	219 000
Liability settled	-	-	-	(65 008 000)	(115 603 000)
Interest cost	-	-	-	2 440 000	10 707 000
Actuarial (gain)/loss	3 318 000	15 903 000	-	19 000	7 314 000
Benefits paid	(3 318 000)	(15 903 000)	-	(2 224 000)	(5 517 000)
Risk premiums	-	-	-	(89 000)	(349 000)
Past service cost	-	-	-	-	25 356 000
Defined benefit obligation at the end of the year	-	-	-	-	**64 470 000**

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FOR THE YEAR ENDED 31 MARCH 2014

18. RETIREMENT BENEFIT OBLIGATIONS

18.1. PENSION FUNDS (CONTINUED)

The movement in the fair value of plan assets during the year is as follows:

	2014	2013	2012	2011	2010
	%	%	%	%	%
Assets at fair market value at the beginning of the year	17 821 000	32 456 000	24 271 000	93 943 000	198 926 000
Interest income on assets	1 041 000	1 980 000	2 184 000	4 617 000	15 796 000
Member contributions	-	-	-	81 000	745 000
Company contributions			-	67 000	-
Employer contribution holiday	(2 580 000)	(1 002 000)	-	-	-
Risk premiums	-	-	-	(89 000)	(349 000)
Benefits paid	(3 318 000)	(15 903 000)	-	(2 224 000)	(5 517 000)
Settlement	-	-	-	(71 804 000)	(115 603 000)
Actuarial gain(/(loss)	2 441 000	290 000	6 001 000	(320 000)	(55 000)
Assets at fair market value at the end of the year	15 405 000	17 821 000	32 456 000	24 271 000	93 943 000

Estimated asset composition was as follows:

Cash	25.91%	38.11%	35.78%	40.62%	31.79%
Equity	33.92%	15.37%	33.76%	39.94%	48.87%
Bonds	14.04%	29.27%	8.41%	9.55%	3.61%
Property	2.34%	0.72%	1.94%	1.82%	0.00%
Other	1.74%	0.47%	1.13%	1.44%	1.32%
International	22.05	16.06%	18.98%	6.63%	14.41%
	100.00%	100.00%	100.00%	100.00%	100.00%
Actual return on assets	3 482 000	2 270 000	8 185 000	4 297 000	15 741 000

The rate used to discount post-employment benefit obligations should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used.

In Alexkor's opinion, there is no deep market in corporate bonds in South Africa and as such we have set our recommended assumption with reference to the Nominal Bond Curve, as compiled by the Johannesburg Stock Exchange of South Africa and obtained from I-Net Bridge, at duration of 10 years. This converts into an effective yield of 8.70% as at 31 March 2014. In terms of the accounting standards historical yields are less important and we consequently consider it appropriate to use the discount rate 8.70% per annum.

18. RETIREMENT BENEFIT OBLIGATIONS

18.1. PENSION FUNDS (CONTINUED)

Alexkor has assumed the underlying future rate of consumer price inflation (CPI) to be 6.40% per annum.

This assumption has been based on the relationship between the current Nominal and Real Bond Curves, as compiled by the Johannesburg Stock Exchange of South Africa. The real bond yield was rounded to the nearest 0.1% as in the case of the discount rate.

Alexkor calculated the inflation assumption as the difference between the discount rate and the real bond yield and adjusted for an inflation risk premium, which was assumed to be 0.5%. The yield on a conventional bond is assumed to equal inflation plus the real yield on an index-linked bond plus an inflation risk premium. There is a premium to compensate the conventional bondholder for the uncertainty regarding future inflation. If inflation is higher than expected, their real yield will be lower than expected. The index-linked bondholder does not require such a premium as their yield is protected against higher than expected inflation.

Alexkor has assumed that the level of annual salary increases to be awarded in the long-term will, on average, be equal to annual inflation plus 1.0%.

No sensitivity was carried out on the defined benefit obligation as Alexkor had a nil balance at 31 March 2014.

18.2. POST-RETIREMENT MEDICAL AID BENEFITS

Alexkor provided life-long post-retirement medical benefits for employees who commenced employment with the company on or before 1 May 1989 (currently in-service and subsequent retirees) and who have not elected to receive a voluntary severance package from the company.

An actuarial valuation was performed on 31 March 2013 (previous valuation was performed on 31 March 2012). Alexkor carried out a voluntary buy-out exercise where active members were offered lump sums in lieu of their post-retirement subsidy and pensioners were offered annuity policies through an insurance company. All of the pensioner and active members accepted the offers. Alexkor originally funded the payment of the active lump sums over five annual instalments.

The first instalment was made in December 2010, with the second one paid in December 2011 and the third one paid in December 2012. The remaining two instalments were then settled in advance with the allocated funds from the MTEF allocation in January 2013.

As at 31 March 2013, Alexkor's accrued liability is zero, down from R46 950 000 as at 31 March 2012. The actual expense for the year was R2 826 000.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

18. RETIREMENT BENEFIT OBLIGATIONS

18.2. POST-RETIREMENT MEDICAL AID BENEFITS

	2013	2012	2011	2010	2009
	%	%	%	%	%
Fund Status - Trend information					
Fair value of plan assets	-	-	-	-	-
Present value of obligations	-	46 950 000	58 436 000	90 180 000	135 321 000
Present value of unfunded liability	-	46 950 000	58 436 000	90 180 000	135 321 000
Unrecognised actuarial gains/losses	-	-	-	-	-
Liability recognised in balance sheet	-	46 950 000	58 436 000	90 180 000	135 321 000
Experience adjustments					
In respect of present value of obligations	-	-	(380 000)	-	39 322 000
In respect of fair value of plan assets	-	-	-	-	-

Actuarial valuation

The post-retirement medical aid liability is actuarially valued every three years by an independent firm of consulting actuaries, unless there are major changes in the nature and extent of the post-retirement benefits. Due to the material changes in prior years, Alexkor has performed valuations annually. The liability was last valued on 31 March 2013 (previous valuation – 31 March 2012).

Valuation method

The actuarial valuation method used to value the liabilities is the Projected Unit Credit Method prescribed by IAS19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. Any actuarial gains and losses are recognised immediately in profit or loss.

Current and future pensioners have voluntarily accepted alternative benefit offers in lieu of post-employment medical contribution subsidies.

As such, the employer's post-employment medical health care liability over the past financial year has changed from a commitment to pay a portion of the members' post-employment medical scheme contributions to the following arrangements:

- Funding the payment of active member lump sums over five annual instalments. The first three instalments were made in December 2010, December 2011 and December 2012 respectively. The remainder of the liability was settled during the 2013 financial reporting period upon receipt of the MTEF funds.
  - Should an active employee have resigned or be dismissed during the 5-year payment period, the employee would have forfeited the remainder of his/her outstanding payments.
  - Should an active employee have been retrenched, passed away or retired prior to the 5-year payment period passing, the outstanding instalments would have become payable at that point.

18. RETIREMENT BENEFIT OBLIGATIONS

18.2. POST-RETIREMENT MEDICAL AID BENEFITS

- Funding the payment of an annuity policy for pensioners over five equal annual premium payments. The first three instalments were made in November/December 2010, December 2011 and December 2012 respectively. The remainder of the liability was settled during the 2013 financial reporting period upon receipt of the MTEF funds.
  - The liability was previously valued as an annuity certain, using the assumed discount rate. The liability at 31 March 2013 was zero.

The following principles assumptions were used for the current valuation:

	31 March 2013	31 March 2012	31 March 2011	31 March 2010	31 March 2009
Discount rate	n/a	6.4% p.a.	8.75% p.a.	9.25% p.a.	9.00% p.a.
Health care cost inflation	n/a	7.75% p.a.	7.75% p.a.	7.50% p.a.	7.50% p.a.
Expected retirement age *	n/a	60	60	60	60
Membership discontinued at retirement *	n/a	0%	0%	0%	0%

* These assumptions were set in consultation with Alexkor

	2013	2012	2011	2010	2009
	R	R	R	R	R
Carrying value at the beginning of the year	46 950 000	58 436 000	90 180 000	135 321 000	77 059 000
Expensed to post-retirement employee benefits	2 804 275	5 886 000	(9 600 000)	(38 040 000)	61 432 000
Current service cost	-	-	430 000	470 000	771 000
Interest on liability	2 681 000	4 770 000	8 108 000	11 841 000	5 850 000
Net actuarial (gain)/loss	123 275	1 116 000	(18 138 000)	(50 351 000)	54 811 000
Less: Contributions and changes in obligation	-	-	(4 775 000)	(7 101 000)	(3 170 000)
Effect of settlement	(49 754 275)	(17 372 000)	(17 369 000)	-	-
***Carrying value at the end of the year**	-	46 950 000	58 436 000	90 180 000	135 321 000

* The liability was settled during the 2013 financial reporting period upon receipt of the MTEF funds.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

19. ENVIRONMENTAL REHABILITATION LIABILITY

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 result of the net inflationary adjustment of previous estimates, environmental disturbances caused during the financial year, less any rehabilitation of affected areas. The extent of sand plume increases during the year as result of past disturbances and the inevitable need to escalate control over these will result in the rehabilitation costs to escalate in future years to come. The required rehabilitation includes pebble stabilisation of sources, netting and possible reed grass re-vegetation.

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

	2014	2013
	R	R
Opening balance	268 751 103	258 013 995
Inflationary increases	15 936 874	15 182 177
Rehabilitation work performed / assessed reduction in liability	-	(4 445 068)
Total	**284 687 977**	**268 751 103**

A study conducted by an independent environmental management consultant in April 2014 estimated the gross liability to amount to R284.7 million as at 31 March 2014 (2013: R268.7 million). The company makes monthly contributions towards a duly registered Rehabilitation Trust Fund and the funds held in the trust amounted to R115.0 million as at 31 March 2014 (2013: R109.52 million), resulting in a currently unfunded rehabilitation liability of R169.5 million (2013: R159.2 million). The unfunded portion is currently held in cash and will be structured to the advantage of Alexkor's operations going forward.

All new environmental disturbances resulting from the Alexander Bay region after the implementation of the PSJV would be the responsibility of the PSJV. The PSJV environmental liability as at year-end amounted to R 460 167 (2013: R434 529) (consolidated into Alexkor at 51% resulting in an amount of R 234 685 (2013: R221 610)).

The availability of aerial photography expected later during the year will provide the opportunity for a ground-truthed total recalculation of the rehabilitation liability, taking full cognisance of sand plume increases, sand plume control by netting over the past four years, and the detailed quantification of reduced liability which has come about since its initial determination in 2005/06 through natural re-vegetation of prospecting trenches and overburden dumps.

The impact of current mining activities on the environment are minimised with the concurrent backfilling of excavations where possible, minimising of access roads and erecting of nets in order to curb the movement of sand at the base and the toe of the sand plumes. Alexkor will continue to address priority environmental issues around Boegoeberg and other areas as identified. With netting at the Boegoeberg area having achieved its aim through a reduction of decline of sand on the Boegoeberg slopes, Alexkor is satisfied that the annual expenditure on netting and re-vegetation is beginning to achieve the goal of avoiding increased costs for dust plume control. Any adjustments which may be required in future will be made based on the pending ground-truthed photo-based quantum recalculation update during the year on receipt of the new photography.

20. TRADE AND OTHER PAYABLES

	Note	2014 R	2013 R
Trade payables *		26 249 773	24 472 814
Other payables *		1 289 400	1 186 782
VAT payable †		-	2 801 440
Income received in advance †		67 017	73 431
Government funded obligations *	20.1	138 513 992	204 008 071
Accruals *		4 466 865	2 370 040
Accrued leave *		3 031 497	1 144 258
Other accruals *		1 435 368	1 225 782
Total		**170 587 047**	**234 912 577**

* Financial liability
† Non-financial liability

20.1. 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 follow:

	Opening balance at beginning of the year R	Transfers received R	Utilised during the year R	Interest earned on investment of funds R	Closing balance at the end of the year R
Township establishment	10 710 376	-	(2 769 771)	445 380	8 385 985
Costs related to Deed of Settlement	12 548 027	-	(5 230 540)	550 519	7 868 006
PSJV recapitalisation	180 749 667	-	(65 730 757)	7 241 091	122 260 000
Total government-funded obligations	**204 008 071**	**-**	**(73 731 068)**	**8 236 990**	**138 513 992**

* The R 65.7 million utilised during the year for PSJV recapitalisation relates to accumulated interest to the amount of R8.0 million which was paid to Alexkor and R57.7 million which was transferred to the PSJV for working capital.

Township establishment – The funding was granted for the establishment of a township for the Alexander Bay town as part of the implementation of the Deed of Settlement. 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 the road infrastructure and other related activities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

20. TRADE AND OTHER PAYABLES (CONTINUED)

20.1. GOVERNMENT FUNDED OBLIGATIONS (CONTINUED)

The project consisted of four phases as disclosed below.

- Phase one of the Township upgrade project which comprises of water network, sewer network, storm water control network, solid waste disposal and road works was completed in December 2011. Inspection with the Municipality was done and all items on the snag list were completed.
- Phase two included the Electrical Reticulation Upgrade Project and the contractors established the site in March 2011. The project was completed in June 2012 after all the outstanding prepaid meters were installed.
- The tender for phase 3, Mechanical and Electrical Pumping, was awarded in February 2011. This phase was completed in February 2012.
- The project for phase four, the Waste Water Treatment Works, was completed in March 2013, which was also the only outstanding phase from the Township upgrade projects.

The Township upgrade has therefore been completed with the acceptance of the final completion certificate for phase 4 in March 2013. Alexander Bay therefore complies with the minimum standards of a municipal town in the Republic of South Africa. The retention period for the civil engineering and mechanical engineering projects (phase 1 and 2) has already expired and the snag list has been attended to. The electrical upgrade and engineering works were completed in August 2012.

Alexkor have spent R127 million on the project to date. The quality of the upgrade has been monitored over the retention periods of the phases and virtually all the infrastructure has been in operation for the last 2 years.

Costs related to the Deed of Settlement – Funding was received from DPE to assist Alexkor and the Richtersveld Community (RVC) with the cost to implement the Deed of Settlement. The funds received were allocated as follows:

- Transaction cost – R11 million was received to cover Alexkor's own costs relating to the implementation of the land claim resolution. The balance will be utilised against the intended costs.
- Company establishment – R5 million was received on behalf of the RVC to be administered by Alexkor for the cost relating to the establishment of the business entities for the RVC in which the RVC's assets, mining and other activities will be managed. The balance will be utilised against the intended costs.
- RVC legal costs – R5 million was received on behalf of the RVC to be administered by Alexkor for the all the legal costs that the RVC would incur in the implementation of the Deed of Settlement. The balance will be utilised against the intended costs.

PSJV recapitalisation – Funding of R200 million was received in 2009 (R100 million) and 2010 (R100 million), which represents Alexkor's initial cost contribution for the recapitalisation of the PSJV (prospecting, exploration and mining operations). These funds can only be used, with the consent of the Minister of the DPE, once the PSJV has been established and a development plan for the land assets has been accepted. The PSJV commenced during April 2011. R20 million was transferred to the PSJV during the 2012 financial year for working capital to assist the PSJV in their immediate needs towards their operational concerns. A detailed plan is in the process of being developed for the exploration and future mining activities in Alexander Bay. R57.7 million has been transferred during the year to fund the Muisvlak operations.

21. REVENUE

	2014	2013
	R	R
Diamond sales	141 272 566	93 908 207

All revenue from continuing operations was generated through the sale of diamonds. All diamond sales were for the account of the PSJV from their operations in Alexander Bay. Alexkor had no other income generating operations apart from its 51% interest in the PSJV.

22. COST OF SALES

	2014	2013
	R	R
Employee costs	27 872 516	15 767 709
Consumables and maintenance	7 845 586	11 243 689
General expenditure	24 139 302	14 022 365
Depreciation & impairment #	(7 945 028)	5 058 777
Revenue split contractors cost	82 878 705	58 376 282
Security services	4 722 968	4 678 315
Legal costs	2 444 239	1 080 935
Implement hire	5 073 911	-
Other specialised services	8 994 527	5 010 321
Total	**156 026 727**	**115 238 394**

Refer to note 4 for detail of a change in accounting estimate

23. OTHER EXPENSES

	Note	2014	2013
		R	R
Government transfers - specific expenditure incurred		15 991 068	60 168 748
Movement in pension fund surplus*	16	1 642 000	1 662 000
Other expenses		2 797 621	851 239
Total		**20 430 689**	**62 681 987**

*Refer to note 3 for detail of a change in accounting policy

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

24. OTHER INCOME

	2014 R	2013 R
Government transfers - specific expenditure incurred	73 731 068	60 168 748
Other income	308 921	185 729
Total	**74 039 989**	**60 354 476**

25. OPERATING (LOSS)/ PROFIT

	Note	2014 R	2013 R
Operating profit /(loss) is stated after:			
Auditors' remuneration		720 099	1 819 184
External audit fees		625 151	1 128 214
Fees for other services		94 947	690 969
Internal audit fees		584 251	440 859
Fuel and oil		3 357 561	1 064 650
Electricity and water		1 759 442	1 064 295
Directors' and Executive Management emoluments	35	9 402 279	4 423 536
Mining royalties		(466 973)	(260 358)
Insurance		1 118 443	904 985
Impairment losses recognised		347 781	316 243
Operating lease payments		3 901 249	-
Consultations		8 903 653	4 857 651
Accounting services		1 338 028	1 132 675
Occupational health services		17 442	835 158
Other consultations		7 787 604	2 889 818

26. FINANCE INCOME

	2014	2013
	R	R
Interest received from cash held in rehabilitation trust	5 143 361	2 559 440
Interest received PSJV recapitalisation funds	8 208 644	41 528 726
Interest received on government funds	8 236 990	11 549 624
Interest received from cash held in bank	17 052 581	6 965 617
Total	**38 641 576**	**62 603 407**

27. FINANCE EXPENSES

	2014	2013
	R	R
Interest paid on government funds	8 236 990	11 549 624
Sundry interest expense	5 699	3 881
Total	**8 242 688**	**11 553 504**

Interest received on the government funds are shown as finance cost in this note as the interest received on these funds is allocated to the specific government funding obligation and increases the liability. (Refer to Note 20.1)

28. TAXATION

Major components of the tax expense:

	2014	2013
	R	R
Local income tax current period	-	-
Reversal of previous period over estimation	-	(289 776)
Total	**-**	**(289 776)**

No deferred tax asset has been raised on the assessed loss and other deductible timing differences as the company has no reasonable expectation that the deductible tax differences will be utilised in the foreseeable future.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

28. TAXATION (CONTINUED)

Reconciliation of the tax expense:

Reconciliation between accounting profit/ (loss) and tax expense

	2014 R	2013 R
Accounting profit/ (loss)*	47 829 528	11 853 933
Tax at the applicable rate of 28% (2012: 28%)	13 392 268	3 319 101
Tax effects of adjustments on taxable income		
Income not subject to tax	(7 104 951)	(802 695)
Expenses not deductible for tax purposes	(8 751 067)	6 063 049
Deductible contribution to rehabilitation trust	-	(16 477 056)
Wear & tear allowance	(1 781)	(6 754)
Section 12M deduction	-	(12 540 634)
Tax losses carried forward	(30 048 633)	(9 933 562)
Capital expenditure carried forward	(16 014 603)	(14 636 677)
Capital expenditure for the year	(9 552 180)	(1 616 645)
Tax losses for which no deferred income tax asset was recognised	14 519 527	30 378 552
Capital expenditure for which no deferred income tax asset was recognised	25 566 784	16 253 322
Reversal of previous period over estimation	-	(289 776)
Total	**-**	**(289 776)**

*Refer to note 3 for details of a change in accounting policy

Estimated tax losses and unutilised capital allowances available for set off against future taxable income:

	2014 R	2013 R
Estimated tax losses	51 855 453	108 494 828
Estimated unutilised capital allowances	91 309 941	58 047 578
Total	**143 165 395**	**166 542 406**

29. NOTES TO THE STATEMENT OF CASH FLOWS

29.1. CASH GENERATED BY OPERATING ACTIVITIES

	2014 R	2013 R
Net profit/(loss) before taxation	47 829 528	11 853 933
Adjustments for:		
Depreciation	9 563 966	4 913 768
Finance income	(38 641 576)	(62 603 407)
Finance costs	8 242 688	11 553 504
Movements in retirement benefit obligations	-	2 804 275
Movements in environmental rehabilitation liability	15 936 874	10 737 109
Movement in pension plan surplus*	1 642 000	1 662 000
Cash flow from discontinued operations	3 294 420	921 625
Cash settlement on medical aid liability	-	(49 754 275)
Other non - cash items	95 438	-
Reassessment of Property plant and equipment useful lives	(17 754 696)	-
Reassessment of Intangible assets useful lives	(341 222)	-
Revaluation of assets held for sale	-	-
Impairment of property, plant and equipment	988 785	252 932
Accounting profit on sale of intangible asset	-	(17 895)
Taxation paid	-	-
Payable at the beginning of the year	-	289 776
Income tax expense	-	(289 776)
Payable at the end of the year	-	-
Movement in working capital	(8 845 569)	(2 734 915)
(Increase)/ decrease in inventories	(933 447)	(4 622 812)
(Increase)/ Decrease in accounts receivable	(9 080 670)	(2 649 746)
Increase/(decrease) in accounts payable	1 168 548	4 537 643
Total	22 010 637	(70 411 346)

* Refer to note 3 for detail of a change in accounting policy

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

29. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

29.2. CASH AND CASH EQUIVALENTS

	2014 R	2013 R
Restricted cash and cash equivalents	139 451 833	205 167 444
Cash held in call account – government related funds	10 662 173	10 897 527
Cash held in trust – ongoing litigations	211 449 024	201 136 731
Recapitalisation funds(MTEF) funds		
Unrestricted cash and cash equivalents	113 552 209	139 477 469
Cash held in call account		
Total	**475 115 239**	**556 679 171**

The government funds received will be utilised for specific projects (refer to note 20.1). The cash held in the trust for on-going litigations will be utilised for legal costs should the company's defence be unsuccessful (refer to note 31). Cash received from the MTEF allocation will be utilised towards specific projects as agreed with Treasury.

30. DISCONTINUED OPERATIONS

	Alexander Bay Trading R	Hospital R	Airport R	Total R
Results from discontinued operations for the year ended 31 March 2014				
Revenue	13 399 935	-	-	13 399 935
Expenditure	(16 691 080)	(3 276)	-	(16 694 356)
Operating loss	(3 291 145)	(3 276)	-	(3 294 420)
Taxation	-	-	-	-
Loss for the period	**(3 291 145)**	**(3 276)**	**-**	**(3 294 420)**
Results from discontinued operations for the year ended 31 March 2013				
Revenue	12 812 961	-	-	12 812 961
Expenditure	(13 726 313)	(8 273)	-	(13 734 587)
Operating loss	(913 352)	(8 273)	-	(921 625)
Taxation	-	-	-	-
Loss for the period	**(913 352)**	**(8 273)**	**-**	**(921 625)**

30. DISCONTINUED OPERATIONS (CONTINUED)

Cash flow (to)/ from discontinued operations	2014 R	2013 R
Net loss before taxation	(3 294 420)	(921 625)
	(3 294 420)	(921 625)

31. CONTINGENT LIABILITIES

Nabera Mining

Nabera sued Alexkor and the South African government for amounts allegedly resulting from a contract in terms of which Nabera managed Alexkor mining assets and operations for a period of two years (1999- 2001). Two claims were instituted by Nabera, namely a claim for management fees alleged to be due in terms of the contract, for the sum of R4.5 million, and a claim for alleged value added to the mining assets over the management period. Both Alexkor and the government have resisted these claims and are of the view that Nabera added no value to the mining assets and that the calculation made in this regard is incorrect and based on wrong assumptions. The matter is ready for trial, but has not proceeded to trial because Nabera has failed to apply for a trial date. In consultation with the company's legal representatives, no provision has been made in the financial statements for this claim.

Ruslyn Mining and Plant Hire

Ruslyn instituted action for damages against Alexkor relating to a profit sharing agreement entered into on 22 June 2003. Ruslyn instituted three claims against Alexkor firstly for damages suffered as a result of fraudulent misrepresentation, secondly a claim based on a supposed contract in which Ruslyn allege that it replaced the profit sharing contract concluded in 2004 and thirdly on Alexkor's refusal to release Ruslyn's equipment when it wanted to withdraw same from the mining area. The trial is partly heard with two court sessions having passed.

The second claim has been withdrawn. The trial is now centered on the alleged misrepresentation, and the action relating to the alleged impoundment of Ruslyn's equipment is still pending. After Ruslyn closed its case, Alexkor's attorneys lodged an application for dismissal of Ruslyn's first claim on the basis, amongst others, that Ruslyn did not prove its case as set out in its pleadings.

Ruslyn brought an application to amend its pleadings. The application for dismissal of Ruslyn claim and amendments of pleadings were argued during November 2009. During March 2010 judgement was delivered, and the application for amendment brought by Ruslyn was refused, and Alexkor's application for dismissal of the second claim was granted.

Ruslyn has appealed the decision and the Supreme Court of Appeal upheld the appeal. In doing so, the court decided that absolution should not have been granted and the matter was, as a result, referred back to the High Court for further trial. The case was set down for March 2014 and has been postponed by agreement between the two parties as the parties are in settlement negotiations. In consultation with the company's legal representatives, no provision has been made in the financial statements for this claim.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

32. CONTINGENT ASSETS

South African Government

The company instituted a claim against the government of the Republic of South Africa and others for compensation in respect of assets it transferred to the Richtersveld Community (RVC) in settlement of a claim instituted by the community in terms of the Restitution of Land Rights Act 22 of 1994.

As a public company, as well as a company listed in Schedule 2 of the PFMA as a major public entity, Alexkor was obliged to claim a quid pro quo for the assets transferred to the community. The company therefore instituted a claim for compensation of the assets so transferred in terms of section 25 of the Constitution of the Republic of South Africa Act 108 of 1996 in the sum of R552 million. The parties commenced a process of mediation in an effort to resolve this matter amicably.

A proposed settlement was approved in principle where the funds would have been requested through an MTEF process instead of the initial claim against the state. The company's MTEF application was partly successful and R350 million was received on 31 December 2012. However, this amount was ring-fenced towards existing liabilities and did not include the compensation amount of R202 million as agreed, therefore leaving the company without any cash for its own disposal.

The compensation for the amount of R202 million that represents the assets still to be transferred to the community is therefore outstanding. A further MTEF application has been finalised and is awaiting submission to Treasury.

33. GUARANTEES

The company's banker has issued guarantees on behalf of the company to the following:

	2014	2013
	R	R
Eskom	**18 900**	**18 900**
Department of Mineral Resources	**314 000**	**314 000**
Total	332 900	332 900

34. RELATED PARTIES

34.1. RELATED PARTY TRANSACTIONS

	2014	2013
	R	R
SAA	621 952	548 978
Eskom	4 979 192	7 106 117
SA Post Office	828 292	1 811 518
Sentech	38 163	62 160
FinFive Inc	2 458 028	507 929
Total	**8 925 628**	**10 036 702**

34.2 RELATED PARTY RELATIONSHIPS

Alexkor holds a 51% interest in the Alexkor RMC JV.

The company is a state-owned entity and transactions with the following state entities occurred during the financial year:

- SAA
- Eskom
- SA Post Office
- Sentech
- Department of Public Enterprises – Executive Authority

Mr. Lategan is a key member of management of FinFive Inc.

The nature of transactions with these entities has not changed significantly from previous years and all transactions are at an arm's length basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

35. DIRECTORS' AND EXECUTIVE MANAGEMENT REMUNERATION

Name	Capacity	Fee for services as members	Basic Salary	Total 2013/2014	Total 2012/2013
Executive management					
P Khoza ^	Chief Executive Officer	-	2 600 000	2 600 000	195 699
B Lategan ^	Acting Chief Financial Officer	-	1 120 000	1 120 000	1 680 000
M Dludla ^	Chief Financial Officer	-	600 000	600 000	-
H Mokwena	Chief Operating Officer	-	900 000	900 000	-
Z Kellerman	Chief Legal Officer	-	810 000	810 000	-
Non-Executive Directors					
MR Bagus #	Chairperson	1 201 285	-	1 201 285	623 530
R Paul #	Non-Executive Director	632 063	-	632 063	515 739
N Mathabathe #	Non-Executive Director	248 314	-	248 314	131 260
Z Ntlangula #	Non-Executive Director	397 255	-	397 255	161 250
M Bhabha #	Non-Executive Director	275 333	-	275 333	128 927
N Jiyane #	Non-Executive Director	-	-	-	83 774
R Muzariri *	Chairperson	-	-	-	519 395
V Makin *	Non-Executive Director	-	-	-	85 106
S Ngoma *	Non-Executive Director	-	-	-	157 992
C Towell *	Non-Executive Director	-	-	-	140 864
S Zilwa	Non-Executive Director	214 958	-	214 958	-
B Grobberlaar	Non-Executive Director	206 809	-	206 809	-
DB Mkhwanazi	Non-Executive Director	196 263	-	196 263	-
Total		**3 372 279**	**6 030 000**	**9 402 279**	**4 423 536**

^ The Chief Executive Officer is also an Executive Director of the Company. Mr. Lategan was replaced by Mr. M Dludla on 1 December 2013.

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The new Board of Alexkor was appointed during its AGM on 7 September 2012. Ms. Jiyane subsequently resigned on 3 December 2012.

* The previous Board was replaced during Alexkor's AGM on 7 September 2012.

36. EVENTS AFTER THE REPORTING PERIOD

No events occurred after reporting period.

37. 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 PFMA, as amended, for the year under review:

	2014	2013
	R	R
Opening balance	146 980	-
Identified in the current year	-	146 980
Recovered	(94 347)	-
Losses written off	-	-
Total	**52 633**	**146 980**

2014

Fruitless and wasteful expenditure	Action taken	Opening balance	Losses identified	Losses recovered year to date	Losses written off	Recovery outstanding
SARS Penalties (VAT)		141 289	-	(94 347)	-	46 942
SARS Interest (VAT)		5 691	-	-	-	5 691
		146 980	**-**	**(94 347)**	**-**	**52 633**

2013

Fruitless and wasteful expenditure	Action taken	Opening balance	Losses identified	Losses recovered year to date	Losses written off	Recovery outstanding
SARS Penalties (VAT)	Disciplinary action undertaken and finalised	-	141 289	-	-	141 289
SARS Interest (VAT)	Disciplinary action undertaken and finalised	-	5 691	-	-	5 691
		-	**146 980**	**-**	**-**	**146 980**

A detailed reconciliation was done of the VAT due to/by SARS and controls were put in place to avoid future fruitless and wasteful expenditure. R 137 432 of the SARS VAT penalties and interest was paid to SARS in October 2011, the accounting entry occurred in the current financial year therefore the impact was identified in the current financial year.

The R137 432 was a result of administrative issues upon implementation of the PSJV in April 2011 whereby Alexkor submitted VAT returns on behalf of the PSJV.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

38. COMMITMENTS

38.1. OPERATING LEASE COMMITMENTS – ALEXKOR RMC JV AS LESSEE

Alexkor RMC JV leases various plant and machinery under a cancellable operating lease agreement. It is required to give a one-month notice for the termination of the agreement. The period of the lease (as agreed between the parties) is fixed for twelve months and renewable on a monthly basis thereafter.

Alexkor SOC Ltd leases a building under a cancellable operating lease agreement.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease. The lease expenditure charged to the income statement during the year is disclosed in note 25.

PSJV SUSTAINABILITY AND OPERATIONS REPORT

FINANCIAL OVERVIEW

Alexkor RMC JV posted a net profit of R23.7 million (previous year R4.7 million) Diamond sales were 46 210 carats against 36 157 in 2013.

REVENUE

Income from sale of rough, gem-quality diamonds remains the PSJV's primary revenue source. The PSJV sells its diamond stock on the South African International Diamond Exchange (SAIDEX) to local and international buyers. In this manner the PSJV is able to maximise the potential revenue stream, as prices are determined by the domestic and foreign markets rather than by single buyers.

Diamond prices are denominated in US Dollar (USD), with the result that the rand/dollar exchange rate determines the actual Rand value of the PSJV's cash inflows. During the year under review the average exchange rate was R10.23 to the USD compared to a budgeted average rate of R8.50, resulting in an increase of 20% in the dollar price per carat compared to budget.

Diamond revenue for the PSJV for the year amounted to R277.0 million compared to the previous year revenue of R184.1 million. A total of 46 681 carats were produced during 2013/14, against a budgeted production of 35 358 carats in 2012/13.

FINANCIAL MATTERS AND CASH FLOW

Alexkor RMC JV achieved an operating profit of R19.0 million against the previous year R3.6 million.

Alexkor RMC JV acquired property, plant and equipment assets to the value of R54.4 million during the financial year. Diamonds to the value of R20.0 million were included in inventory due to a sale that was scheduled for post-year-end.

Cash and cash equivalents amounted to R56.7 million. However, it is important to note the cash on hand figure included approximately R19.3 million that was paid out to contractors on 3 April 2014.

Total liabilities in the PSJV consisted mainly of a R77.7 m inter-company loan (working capital transfer from Alexkor and capital provisions towards the construction of Muisvlak plant) and provisions towards the contractors that were paid shortly after year-end. The inter-company loan is interest-free.

CAPITAL EXPENDITURE

Capital expenditure amounting to R54.4 million was incurred compared to a budget of R60.6 million. The major capital expenditure (R50 m) has been for the construction of the Muisvlak plant.

NON-CORE OPERATIONS

GUESTHOUSES

The business unit operates the guesthouses Af-en-Toe, Frikkie Snyman and Uitsig, and provides cleaning services and meals for mine contractors residing in Lieflot and Oranjeweg numbers 3, 4 and 5. For the year under review, a profit was achieved and this is expected to continue in the next financial year. A greater effort is needed to attract more tourists and increase external cash income, as the mine contribution to income is currently more than the income derived from tourists. In the past year the focus to contain costs and improve efficiencies within the required purchases contributed to the small profits.

FUEL STATION

This business unit is to be transferred to the community once there is a declared willingness to take over the operation. During the past financial year the fuel station was profitable, which should continue in the next financial year. The contribution to overall sales from the mine itself is such that if withdrawn, the filling station may not be able to continue making a profit. It is therefore also important to maintain the current levels of operations at the fuel station to ensure that the CPA receives a well maintained business on date of transfer.

HEALTH AND SAFETY

No fatalities occurred during the year under review.

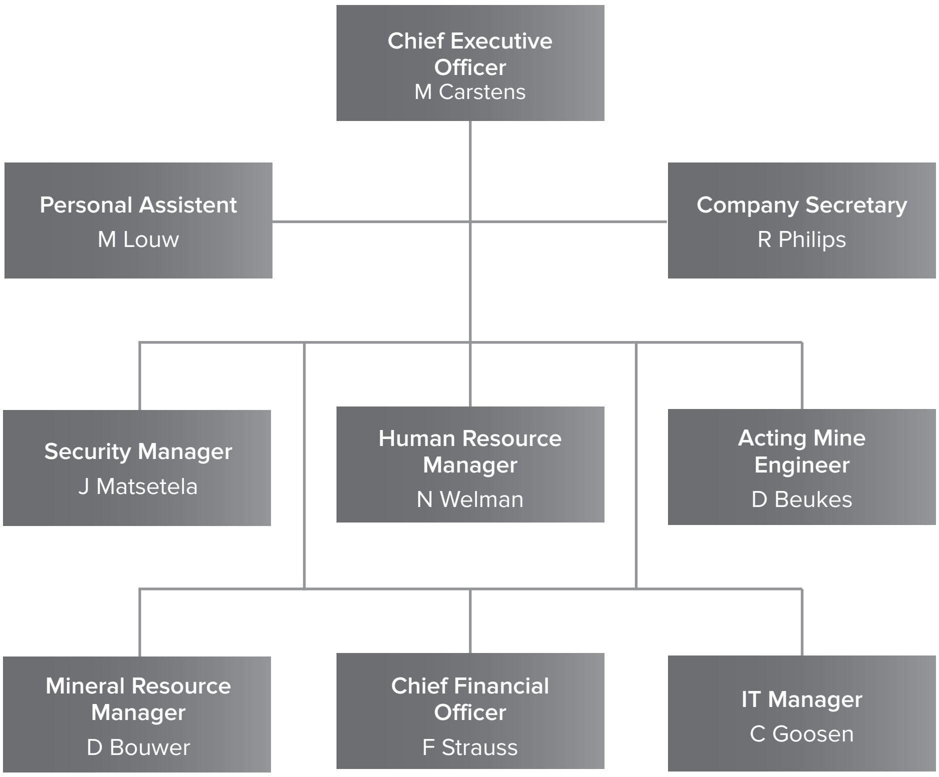
The company remains focused and committed to health and safety of the employees and contractors. Fatality-free production shifts (FFPS) of more than 3 000 shifts were reached during the year. The lost time injury frequency rate (LTIFR) of 0.49 was achieved during the reporting period. A full-time chief safety officer has been appointed during the year.

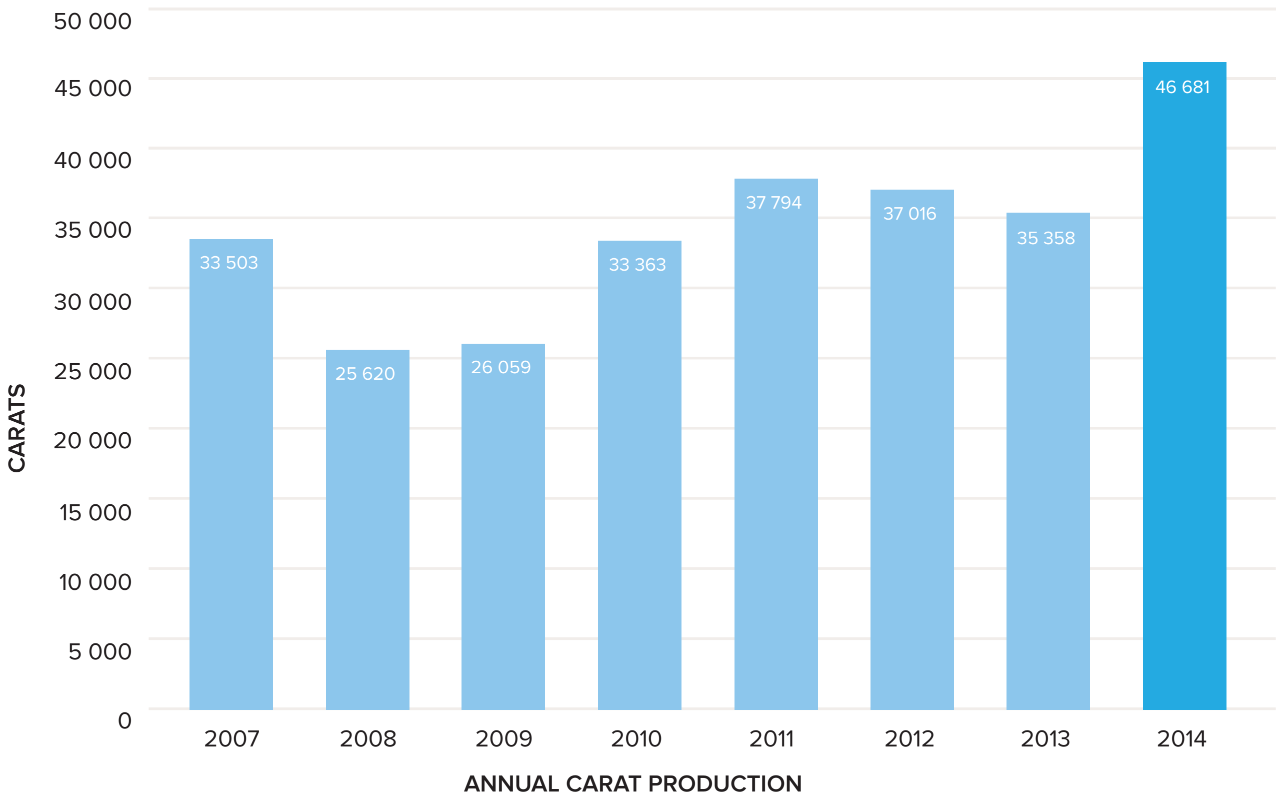
MINING OPERATIONS

Until November 2013 the mining operations at the PSJV was based on a contract mining model. This included land mining, beach mining and marine mining. However, following a due diligence and re-estimation of the land reserves by independent mineral resource consultants, the Muisvlak area has been identified as potential mining node. The PSJV Board approved the construction of a 65 tons per hour modular DMS screening, scrubbing and washing front-end and will treat 200 tons per hour run of mine gravel. The plant has produced 9 836 carats during its commissioning and production ramp-up phase. This is an exploration plant that will do bulk sampling and will assist in moving the land mineral resource base from an inferred level to an indicated resource confidence level. Capital cost for the plant was R50 million.

The plant was commissioned in November 2013 and will create 200 additional jobs for the Richtersveld community.

PSJV ORGANOGRAM AS AT 31 MARCH 2013





PRODUCTION

Actual carat production for the year amounted to 46 681 against 35 358 in the previous financial year. The deficit is due mainly to the underperformance of the commissioning of the Muisvlak plant.

MARINE PRODUCTION

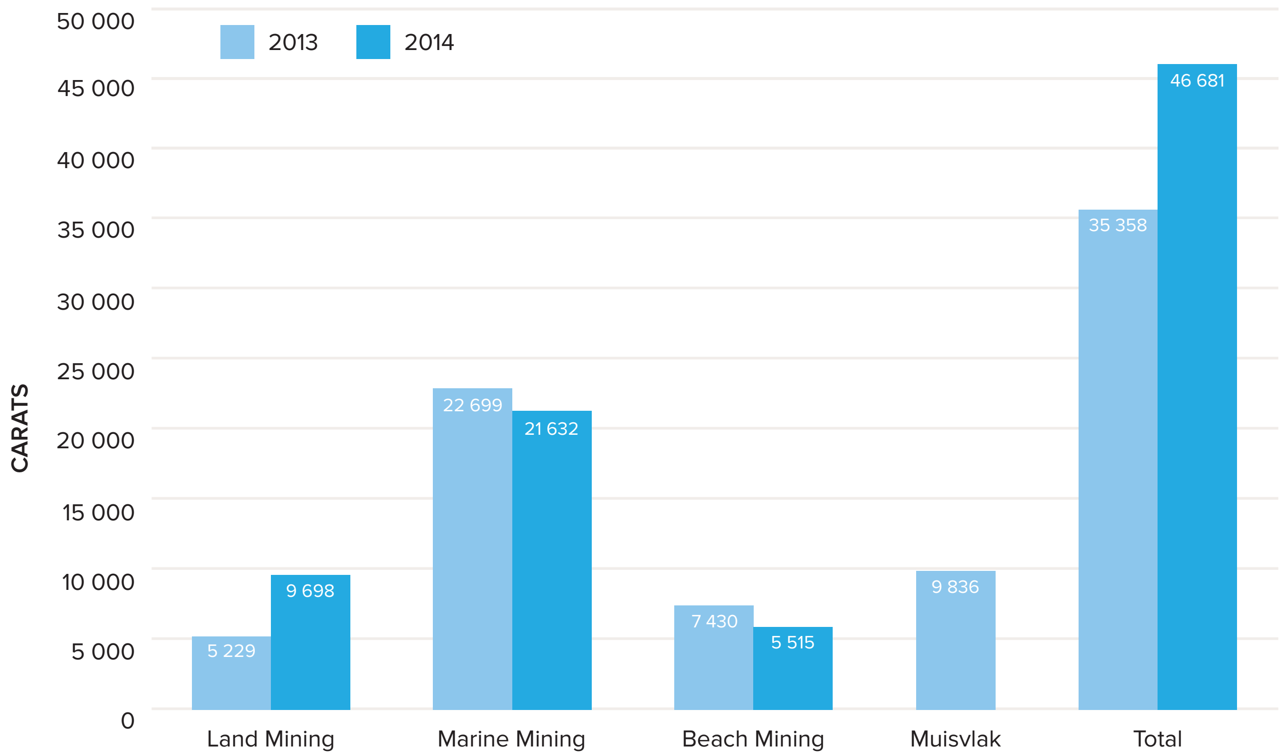
The marine mining was the main contributor towards the carat production for the 2012/13 financial year. Marine mining achieved 21 211 carats for the financial against 22 699 carats the previous year. The stone sizes that were achieved during the financial year were 0.56 carats per stone, in line with the 0.56 carats per stone in the previous year.

BEACH MINING

The beach mining operation targeted those areas that are overlain with thick overburden and cannot be accessed by traditional shore units. It produced I5 515 carats against the 7 430 carats produced last year. Beach mining achieved an average stone size of 0.45 carats per stone in line with the 0.51 carats in the previous year.

LAND PRODUCTION: LAND CONTRACTORS

The land mining operations produced 8 448 carats against 5 229 carats in the previous year. The stone sizes achieved for the land contractors were 0.58 carat per stone compared to 0.52 carats per stone the previous year. This is a direct result of the areas the land contractors mined in the north (larger stone sizes), and recovery of single larger stones.



CARAT PRODUCTION PER SECTOR

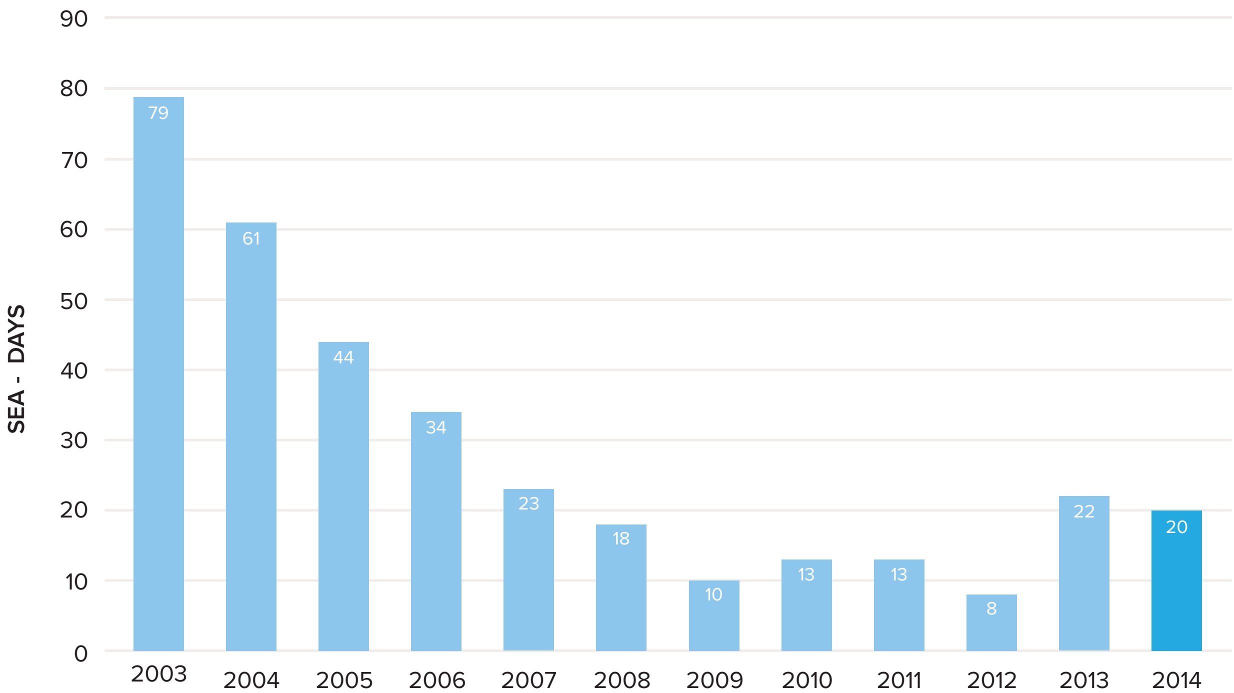
MINERAL RESOURCES

The mineral resource contractor that was appointed by Alexkor RMC JV to perform a due diligence on the land-based mineral resources and completed their final report on the land based mineral resources. Its final report on the land based mineral resource was completed in July 2013 and presented to the Board during February 2014.

This estimation covered the whole lease area and was summarised in a due diligence report. Muisvlak node and Kaap Voltas node were identified as the most likely nodes to be developed as the next mining node for the PSJV.

The Muisvlak portion was identified to be the most favourable to develop as the next mining node after the application of "Reasonable Prospects for Eventual Economic Extraction" (RPEEE) for an inferred mineral resource committee (SAMREC) standards of reporting such a mineral. A 65 ton per hour DMS plant has been constructed and was commissioned in November 2013 to conduct bulk sampling in the Muisvlak area.

The PSJV has successfully acquired and commissioned the optical sorter and is in the process of re-treating the old final recovery tailings. IMDSA performed further prospecting in deep sea concession 1C, and will prepare a final due diligence report once they finalise all the new data that they obtained.



SEA DAYS*

A sea-day is defined as when more than 50% of the production units (sea vessels) leave the harbour in a day to dive for diamonds in the marine concessions.

DIAMOND MARKET

According to the Global Diamond Report 2013, prepared by Bain & Company in association with Antwerp World Diamond Centre, rough diamond prices increased at an annual compound rate of 13% since 2008, resulting in the rough-diamond prices recovering to their pre-crisis levels. Demand in the US and Japan is increasing. The rough-diamond market is expected to remain balanced from 2013 through 2017. From 2018 onward, as existing mines get depleted and major new deposits come online, supply is expected to decline, falling behind expected demand growth that will be driven by China, India and the US. Over the next 10-year period, supply and demand are expected to grow at a compound annual rate of 2.0% and 5.1%, respectively.

DIAMOND PRICES

Diamond prices were consistent at $585 per carat (2014) against $658 per carat for the previous financial year. Alexkor's diamond prices have historically been higher due to the production in the northern portions of the land concession, but have since been getting weaker, due mainly to also utilising all of the concession areas in the southern areas and the commissioning of the Muisvlak plant in the south.

Diamond revenue for the PSJV for the year amounted to R277.0 million compared to the previous year revenue of R184.1 million. A total of 46 681 carats were produced during 2013/14, against a budgeted production of 35 358 carats in 2012/13.

Mervyn Carstens - PSJV CEO

ADMINISTRATION INFORMATION

REGISTERED NAME:
Alexkor SOC Limited

REGISTRATION NUMBER:
1992/006368/30

WEBSITE ADDRESS:
http://www.alexkor.co.za

EXTERNAL AUDITORS:

Nexia SAB&T

119 Witch-Hazel Avenue
Highveld Technopark
Centurion
0157
Tel: 012 682 8800
Contact: Sophy Kleovoulou

INTERNAL AUDITORS:

Outsourced Risk and Compliance Assessment

42 Wierda Road West
Wierda Valley
Sandton
2196
Tel: 011 384 8108
Contact: Maryka Oosthuizen

BANKERS:

Investec Bank Limited
Grayston Drive
Sandton

First Rand Bank Limited
(First National-and Rand
Merchant Bank Limited)
Fredman Drive
Sandton

Nedbank Limited
Main Street
Johannesburg

COMPANY SECRETARY:
Ms. Zarina Kellerman (BA); (LLB);
FA ARB; ACI ARB (UK); CEDR Acc (UK)

ALEXKOR SOC LTD HEAD OFFICE

POSTAL AND PHYSICAL ADDRESS:
No 8A Jellicoe Avenue,
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CONTACT DETAILS:
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Fax number: 011 788 8869
Email address: leratos@alexkor.co.za

ALEXKOR RMC JV OPERATIONAL OFFICE

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8290

POSTAL ADDRESS:
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Orange Road
Alexander Bay
8290

CONTACT DETAILS:
Telephone Number: 027 831 8300
Fax Number: 027 831 1910
Email Address: marianal@alexkor.co.za

GLOSSARY

ACRONYMS	DESCRIPTION
AGM	Annual General Meeting
AFS	Annual Financial Statements
AIMS	Alexkor Information Management System
Alexkor	Alexkor SOC Limited
BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CLO	Chief Legal Officer
CPO	Chief People Officer
CPA	The Communal Property Association
CSI	Corporate Social Investment
CSR	Corporate Social Responibility
DBSA	Development Bank of South Africa
DMR	Department of Mineral Resources
DMS	Dense Media Separation
DoS	Deed of Settlement
DPE	Department of Public Enterprises
DRDLR	Department of Rural Development and Land Reform
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ED	Executive Director
EE	Employment Equity
EMP	Environmental Management Plan
EXCO	Executive Committee
HR	Human Resource
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IMDSA	International Mining and Dredging South Africa (Pty) Ltd
ISA	International Standards of Auditing

ACRONYMS	DESCRIPTION
LED	Local Economic Development
LOM	Life-of-mine
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
MoI	Memorandum of Incorporation
MPRDA	Mineral and Petroleum Resources Development Act
MTEF	Medium Term Expenditure Framework
NEMA	National Environmental Management Act
NDP	National Development Plan
NGP	New Growth Path
PAA	Public Audit Act of South Africa
PFMA	Public Finance Managament Act No 1 of 1999
PRMAL	Post-Retirement Medical Aid Liability
PSJV	Pooling and Sharing Joint Venture and or Alexkor RMC JV
RMC	Richtersveld Mining Company
RVC	Richtersveld Community
SAMREC	South African Mineral Resource Committee
Self Devco	The Self Development Company, an entity created by the DoS and part of the CPA
SOC	State Owned Company
SLP	Social and Labour Plan
Property Holding Co	The Property Holding Company, an entity created by the DoS and part of the CPA
the Act	The Companies Act No 71 of 2008
the Board	Alexkor SOC Ltd’s Board of Directors
the Department	The Department of Public Enterprises
the Deputy Minister	The Deputy Minister of Public Enterprises
the Minister	The Minister of Public Enterprises
MPRDA	Minerals and Petroleum Resource Development Act
SCA	Supreme Court of Appeal

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ALEXKOR

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