



ALEXKOR

**Annual Report and Financial Statements
for the year ended 31 March 2015**

Public Enterprises Portfolio Committee

20 April 2016

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Predetermined Objectives

Alexkor had 11 approved targets during the year, with three key performance indicators (KPI) being waived and approved by the Minister that related to the coal strategy. All 8 remaining KPIs were achieved resulting in a success rate of 100% (2014: 94%).

KPI's waived were:

- The acquisition of funding for the coal (and lime) strategy.
- The financial Debt to Equity ratio of > 30% (no project).
- Socio Economic Indicator: the creation of 10 additional positions.

Highlights of the KPIs achieved during the year:

- Rehabilitation implementation plan – Appointment of a Service Provider during Q1
- Carat production – Actual 74 387 carats vs target of 70 000 carats
- Bursaries issued to four Mining Engineering students
- HDI as % of appointments – Achieved 94.7% vs target of 80%
- Fatalities – Zero fatalities vs target of zero

PSJV Operations

Highlights

- Diamond revenue increased by 49% to R414.2m (2014: R277.0m)
- Production increased to 74 387 carats (2014: 46 680 carats)
- Sea days increased to 24 during the year (2014: 20 sea days)
- A net profit of R17.6m was achieved for the year (2014: restated profit of R25.2m)
- Capital expenditure of R79.7m was incurred during the year, with the majority going towards the Muisvlak plant. 32% of the capital expenditure was procured from local suppliers.

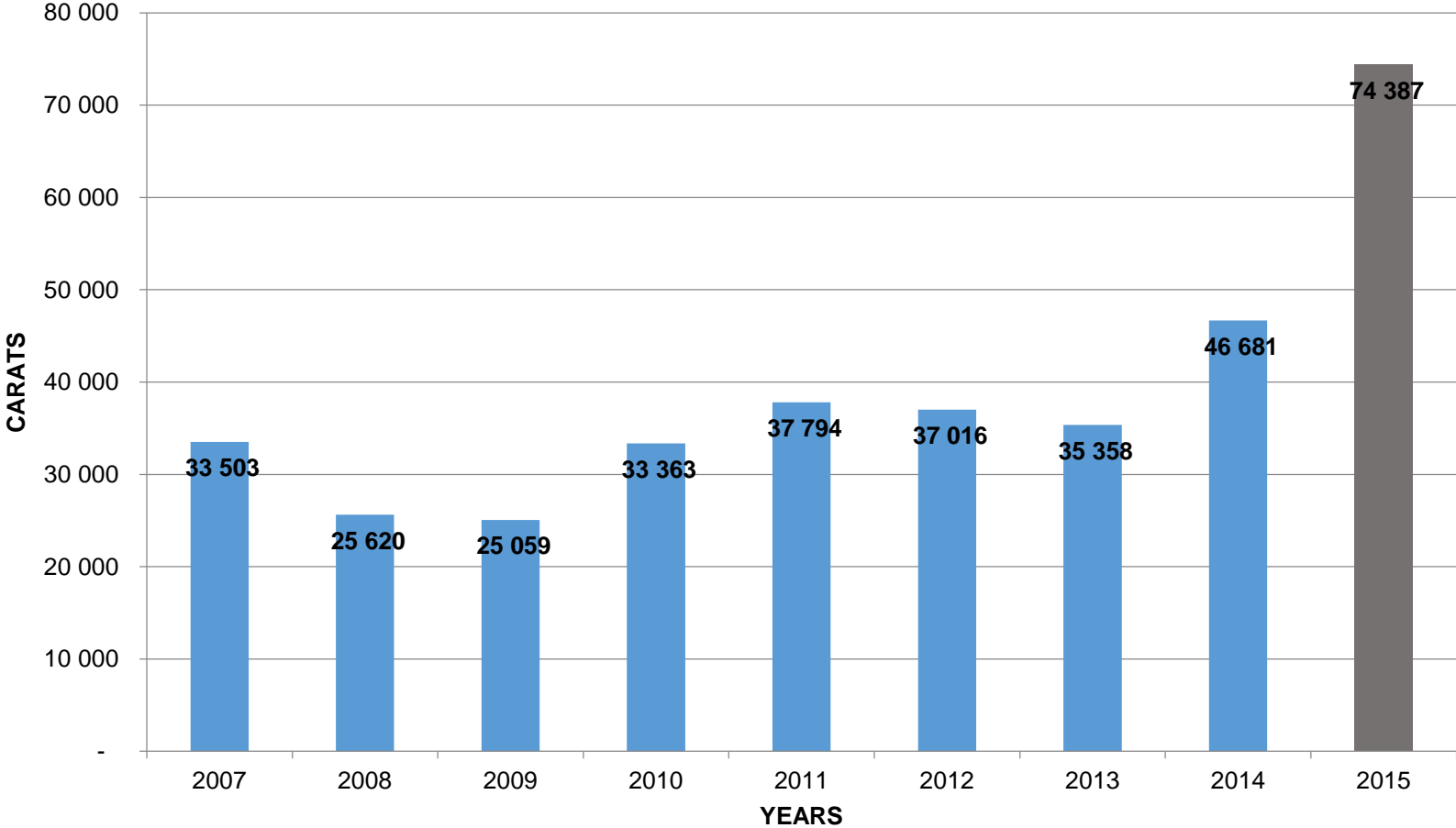
Achievements In Terms of Deed of Settlement

Alexkor received funding from Government for the execution of the land claim settlement agreement and the achievement thereof in the current year is as follows:

- Township establishment costs of R1,6 million
- The Township upgrade for phase 4 has been completed
- PSJV re-capitalisation for R61,9 million
- Company establishment for communities business entities for RVC

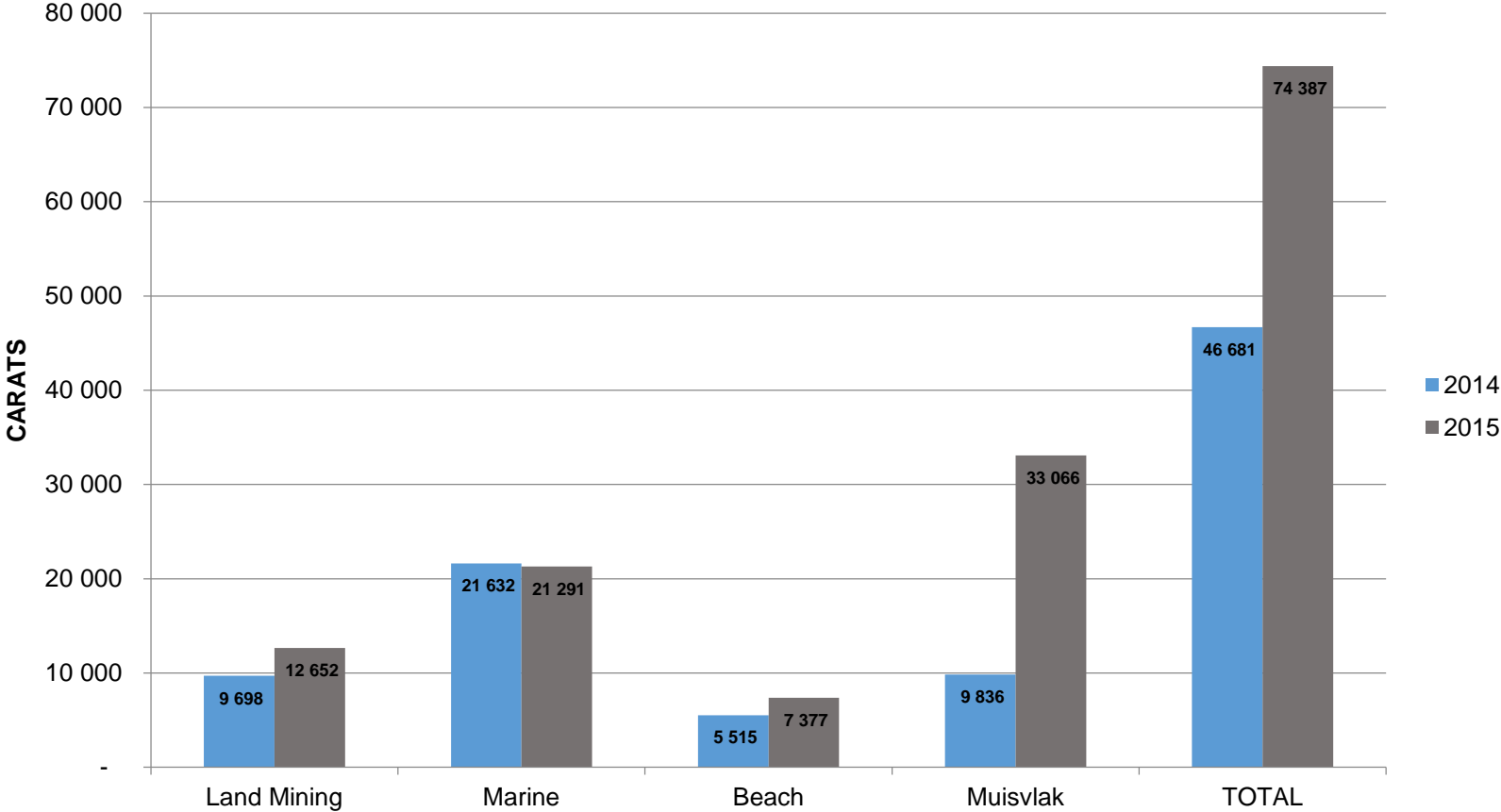
PSJV Operations

Comparative annual diamond production



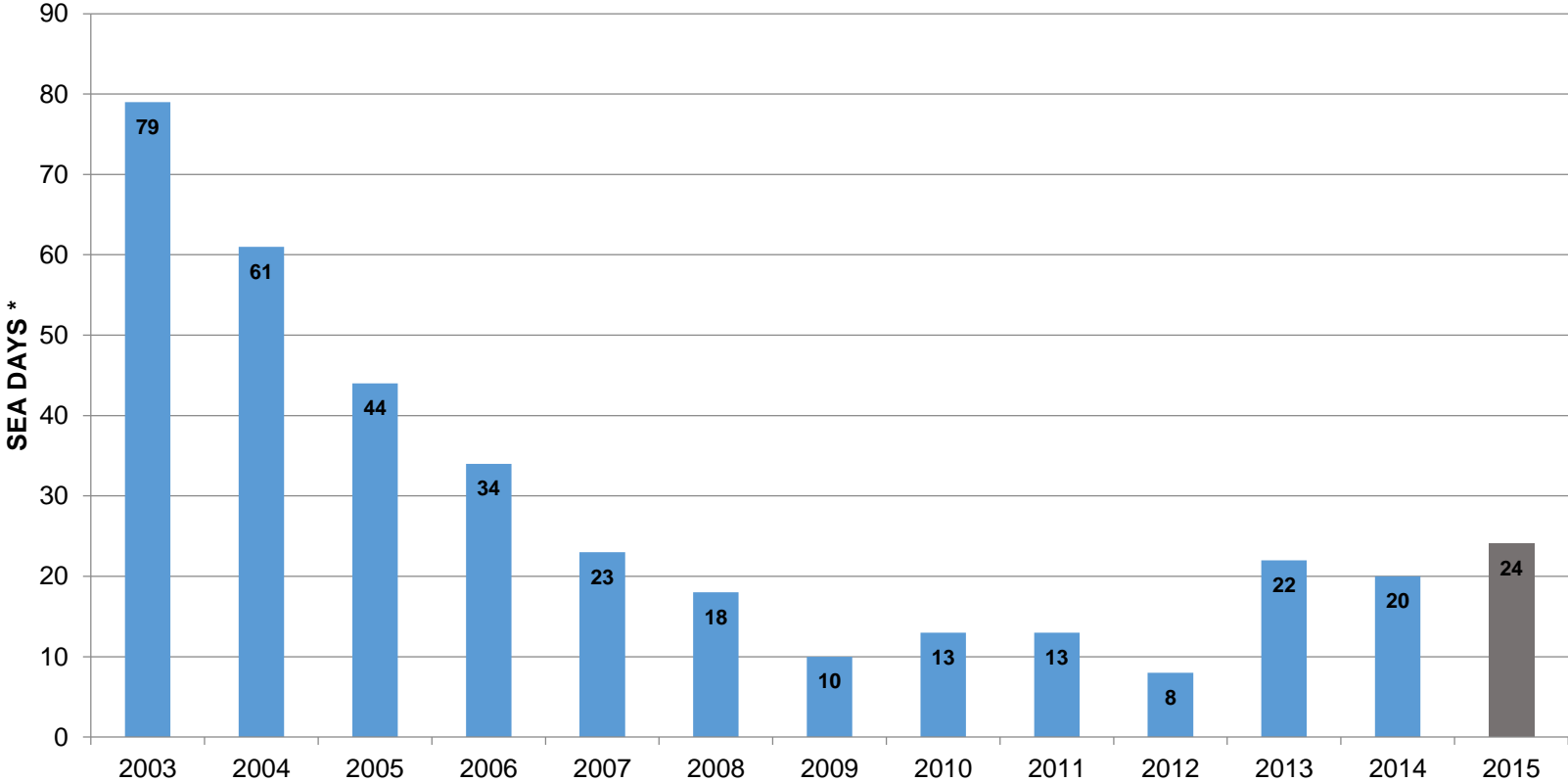
PSJV Operations

Carat production per mining area



PSJV Operations

Sea days over the last decade



* Definition of "Sea Day". When more than 50% of the sea vessels leave the harbour in a day to dive for diamonds in the marine concessions.

Community Upliftment Initiatives

- In line with our Social and Labour commitments we have enrolled community members as well as employees on our ABET program to assist in alleviating illiteracy in the Richtersveld community.
- For the year under review we also offered employees and members of the community various skills development opportunities including learner-ships and internships.
- Through our Local Economic Development programs which are aligned with the Richtersveld Municipality IDP program we have continued to contribute towards poverty alleviation, capacity building, improvement in the quality of life in the Richtersveld community and surrounding towns as well as job creation and providing much needed portable training skills.
- To address the challenge of scarce skills, during the year under review we supported the High school in the Richtersveld who offer Maths and Science to their learners. We believe this initiative will encourage more learners to study Mathematics and Science at tertiary level.
- During the previous financial year (2013/14), we launched the Alexkor RMC JV Wellness Campaign in partnership with the Department of Health. Through this initiative more than 500 employees, school learners and members of the community received free HIV counselling and testing and dental screening.

Bursary Students

Name	Surname	Qualification	Year of Study	Gender	Province
Khomotso	Mashala	Mining Engineering	2 nd year	Female	Limpopo
Ndivhuwo	Tshilande	Mining Engineering	3 rd year	Female	Limpopo
Thandazile	Kubhela	Mining Engineering	2 nd year	Female	KwaZulu Natal
Ayavuya	Maqotha	Mining Engineering	2 nd year	Male	Eastern Cape
Mpho	Moruwane	Mechanical Engineering	Final year	Female	North West
Baratang	Mothobi	Environmental Management	2 nd year	Female	Northern Cape
Zandre	Allison	Environmental Management	3 rd year	Male	Northern Cape

Control Environment

- Internal controls are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, safeguarding of assets and to prevent and detect erroneous statements and losses.
- Alexkor's internal audit function is outsourced and provides an independent appraisal to examine and evaluate the company's activities.
- Alexkor has a fraud hotline facility and its effectiveness is reviewed throughout the year. This facility enables all stakeholders or any other parties to report fraudulent, corrupt and unethical practices in the work place. The hotline is implemented at both Alexkor and the PSJV.
- There is evidence of ongoing improvement both at the PSJV as well as Alexkor on the control environment.

Annual Financial Statements

Approval and Audit Opinion

- The AFS were approved and signed off by the Board on the 29th of July 2015.
- The Audit and Risk Committee's report is included in the Integrated Report.
- The external auditor's opinion remained unchanged. An emphasis on the Matters paragraph was included regarding:
 - Restatement of corresponding figures due to a change in accounting policy re. exploration costs
 - Alexkor being exempted by National Treasury (NT) from requirements of PFMA and has prepared its AFS in accordance with IFRS
 - Material impairment of non-current assets held for sale
- Findings, however, were raised regarding *inter alia*:
 - Title deeds on properties recognised in the AFS
 - Inadequate financial provision for the environmental rehabilitation liability
 - Unallocated receipt relating to litigation that has been dormant for more than three years

Annual Financial Statements

Statement of Financial Position

Material movements during FY2015

- Property, plant and equipment R86.1m (2014: R72.1m)
- Cash in the rehabilitation trust R118.6m (2014: R115.0m)
- Loan to joint venture R68.4m (2014: R38.1m)
- Cash and cash equivalents R383.9m (2014: R475.1m)
- Environmental liability R233.1m (2014: R284.7m)
- Trade and other payables R98.9m (2014: R170.1m)

Annual Financial Statements

Statement of Comprehensive Income Highlights

- Revenue R211.2m (2014: R141.3m)
- Other expenses of R174.5m inclusive of impairment loss of R162m on non-current assets held for sale (2014: R20.4m)
- Movement in rehabilitation liability R51.6m (2014: R15.9m)
- Operating loss of R95.8m (2014: restated profit of R23.2m)
- Net finance income R23.8m (2014: R30.4m)
- Loss for the year R82.2m (2014: restated profit of R50.3m)
- Had it not been for impairment, operating profit would have been R66,6m and profit for the year of R80.2m

Annual Financial Statements

Cash and Cash Equivalents

Cash Category	Balance at 31 March 2015	Balance at 31 March 2014
	Rm	Rm
Operational cash	83.9	113.5
Recapitalisation funds (MTEF)	214.5	211.4
Cash held in legal trust	11.1	10.7
Cash held in government funded reserves	74.4	139.5
TOTAL	383.9	475.1

Annual Financial Statements

Government Funded Obligations

	Opening balance at beginning of the year	Transfers received	Utilised during the year	Interest earned on investment of funds	Closing balance at the end of the year
Township establishment	8 385 985	-	(1 601 572)	425 127	7 209 540
Costs related to Deed of Settlement	7 868 006	-	(3 569 957)	437 756	4 735 806
PSJV recapitalisation	122 260 000	-	(61 946 963)	2 183 155	62 496 193
Total government funded obligations	138 513 992	-	(67 118 491)	3 046 038	74 441 539

Annual Financial Statements

Contingent Liabilities at 31 March 2015

- Nabera mining

No provision was made for the above case after consultation with legal representation.

Thank You