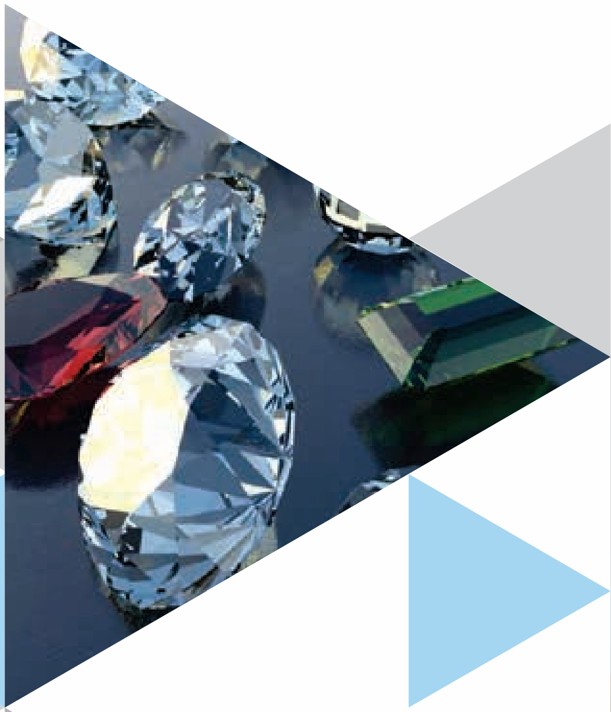
ALEXKOR

INTEGRATED REPORT
20 FIFTEEN



CONTENT

COMPANY PROFILE

Alexkor SOC Limited

Company Registration Number 1992/006368/30
Year-end 31 March

Alexkor SOC was established in terms of the Alexkor Limited Act, No. 116 of 1992, as amended by the Alexkor Amendment Act, No. 29 of 2001. 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 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 support 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 carats of gemstone quality diamonds have been recovered.

The Company's mandate has been expanded into the areas of coal and lime.

STRATEGIC OVERVIEW

The Government of the Republic of South Africa, through the Minister of Public Enterprises, is the sole Shareholder of the Company.

The main business of the Alexkor RMC JV (Richtersveld Mining Company Joint Venture) is the economic exploitation of diamonds from the pooled marine and land mining rights in the Alexander Bay area.

Alexkor's objectives are:

- Turning around Alexkor into a viable dynamic mining company
- Focusing on organic growth at Alexander Bay
- Acquisition of new opportunities
- Creating a sustainable, healthy, safe and environmentally responsible organisation
- Caring for people, providing sound leadership and building credible processes
- Building strong relationships with all our strategic partners.

The 2030 National Development Plan (NDP) defines the Government's development state aspirations as:

> *"...a state that has the capacity to intervene in the economy in the interest of growth and sustainable development, can address challenges of poverty and underdevelopment and can mobilise the people as their own liberators."*
> ***National Development Plan and New Growth Path (NGP)***

In addressing the challenges facing South Africa, the NDP prioritises direct and immediate measures to attack poverty by creating wealth and equity for communities.

A key focus of the NGP is to stimulate economic growth, spatial development and enhance opportunities for regional cooperation and trade. This can be achieved by deepening and widening economic activity in order to provide government with a sustainable revenue base to enhance economic diversification and skills development.

The NGP provides Alexkor the opportunity to leverage state requirements to not only enhance its own sustainability and economic viability, but also securing the future of the community and stakeholders it serves. By expanding mining operations, leveraging cooperation between SOCs and utilising procurement spend will help to stimulate local economies.

Alexkor is one of the integral State institutions that can play a significant role to achieve NDP and NGP targets, particularly in the areas of creating sustainable communities, establishing equity in the mining industry, and enhancing local and regional trade. Revenues derived from Alexkor's initiatives will assist in the financing of these goals.

Vision

The Alexkor vision is:

"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

The Alexkor mission is to:

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

This supports and underpins the Shareholder's mission to be strategic instruments of industrial policy and core players in the 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 standards possible.

Accountability — We will always take full responsibility for the outcomes of our behaviours.

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

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

OPERATING PRINCIPLES AND CORPORATE STANDARDS

Alexkor develops and maintains a work environment that is safe, believes in the personal development of employees and personal integrity, builds teamwork and values performance.

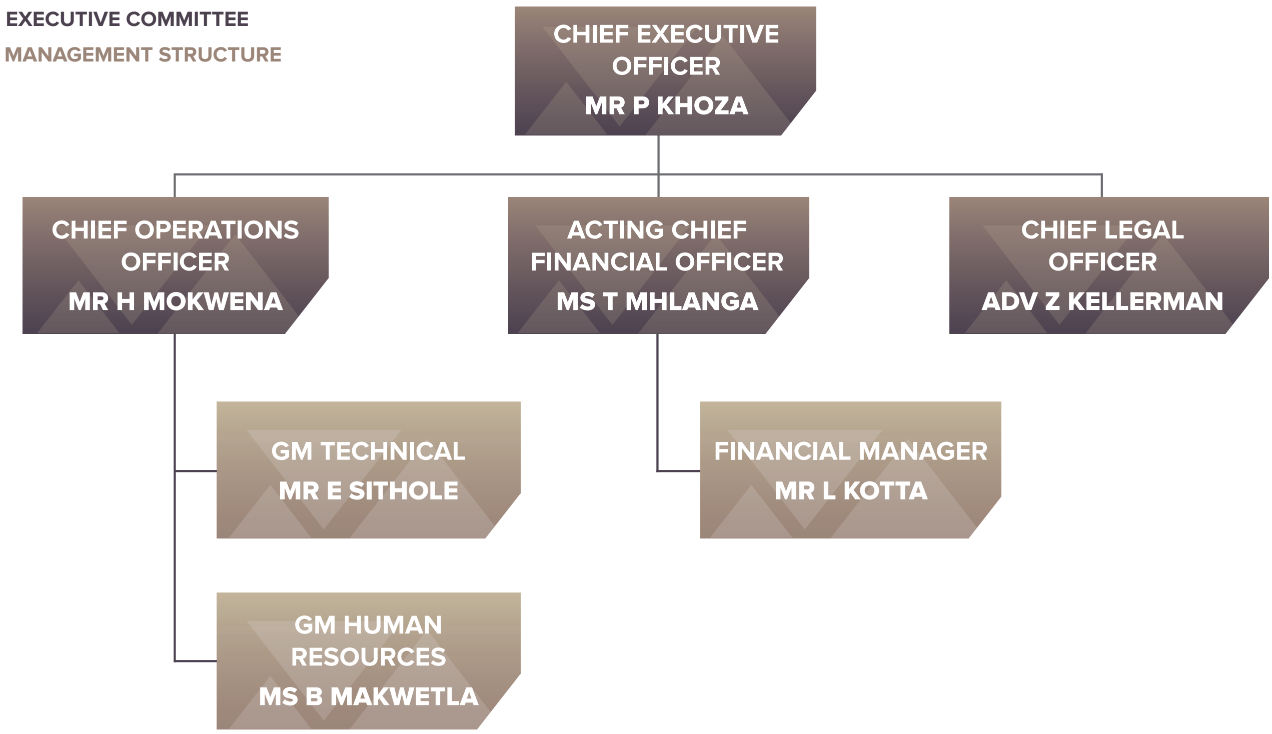
ALEXKOR'S APPROACH TO INTEGRATED REPORTING

This Integrated Report aligns with best practices in integrated reporting. It includes the principles of integrated reporting contained in the GRI Reporting Framework. The Integrated Report seeks to provide a balanced and reasonable representation of the sustainability performance of the Company pertaining to its business, the financial results and the results of operations and cash flows. It focusses on disclosure of information that is complete, timely, relevant, accurate, honest, accessible and comparable with the past performance of the Company.

Integrated reporting brings greater cohesion and efficiency to the reporting process. It encourages integrated thinking to break down internal silos and reduce duplication in content, improving the quality of information available to key stakeholders.

ORGANISATIONAL STRUCTURE

OPERATING STRUCTURE



BOARD OF DIRECTORS

MR R BAGUS (51)

Independent Non-Executive Chairperson

Appointed: September 2012

Qualifications
Economics (Masters)
Economics (Honours)

Experience
Economics
Business Strategy
Horton and Executive Management
Stanford and Executive Management

External Directorships
Morning Tide Investments

DR R PAUL (65)

Independent Non-Executive Director

Appointed: 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: September 2012

Qualifications
B.Proc
Leadership Programme

Experience
Admitted Attorney
PFMA
Executive Management
Conflict Resolution
Public Administration

External Directorships
Evraz Highveld Steel and Vanadium
Yammin, Hammond and Partners
In Transformation Initiative (NGO)
M.O.E. Consulting

MS Z NTLANGULA (42)

Independent Non-Executive Director

Appointed: 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)

Department of Home Affairs (ARC member)

Katlego Employee Share Ownership Scheme (Trustee)

Social Housing Regulatory Authority

MR B GROBBELAAR (45)

Independent Non-Executive Director

Appointed: 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 S ZILWA (48)

Independent Non-Executive Director

Appointed: June 2013

Qualifications

Chartered Accountant (SA)

Experience

Accounting

Financial Management

Auditing

External Directorships

Nkonki Inc

Gijima Group Limited

Aspen Pharmacare Holdings

Metrofile Holdings Limited

Discovery Limited

Air Traffic Navigation Services (ATNS)

Authorship

The ACE Model - winning formula for Audit Committees

DR D MKHWANAZI (62)

Independent Non-Executive Director

Appointed: June 2013

Qualifications

Bachelor of Administration

MBA

Post-graduate Diploma in Marketing

PMD- Harvard Business School - USA

Certificate in Finance - Henley University UK

Graduate Diploma in Company Direction.

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

Royal Household Trust

Agri Development Agency

Gibb Holdings (Pty) Ltd

RODCOL Contracts (Pty) Ltd

Ace to Wise (Pty) Ltd

Isizinda (Pty) Ltd

Impilo Financial Services (Pty) Ltd

Ocean Masters (Pty) Ltd

Emsundizi Roads Ltd

Hlahlindlela Inv (Pty) Ltd

DR N MOHUTSIOA-MATHABATHE (62)

Independent Non-Executive Director

Appointed: September 2012

Qualifications

Ph.D Education and Counselling

Psychology (Southern Illinois University) (SIUC, USA)

M.Sc (Counselling and Educational Psychology (SIUC)

BA (Honours) Psychology, University of Limpopo (UL)

BA (Psychology and Education), UL

H.E.D Higher Education Diploma, UL

DPLR –Dip. Programme in Labour Relations (School of Business, UNISA)

FMP-Fundamental Management Development Programme (SBL, UNISA)

Experience

Mentorship Training

Leadership Training

HR Consulting

Strategic Development

Women's Development

Performance Monitoring

Gender mainstreaming

Labour Relations

Corporate Governance

Employment Equity

Business Leadership

Organisational Development

External Directorships

Dyodisani Women in Mining Minerals Investment Holdings

Dyondisani Inv Holdings (Pty) Ltd

Champion Diamonds (Pty) Ltd

Dyondisani- Bolotola Platinum and Mineral Resources (Pty) Ltd

Nono Makhudu & Associates (Pty) Ltd

ZADNA, Department of Telecommunications and Postal Services

MR P KHOZA (43)
CEO - Executive Director

Appointed: March 2013

Qualifications
B.Sc Mining Engineering
Executive Development Programme

Experience
Production Optimisation – Surface Mines
Business Development
Strategy Implementation

External Directorships
Ugwa Resources (Pty) Ltd

MS TTA MHLANGA (32)
Acting CFO - Executive Director

Appointed: August 2014

Qualifications
B.Com Accounting
B.Com Honours
Advanced Certificate in Financial Management
Chartered Accountant SA
MBA

Experience
Financial Management
Financial Accounting
Cost and Management Accounting

External Directorships
None

EXECUTIVE MANAGEMENT COMMITTEE

ADV Z KELLERMAN (39)
Chief Legal Officer

Appointed: October 2013

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

Experience
Legal
ADR including Mediation, Adjudication and Arbitration
Compliance and Company Secretarial
Strategy and Operations

External Directorships
Coach and Assessor, Conflict Dynamics SA (Pty) Ltd
Atzofon (Pty) Limited (Director)

MR H MOKWENA (37)
Chief Operations Officer

Appointed: 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 Acting Chief Financial Officer dealt with under Board of Directors**

CHAIRPERSON'S FOREWORD

As a state-owned company (SOC) Alexkor's mandate is to focus its mining operations in the Richtersveld on the sustainable commercial growth of the greater Alexander Bay community as part of national developmental objectives.

We derive our mandate from statutory provisions and from the Strategic Intent Statement of Alexkor's Executive Authority, the Minister of Public Enterprises.

It has been my privilege as Chair of the Board to witness the Company fulfilling this mandate over the past number of years. In the period under review we once again succeeded in large part to meet – and sometimes exceed – our performance indicators in the face of difficult circumstances.

My position as Chair has allowed me the opportunity to gain perspective over a number of years. Given this hindsight, so to speak, what is abundantly clear is the progress Alexkor has made from the time, in October 2012, when five new independent non-executive directors (INEDs) were appointed to the Board.

Our success at turning around this Company in a relatively short period is evident in the following numbers and facts: production has jumped from 30 000 carats in 2012 to no less than 74 000 carats this year; from 88 direct community jobs at that time, we now stand at 550. This from a Company without a proper management team and consistent losses over the preceding 12 years, Alexkor has now been stabilised.

It is my firm conviction that we have succeeded in turning around Alexkor's fortunes in a truly comprehensive manner.

Where do we stand today? Quite apart from the facts mentioned above, for the first time in a long while a full new management team is in place. We have made good investments to build on good prospects in our operations, notably an investment of R90 million in the Muisvlak plant and the optical sorter. We have progressed well in building relations with the community, developing the township and placing the joint venture on a solid footing.

I invite our stakeholders to peruse this integrated report with a view of gaining the same perspective that I experienced on our performance.

OVERALL PERFORMANCE

As shown in the annual financial figures elsewhere in this integrated report, Alexkor boasts a solid performance, despite having posted an after-tax loss of R82 million. With all mining operations now done in the pooling and sharing joint venture (PSJV), in which Alexkor has a 51% holding, the financials are consolidated.

ALEXKOR SOC

Significant progress has been made in respect of the five-year rehabilitation implementation plan, which was presented to the Board. Rehabilitation of areas where mining operations have an impact, especially the cofferdams constructed in the tidal belt, is an ongoing process. The work is done to the satisfaction of the relevant government departments, like Department of Mineral Resources and the Department of Environmental Affairs, and includes staggered netting to stimulate wind-borne seed entrapment (natural re-vegetation) and dust suppression. Hard material (rock) from earlier cofferdam construction is re-used to minimise blasting in new construction of cofferdams.

PSJV

With the PSJV in existence since 2011, having been created through the DoS of 2007 between the South African government and the Richtersveld community, diamond mining at Alexander Bay has continued apace.

The entity now designated Alexkor RMC JV (Richtersveld Mining Company Joint Venture) extracted significantly more carats than the previous year, with 74 000 carats being realised as opposed to the budgeted 70 000. Considering that an inferred resource (at Muisvlak) was being exploited, this result is outstanding.

Innovative approaches to the land exploration programme, involving probe drilling, have identified good pay zones. Moreover, the appointment of land mining contractors near the Muisvlak plant to act as a centralised treatment facility has boosted throughput. That the amount of carats mined was slightly below budget at Muisvlak is attributable to the nature of the alluvial exploratory mining operations. The Muisvlak plant operates at more than 90% effectivity.

Construction of cofferdams and the investment in the optical sorter to treat tailings at the final recovery have also boosted carat production, thus increasing the overall yield for Company in the year under review.

An important spinoff from these initiatives, including the investment in the Muisvlak plant, was substantial benefits like employment opportunities for inhabitants of the four towns Kuboes, Sanddrift, Lekkersing and Eksteenfontein. Especially the land-based mining resulted in new jobs being created. (See relevant numbers below).

Importantly, in all these diamond operations that the Board has overseen are improvements in corporate governance and compliance with the Public Finance Management Act (PFMA) and other statutory prescripts.

However, this is a depleting resource and in order to sustain this type of growth and profitability, the mid-waters and deep sea has to be exploited. The intention is for the PSJV itself to exploit the mid-waters by steering away from the current model of bringing in contractors for the actual mining on behalf of the Company.

Whilst the PSJV evidently still faces constraints, the Board is of the view that it has been put on a sound footing towards growth for Alexkor and for the benefit of the community.

COMMUNITY

Implementation of the Deed of Settlement (DoS) is continuing. Certain issues with regard to the Alexander Bay Township arising from the DoS are still being reviewed. However, Alexkor and its Shareholder continue to engage with the community with an eye on finding a satisfactory resolution of the outstanding issues.

Innovative approaches to the land exploration programme, involving probe drilling, have identified good pay zones. Moreover, the appointment of land mining contractors near the Muisvlak plant to act as a centralised treatment facility has boosted throughput.

When the current Board took office in 2012, the community itself was wracked with division. This dysfunction was spelt out in a report commissioned by the Department of Rural Development and Land Reform (DRDLR) who is ultimately responsible for the Communal Property Association (CPA) and the community.

For its part Alexkor has taken steps to help stabilise the community, including extensive training of leaders who serve on community structures as directors and/or trustees. Our assistance also encompassed advising on matters relating to corporate governance and administrative support in the form of offices, computers and related equipment as a means to empower the community.

The full direct financial benefit to the community from Alexkor's / RMC's mining and non-mining ventures has seen significant improvement. In the financial year under review Alexkor has spent in excess of R30 million towards total remuneration packages, which contributed to the sustained socio-economic upliftment of the four Richtersveld communities, as follows (in rounded amounts):

Sanddrift:	R4 million	31 employees
Lekkersing:	R9 million	63 employees
Eksteenfontein:	R5,5 million	36 employees
Kuboes:	R10 million	78 employees

We as Alexkor aim to continue providing such assistance within our limited means and mandate. However, in time it is incumbent upon the CPA and its structures to build its own success with some direct intervention from the DRDLR.

The DoS envisages that the State will exit the structure, but it has to do so in a socially responsible manner. This remains the prerogative of the Shareholder to execute this option. The Company will continue to focus on improving its performance.

THE COAL-MINING MANDATE

In its strategy session with the Minister during December 2012 the Board proposed coal mining as a means to provide coal to Eskom, and thus ensure security of energy supply to the national grid.

With the Shareholder having requested a business case from the Company, management has embarked upon a comprehensive submission for Board approval after the AGM.

The mining sector generally and the coal mining sector in particular is under pressure in terms of low prices, resulting in South African companies shedding jobs. These are factors that would have to be considered in Alexkor's proposed entry into the sector. It has to be done in consultation with Eskom.

OUTLOOK

Whereas the long-term demand growth for diamonds remains strong, Alexkor's diamond revenues for the year under review were boosted significantly higher than budget, mainly due to the exchange rate and better diamond prices.

Production has peaked at a high of 74 387 carats, a figure not seen in more than a decade. Yet, while the business case for Muisvlak needs to be comprehensively determined, it is imperative to maximise the traditional marine resource mining to sustain all future land exploration work in line with the DOS.

Z-Star Consultants showed that SFD (size frequency distribution) of stones at Muisvlak was normal, thus excluding theft, Alexkor and the PSJV management have agreed to collaborate with De Beers on improved security.

Although the immediate future of Alexkor and the PSJV is secure, the core business as a diamond company has to be maintained. With an eye on focusing the business for a sustainable future, the Board presented a Corporate Plan to the Shareholder and to National Treasury, which seeks a reallocation of government funds.

APPRECIATION

The Shareholder's support has undoubtedly ensured the achievements of Alexkor and the PSJV in the past year, especially in helping us turn around the business.

This support came in large measure from the Honourable Minister Lynne Brown, her Deputy Minister Bulelani Magwanishe and the senior officials of the Department of Public Enterprises.

My sincere gratitude goes to all our Board members whose contributions and support have been instrumental in directing the company to achieve its goals over the past year.

The Richtersveld community, and in particular the current CPA, deserve our thanks for their commitment to their

people and for assisting us in creating a sustainable future for all who live and work in that beautiful region.

Without the entire Alexkor management team and staff, and the PSJV management team and staff, we would have been hard-pressed to succeed. Your dedication, commitment and guidance were exemplary. Alexkor's future remains in your hands, and with the continuous support of all, we can sustain and grow the business for the benefit of our country.

MR M R BAGUS
CHAIRPERSON

CHIEF EXECUTIVE OFFICER'S OVERVIEW

The 2015 financial year was highlighted by positive success on five critical milestones for the Company.

ALEXKOR SOC LIMITED REVIEW

The 2015 financial year was highlighted by positive success on five critical milestones for the Company. These were the timeous steady state operation of the Muisvlak exploration plant, more than 60 percent increase in diamond production year on year, securing of the concession 1 C marine mining right from the Department of Mineral Resources, finalisation of the historical Rehabilitation Implementation Plan and narrowing of the key deliverables of the Deed of Settlement (DoS) with regards to the township establishment and transfer. Our diversification into coal is pending the submission of a business case as requested by the Shareholder. This is expected to be finalised at the next AGM during the 2016 financial year.

We are still positive about the long-term positive prospects for both the demand and prices for gem-quality diamonds. The main focus areas for the 2016 financial year will be the mining of our deep sea marine resource during the last quarter of the year, ramping up on the land exploration programme in Muisvlak, feasibility study on mining deeper areas of the A-concession without divers, transfer of the Alexander Bay properties to the Richtersveld community and the strengthening of collaboration efforts with emerging coal miners to supply coal to Eskom.

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. The company made an after-tax loss of R 82 million consolidated for the 2015 financial year.

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

PSJV OPERATIONS

There were no fatalities for this financial year and the Lost Time Injury Frequency Rate is at 0.36 versus a target of 0.6, with this stellar performance underpinned by a focus on safety through the appointment of an experienced safety manager, as well as constant engagement with employees on safety, health and environmental ("SH&E") matters. This super league space on the LTIFR will be sustained through an ongoing effort of training, coaching and awareness on SH&E matters.

We sold 74 304 carats in comparison to 46 210 carats last year. The new production of 33 066 carats from Muisvlak contributed significantly to this picture.

Diamond production was 74 387 carats against 46 680 in 2014.

A continued effort to ensure that we have quality sea days, i.e. more than 75% of contractors need to be at sea when the weather permits.

This resulted in revenue of R 414 million versus R 277 million year on year. The diamonds from Muisvlak and a positive effective price in Rand terms resulted into this improved performance. Our main target is to achieve at least 200 000 carats by the end of the 2017 financial year. The PSJV posted net profit of R17.6m (previous year R25.2m).

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.

A 65 ton per hour DMS plant has been constructed and was commissioned in November 2013 to conduct bulk sampling in the Muisvlak area after a due diligence on the land-based mineral resources were completed. The bulk sampling is still in progress. Since commissioning of the Muisvlak project it recovered 42 904 carats and 152 891 diamonds at an average stone size of 0.28 carat per stone.

Alexkor RMC JV ("PSJV") produced 74 387 carats at an average stone size of 0.4 carats per stone for year ending 2015 due to the production of smaller stones at the Muisvlak project compared to the 0.47 carats per stone the previous year.

A new mining methodology was introduced in the form of Coffer Dams to mine beyond the low water mark. A total of 5 241 carats at an average stone size of 1.1 carats per stone were recovered from the coffer dam project.

The PSJV has successfully commissioned the optical sorter and is in the process of re-treating the old final recovery tailings. It recovered 1 750 carats for the year ending 31 March 2015 including a 38 carat stone. IMDSA performed further prospecting in the deep sea concession 1C and 1B, and will prepare a final due diligence report once they finalise all the new data that they obtained.

NEW BUSINESS

The exploration programme has uncovered three major potential land mining nodes that need rolling up to indicated resources. These nodes are enough to focus the Company within from a diamond point of view.

We will be conducting a feasibility study on the potential of mining our virgin shallow water A-concessions from depths of 6m to 40m by using appropriately sized boats with special suction mining tools. This will further entail the tracking of historically mined land diamond-rich channels into the current sea areas.

South Africa has a number of smaller junior emerging coal miners who need some form of consolidation to improve their business case in supplying cost effective coal to Eskom. We will endeavor to find the right partners with existing mining rights to leverage into our relationship with Eskom.

HISTORICAL DISTURBANCES – REHABILITATION

The optimised backlog rehabilitation implementation plan was 90% completed as per the project schedule. The final results will be finalised by the end of the first quarter of the 2016 financial year and will produce a revised for the liability and detailed work units to enable the scoping of the physical work. The latter is expected to commence in the first quarter of the 2017 financial year.

CONCLUSION AND ACKNOWLEDGEMENTS

Alexkor is still committed to the transformation of the economy through beneficial partnerships with communities, entrepreneurs and emerging miners to broaden economic participation, secure and create decent jobs.

I would like to thank the Alexkor team and all our stakeholders for their contribution in moving the Company forward. I would like to further acknowledge the honourable Minister Ms Lynne Brown for her leadership in improving the efficient and effective working of state-owned companies under her leadership.

Mr P. KHOZA
CHIEF EXECUTIVE OFFICER

ACTING CHIEF FINANCIAL OFFICER'S REVIEW

I am pleased to present the audited annual financial statements, representing the financial performance, cash position and financial position during the year.

These annual financial statements incorporate 51% of the PSJV operations which have been proportionately consolidated as per IAS 31.

STATEMENT OF FINANCIAL PERFORMANCE

Revenue increased by 49% from R141.3 million in 2014 to R211.2 million in 2015. The increase in revenue of R69.9 million was due to an increase of 59% in the carats produced for the year from 46 680 carats to 74 387 carats. The increase was further aided by a 9% weakening of the Rand to the US Dollar from an average of R10.23 to R11.10. This was, however, partially offset by a 14% decrease in the average US Dollar per carat price fetched for the rough diamonds from on average of $585.12 per carat in 2014 to $501.98 per carat in 2015. This was due to increased production from the Muisvlak exploration operation which, expectantly, yielded smaller stones with a lower US Dollar per carat price. Diamonds from the Muisvlak operation account for 44% of total production, up from 21% in 2014.

Other expenses increased by 753% from R20.4 million in 2014 to R174.5 million in 2015. The increase in expenses of R154.1 million was largely due to the recognition of an impairment loss of R162 million on the non-current assets held for sale. The assets were impaired due to no compensation being expected from National Treasury upon transfer of the properties to the community, as required by the Deed of Settlement.

Other income decreased by 9% from R74 million in 2014 to R67 million in 2015 with the main contributor being a decrease in the grant utilisation arising on advance of funds to the PSJV. The PSJV drew down R61.9 million from funds ring-fenced to finance the operations of the PSJV, bringing the total amount owing by the PSJV to R139 million as at 31 March 2015.

The historical environmental rehabilitation liability quantum was re-assessed by an independent expert during the year and a decreased quantum of R232 million was calculated, down from R284.7 million in 2014. The movement of R51.6 million in the rehabilitation liability is attributable to the natural rehabilitation and re-vegetation has taken place on previously disturbed areas which was discovered following a ground-truthing exercise that was carried out during the financial year.

Alexkor reported an operating loss of R95.8 million in 2015 which is a decrease of 513% from the R23 million in 2014.

The main contributor was the impairment of the non-current assets held for sale which were partly offset by the income recognised on the grant utilisation. Total comprehensive income, however, increased by 44% from R49.3 million in 2014 to R71.4 million in 2015.

STATEMENT OF FINANCIAL POSITION

Property, plant and equipment increased by 21% to R87 million in 2015. A majority of the expenditure took place at the PSJV where earthmoving equipment was purchased for the exploration operations at Muisvlak. These assets were financed using a draw down facility from the initial cost contribution as set aside in the DoS.

During 2015, R12.7 million of exploration costs was capitalised (51% of R24.9 million). These costs relate to the Muisvlak operation and include *inter alia* surveying costs, drilling costs, depreciation on plant and equipment during the exploration phase. When the plant moves into the production stage, the capitalisation of exploration and evaluation costs ceases and costs are expensed, except for capitalisable costs relating to mining asset additions, improvements or mineral reserve development.

Cash and cash equivalents decreased by 19% from R475 million in 2014 to R383.9 million in 2015. The funds include operational cash of R83.9 million and restricted funds which are set aside for township upgrade, Deed of Settlement and PSJV obligations.

The pension fund surplus decreased by 64% from R13.9 million in 2014 to R5 million in 2015. The trustees of the pension fund took a decision to utilise the surplus for an employer contribution holiday. The surplus is expected to be exhausted in the first quarter of 2016 and the Company will re-commence with paying over the employer portion of the pension fund contributions.

Alexkor continues to be lowly geared with no interest-bearing debt on its balance sheet. This will stand the company in good stead when it raises funds on the open market to finance future business ventures.

STATEMENT OF CASH FLOWS

Cash flow generated from continuing operations increased by 42% from R24.4 million in 2014 to R34.7 million in 2015. This is attributable to the increased diamond revenue from carats sold during 2015.

Cash and cash equivalents decreased by R91 million during 2015. Whilst the company has enough operational cash to sustain itself over the next 12 months and meets the going concern assumption, it will need to seek profitable business opportunities in order to generate cash and fund further exploration on land.

GENERAL

Internal Audit work was conducted by an outsourced service provider. Weaknesses in the internal control systems were identified and recommendations were made to strengthen the areas of weaknesses. Management remains committed to continuous improvement of internal control environment.

Supply chain management processes are in place within the Company with recommendations from Internal Audit being implemented. Focus in the coming year will be on strengthening the Finance function within the Company and ensuring proper IT governance.

CONCLUSION

I would like to express my sincere gratitude to all the employees at Alexkor and PSJV as well as the respective management teams for their enthusiasm and hard work over the past financial year. The commitment, technical ability and energy exhibited are what make these teams second to none. I wish also to thank our Chairperson and Board for their leadership and support. Alexkor has an exciting future ahead of it.

TT Mhlanga

Ms TT Mhlanga
ACTING CHIEF FINANCIAL OFFICER

Alexkor continues to be lowly geared with no interest-bearing debt on its balance sheet. This will stand the company in good stead when it raises funds on the open market to finance future business ventures.

STRATEGY

Alexkor's new strategy is a departure from the past that will radically transform Alexkor into a diversified mining company. The proposed strategy includes key elements that will ensure the sustainability of Alexkor's mining operations.

These elements are closely dependent on each other and will focus on:

i. Unlocking value from the PSJV;
ii. Extracting value from South African and African diamond mining opportunities; and
iii. Utilising Alexkor's core mining capability to supply coal and Lime to Eskom and other industries.

Alexkor has been mining alluvial diamonds on the West Coast of South for over fifty years. A wealth of experienced senior mining managers and executives with a proven track record have been recruited over the past 18 months who have already turned around the organisation from a production and profit perspective.

REPORT ON PREDETERMINED OBJECTIVES

Element of Strategic Intent	Key Performance Area	Key Performance Indicator	Unit of Measure	
Alexkor Sustainability	Implementation of Approved Alexkor Strategy	Acquire funding for each project (coal and lime)	Acquire funding for each project (coal and lime)	
	Financial ratios	Debt to Equity Ratio	Ratio	
		Current Ratio	Ratio	
		Cash Ratio	Ratio	
Rehabilitation Obligation	Implement and Execute a Five Year Rehabilitation Plan	Approval of the rehabilitation plan by the Rehab Committee	Deadline	
PSJV Sustainability	Production	Carats produced	Carats	
	Profitability	EBITDA	Rands	
	Safety	Loss Time Injury Frequency Rate (LTFIR)	Rate	
		Fatalities	Number	
Socio Economic Indicators	Employment Equity	HDI as % of total appointments on all categories	Percentage	
	Creation of jobs	Employment Number	Number	
	CSR initiatives	Bursaries	Number of students and date	

The management team has uncovered the following key competitive advantages for the Company to position itself as a sustainable miner into the future.

1. Significant untapped marine resources on both deep and mid waters.
2. The land claim locked most of the land resources and a recent independent evaluation has uncovered a significant untapped Inferred Resource within three major mining nodes.
4. Significant opportunity to contribute towards the development of new coal supply sources by utilising mining methods, processes, technologies and skills that are essentially the same as diamond mining. Alexkor is also in a strong position to leverage SOC-to-SOC relationships with Eskom to secure dedicated coal supply contracts. This can be further enhanced by agreeing a long term sustainable commercial model with Eskom that is not subject to price volatility and which will significantly reduce the risk for both parties.

Over the past financial year, the management team has done well to achieve the goals set by the Shareholder as shown below.

FY 2015 Target	FY 2015 Actual	Variance: Actual vs. Target	Comments
31 March 2015	KPI waived	N/A	This KPI was waived by the shareholder during the financial year.
> 30%	KPI waived	N/A	This KPI was waived by the shareholder during the financial year.
> 2:1	4.48	2.48	Achieved. Current ratio is healthy.
> 1:1	4.42	3.42	Achieved. Cash ratio is healthy.
30 June 2014	Completed in Q1	N/A	Achieved. The contract for the preparation of the implementation plan was signed with the service provider during May 2014.
70 000	74 387	4 387	Achieved
R13 million	R37.2 million	R24.2 million	Achieved
1.1	0.36	0.74	Achieved
Zero	Zero	Zero	Achieved.
80%	94.7%	14.7%	Achieved.
Ten (10) new employees	KPI waived	N/A	This KPI was waived by the shareholder during the financial year.
Four students by 31 March 2015	Four students	Achieved.	Achieved. Bursary agreements were entered into with four Mining Engineering students effective 31 March 2015. This brings the total number of students benefiting from the bursary program to ten (10).

INTEGRATED RISK MANAGEMENT

Compliance risk forms part of the Company's enterprise risk management process, which is managed internally. The Company has reviewed all policies and procedures to ensure compliance with relevant laws, rules, codes and standards. The Company's Board Charter, Delegation of Authority and the Terms of Reference for each of its sub-committees and Executive Committee have been revised to ensure alignment with these applicable laws, rules, codes and standards.

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 Executive Committee, 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 Board level. The finance team manages the Company's risk profile.

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 commissioned and the Executive Committee is responsible for the implementation of these structures and to execute the 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.

The Company has identified its top risks in the table below:

No.	Challenges & Risks	Outlook
1.	Inadequate funding - new ventures	No funds available for pursuing new business ventures Strong relationships with the Executive Authority (the Shareholder) to ensure alignment. Strong relationship with the Board and the Richtersveld Mining Company to develop, independent of the PSJV, mid-water Concession A operations, for improving cash flow for both entities whilst promoting exploration at the PSJV. ▪ Develop a strong business case for the coal strategy and ensure buy-in from the Executive Authority. • Finalise an off-take agreement with Eskom on all areas of collaboration that will be utilised to leverage business • Identify cash flow flush opportunities that are funded off balance sheet • Application to Treasury for Medium Term Expenditure Framework (MTEF) and engage financial institutions for funding.
2.	New Business Ventures – Coal	Failure to acquire relevant new coal opportunities and thereby not adhering to DPE's request to diversify and become sustainable. ▪ Terms Of Reference (TOR) and Memorandum Of Cooperation (MOC) have been concluded with Eskom and now in the process of finalising the Master Supply Agreement (MSA) ▪ The Company is strengthening relationships with various emerging miners in order to partner with them in the supply of coal to Eskom.

No	Challenges & Risks	Outlook
3.	Compliance with the Deed of Settlement (DoS)	Implementation of the last few remaining items of the Deed of Settlement is outside the control of Alexkor and lies with third parties such as the Property Holding Company, Worley Parsons, the Municipality and the Office of the Premier in the Northern Cape. Failure on the part of these parties to work together may have repercussions as regards performance of Alexkor's obligations. A payout has been promised to the community, which cannot happen unless the remaining items are dealt with. Failure to make this payout will have implications on the relationship with the CPA. • Ongoing meetings to take place with the various third parties to ensure compliance with the remaining issues. • Ongoing engagement with the CPA to continue to strengthen relationships.
4.	Full implementation of the Deed of Settlement	Various steps have been taken in regard to the implementation of the DoS 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 DoS.
5.	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.
6.	Rehabilitation of land based mining operations prior to the DoS	A tender was awarded in April 2014 to assess the liability of the historical mining operations in Alexander Bay, which was expected to be completed in June 2015. All relevant state agencies were involved in the process and a 5-year rehabilitation implementation plan has now been developed. The actual implementation will commence in FY 2016.
7.	Inadequate funds to maintain community and houses	Community unrest due to the inability to maintain the community services and housing and the ripple effect on the morale of employees should they become aware of funding instability. • Attempt to create additional revenue streams • Agree with the PSJV on their budgeting to include the town maintenance
8.	Operational strategy - Alexkor vs PSJV	• Review the Alexkor-PSJV structures for effectiveness.
9.	Marine mining rights	Marine rights that belonged to Alexkor, but now form part of the PSJV, create the risk of Alexkor being accountable for maritime incidents. Review Alexkor MOI for inclusion of its executives on the PSJV Board.
10.	Non-compliance with Mine Health and Safety Act	Non-compliance may lead to possible down-time and, in extreme circumstances, mine closure. • Regular internal audits • Conduct continuous Risk Assessments matched by review of relevant procedures.

PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2015

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 29 July 2015 and is signed on its behalf by:

Mr P Khoza
CEO

Mr MR Bagus
Chairperson

GOVERNANCE REPORT

ZARINA KELLERMAN
CHIEF LEGAL OFFICER

SHAREHOLDER

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.

BOARD OF DIRECTORS

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

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

The financial year under review commenced with all eight independent non-executive directors being appointed at the 2012 AGM. These include Messrs Rafique Bagus (Chairperson), Mohammed Bhabha, Brian Grobbelaar, Dr Don Mkhwanazi, Dr Nono Yvonne Mohutsioa-Mathabathe, Ms Zukiswa Ntlangula, Dr Roger Paul and Ms Sindiswa Zilwa.

The two executive directors of the Board include the Chief Executive Officer, Mr Percy Khoza, appointed in February 2013. On 1 December 2013, a new Chief Financial Officer Mr Mxolisi Dludla, assumed a position on the Board. Mr Dludla's contract was terminated in August 2014. An Acting Chief Financial Officer, Ms Tsundzukani Mhlanga, assumed the position on 29 August 2014.

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.

EXECUTIVE COMMITTEE

The Company has an Executive Committee consisting of the following: Mr P Khoza, CEO; Ms T Mhlanga, Acting CFO; Mr H Mokwena, COO and Adv Z Kellerman, CLO.

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 (MoI) as amended from time to time, national legislation including Alexkor's enabling Act, as well as corporate governance best practice also inform the statutory accountability of the Board. The Board provides the Executive Committee with clear strategic direction, as documented in the Company's Strategic Intent and Corporate Plans.

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.

MS L BROWN, MP
Honourable Minister

Mr B Magwanishe, MP
Honourable Deputy Minister

Board meetings are held at least once a quarter and thereafter where special business needs to be dealt with, the Board has held special meetings through the Chairperson and Company Secretary where necessary. The Board also holds one strategy meeting within a financial year.

The table on page 33 reflects the members' attendance at Board meetings for the year under review.

The Board continues to implement the Board Charter, the objective of which is to assist the Board and Executive Committee 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 sub-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.

Through the Company's delegation of authority, the Board delegates certain powers and functions to the Executive Committee, 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 Charter for the Executive Committee to ensure the resolutions and recommendations received from management follow the required compliance and best practice principles have been applied.

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 interests 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 EVALUATIONS

The independence of non-executive Directors, the appraisals of the Board, its sub-committees as well as the Executive Committee and Prescribed Officers form part of the annual Board evaluation process. Even though there are challenges relating to the Board, the Board and its sub-Committees continue to operate at its optimum. The Board is constituted with mostly skilled and competent members who conduct the affairs of the Company in a good and professional manner.

A comprehensive programme is in place to train and orientate new Directors and External Committee members on a continual basis.

SUB-COMMITTEES

The Board has appointed the following sub-committees:

Audit and Risk Committee
(Chairperson: Ms S Zilwa)

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

Tender Committee
(Chairperson: Dr N Mohutsioa-Mathabathe)

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 internal and external auditors have unrestricted access to the ARC. The CFO has a good working relationship with the ARC, and has unrestricted access to all members. The ARC has reviewed the effectiveness of the finance department and is satisfied that the required skills and expertise are present.

A report by the ARC Chairperson on the duties that ARC has carried out during the financial year under review is contained on page 60.

The ARC 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 will also form part of the ARC's responsibilities during the ensuing year, which will include the necessary processes to ensure relevant, timely, accurate and complete reporting to the Board on a quarterly basis.

The Audit and Risk Committee is chaired by Ms S Zilwa with Ms Z Ntlangula, Dr R Paul and Dr 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 and attendance at the Committee meetings during the period under review appear in the table on page 33.

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.

SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE

The Social, Ethics and Human Resources 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 has adopted a formal Terms of Reference as approved by the Board.

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 GM:HR have standing invitations to all SE&HR Committee meetings.

The table on page 34 depicts members and attendance at the SE&HR Committee meetings during the year under review.

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.

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 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 Dr Mkhwanazi as the members, all of whom are independent non-executive directors of the Company. The CEO, CFO and GM: Technical have standing invitations to all committee meetings.

The table on page 34 reflects the members and attendance at the Rehab committee meetings for the year under review.

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.

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 has a Terms of Reference approved by the Board, which clearly states the roles and responsibilities of 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, with Dr R Paul and Mr M Bhabha as 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.

The table on page 34 reflects the members and attendance at Tender Committee meetings for the year under review.

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 PSJV

The Board also fulfills an oversight role in relation to the PSJV Board, which operates as a sub-committee of the Board of Alexkor for reporting purposes. 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 Alexkor has been implemented at the PSJV Board.

In terms of the Deed of Settlement (DoS) concluded with the community of the Richtersveld, the Alexkor Board is required to have three board members serve on the PSJV Board. The table on pages 35 to 36 reflects the members and attendance at PSJV Board and Committee meetings for the year under review.

COMPANY SECRETARY

The Company Secretary was appointed in October 2013. 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.

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 Committee, and makes its proposals in that regard to the Board. The Board makes a proposal to the Shareholder at the AGM regarding the remuneration of the Executive Committee.

Details of the remuneration structure of the Independent Non-Executive Directors and of the Executive Directors appear on page 37.

CORPORATE GOVERNANCE FRAMEWORK

The Governance Framework that regulates the relationship between the Shareholder, the Company and the Board includes the following:

- A Memorandum of Incorporation, which sets out certain powers of the Shareholder and the Board
- A Strategic Intent Statement, which sets out the agreed mandate and strategy for the Company
- A Corporate Plan, which forms the basis of the Company's operations and outlines the Company's strategic objectives
- A Shareholder's Compact, which sets out annual key performance indicators and targets in support of the Strategic Intent Statement.
- A Significance and Materiality Framework, which sets out the requirements regarding matters needing approval in terms of the PFMA
- Codes of Good Governance such as King III and the Protocol on Corporate Governance in the Public Sector
- National legislation, including but not limited to: Alexkor Act No. 116 of 1992 (as amended in 2001); Employment Equity Act No. 55 of 1998; Income Tax Act No. 58 of 1962; King Code of Governance Principles for South

Africa 2009 (King III); Mine Health and Safety Act No. 29 of 1996; Mining Charter; Minerals and Petroleum Resources Development Act No. 28 of 2002; National Environmental Management Act No. 107 of 1998; Public Finance Management Act No. 1 of 1999; Treasury Regulations in terms of the Public Finance Management Act No. 1 of 1999; Preferential Procurement Policy Framework Act, 2000

- Internal policies and procedures.

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

The Company's Board Induction Programme and Employee Induction Programme include exposure to the Company's Legal and Compliance Policy, which sets out all 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 new mandate as set out in its Strategic Intent Statement, as well as an understanding of its Corporate Plan. Management 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.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Company has in place a Code of Business Conduct and Conflict of Interest Policy, which has been approved by the Board. The performance of the Company's ethics is assessed, monitored and reported on by the Audit and Risk Committee on a quarterly basis.

The Board ensures that the Company's ethics performance is assessed, monitored, reported and disclosed. The anonymous tip-offs hotline is managed and reported on by an external service provider to ensure independence.

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

CODE OF BUSINESS CONDUCT AND CONFLICT OF INTEREST

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.

FRAUD PREVENTION

The Company has in place a Fraud Prevention Plan and Policy. Any fraudulent and corrupt activities that may arise are addressed at the Company's Audit and Risk Committee and Board meetings. 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 run by Whistleblowers SA. This line has been implemented at both Board and PSJV levels. The Board is of the view, based on the information and explanation given by the Executive Committee, that the above controls provide reasonable assurance that any fraud and material misstatements will be detected.

CPA

MR M CARSTENS
CEO of the PSJV

STAKEHOLDER ENGAGEMENT

There are various avenues of communication through which stakeholders can approach the Company. Stakeholder engagements are carefully planned in terms of the scope of the engagement, the intended outcomes of the interaction and the engagement approach.

Stakeholders include: Government, Parliament, national and provincial Departments and Municipalities; lenders and investors; suppliers and contractors; management, employees and organised labour; business groups, civil society and non-governmental organisations (NGOs), as well as industry experts, analysts, academics and the media.

Engagements can take the form of one-on-one meetings, presentations to Parliamentary Portfolio Committees; reports; the AGM; industry associations and task teams; site visits and public hearings; monthly, quarterly and bi-annual meetings; community and executive forums; teleconferences; open days; contracts and service agreements as well as social media.

To ensure effective stakeholder engagement, the Company's external communications are guided by the following principles:

- Provide meaningful information in a format and language that is easily understandable and tailored to the needs of the target stakeholder group/s.
- Provide information in advance of consultation activities and decision-making.
- Disseminate information in ways and locations that make it easy for stakeholders to access it.
- Respect for local traditions, languages, timeframes, and decision-making processes.
- Two-way dialogue that gives both sides the opportunity to exchange views and information, to listen, and to have their issues heard and addressed.
- Inclusiveness in representation of views, including women, vulnerable and or minority groups.
- Processes free of intimidation or coercion.
- Establish clear mechanisms for responding to people's concerns, suggestions and grievances.
- Incorporating feedback into project or programme design, and reporting back to stakeholders.

ALEXKOR MEETINGS

SCHEDULE OF ATTENDANCE AT BOARD MEETINGS

Member	13-May-14	17-Jul-14	30-Jul-14	02-Sep-14	21-Oct-14	17-Nov-14	28-Jan-15	25-Feb-15
Mr M R Bagus	P	P	P	P	P	P	P	P
Dr R Paul	P	P	P	P	P	P	P	
Dr N Mohutsioa-Mathabathe	P	A	P	P	P	P	P	P
Mr M Bhabha	P	P	P	P	P	P	A	P
Ms S Zilwa	P	P	P	P	P	P	P	A
Dr Mkhwanazi	P	A	A	P	P	P	P	P
Ms Z Ntlangula	VT	P	P	P	P	P	P	P
Mr Grobbelaar	P	P	A	P	P	P	P	P
Mr Khoza (CEO)	P	P	P	Excused	P	P	P	P
Mr M Dludla/Ms Mhlanga (Acting CFO & Member of the Board)					P	P	P	P

SCHEDULE OF ATTENDANCE AT AUDIT & RISK COMMITTEE MEETINGS

Member	12-May-14	22-Jul-14	25-Jul-14	17-Oct-14	05-Nov-14	14-Nov-14	26-Jan-15	12-Feb-15
Ms S Zilwa	A	P	P	P	P	P	P	P
Dr R Paul	P	P	P	P	P	P	P	P
Dr Mkhwanazi	P	A	A	A	P	A	P	P
Ms Z Ntlangula	VT	VT	A	Proxy	A	P	A	A
Mr Khoza (CEO)	P	P	P	P	P	P	P	P
Mr M Dludla/Ms Mhlanga (Acting CFO & Member of the Board)	P	P	P	P	P	P	P	P
Ms Z Ntlangula	VT	P	P	P	P	P	P	P
Mr Grobbelaar	P	P	A	P	P	P	P	P
Mr Khoza (CEO)	P	P	P	Excused	P	P	P	P
Mr M Dludla/Ms Mhlanga (Acting CFO & Member of the Board)					P	P	P	P

n/m = not members A = Apology P = Present VT = Via Telecon

SCHEDULE OF ATTENDANCE AT SOCIAL, ETHICS & HUMAN RESOURCES COMMITTEE MEETINGS

MEMBER	17-Jun-14	28-Aug-14	04-Nov-14	12-Feb-15
Mr B Grobbelaar	P	P	P	P
Dr N Mohutsioa-Mathabathe	P	A	P	P
Ms Z Ntlangula	P	P	P	A
Mr MR Bagus	A	A	A	A
Mr Percy Khoza (CEO)	A	Excused	P	P
Mr M Dludla/Ms Mhlanga (Acting CFO & Member of the Board)	P	Excused	A	P

SCHEDULE OF ATTENDANCE AT REHABILITATION COMMITTEE MEETINGS

MEMBER	17-Jun-14	04-Nov-14	11-Feb-15
Dr R Paul	P	P	P
Mr M Bhabha	P	P	P
Mr B Grobbelaar	P	A	A
Dr Mkhwanazi	A	P	P
Mr P Khoza (CEO)	A	P	A
Mr M Dludla/Ms Mhlanga (Acting CFO & Member of the Board)	P	P	P

SCHEDULE OF ATTENDANCE AT TENDER COMMITTEE MEETINGS

MEMBER	17-Jun-14	21-Aug-14	04-Nov-14	11-Feb-15
Dr N Mohutsioa-Mathabathe	P	P	P	A
Dr R Paul	P	P	P	P
Mr M Bhabha	VT	VT	P	P
Mr P Khoza (CEO)	A	A	P	A
Mr M Dludla/Ms Mhlanga (Acting CFO & Member of the Board)	P	P	P	P
Mr M Dludla/Ms Mhlanga (Acting CFO & Member of the Board)	P	P	P	P

n/m = not members A = Apology P = Present VT = Via Telecon

ALEXKOR RMC JV MEETINGS

SCHEDULE OF ATTENDANCE AT BOARD MEETINGS

Member	16-Apr-14 PSJV Boardroom	30-Jul-14	13-Oct-14	20-Oct-14	21-Nov-14	23-Jan-15	29-Jan-15
Mr MR Bagus	P	VT	VT	P	VT	VT	VT
Dr R Paul	P	VT	VT	P	VT	VT	VT
Ms Z Ntlangula	A	A	VT	A	VT	VT	
Dr J Bristow	VT	VT	VT	A	VT	VT	VT
Mr D Korabie	VT	VT	A	P	VT	VT	
Mr W Vries	P	A	P	P	P	P	
Mr MJ Carstens	P	P	P	P	P	VT	P
Ms R Phillips	P	P	P	P		P	P
Ms T Mhlanga	P						
Mr P Khoza	P	A		P		VT	P
Mr F Strauss			P		P	P	P
Ms WK Vries					P	P	P

SCHEDULE OF ATTENDANCE AT AUDIT AND RISK COMMITTEE MEETINGS

Member	14-Apr-14	18-July-14	22-Oct-14	22-Jan-15
Dr R Paul	VT	P	P	VT
Dr J Bristow	VT	P		
Ms Z Nlangula	A	VT	VT	A
Mr W Vries		A	P	P
Mr MJ Carstens	P	P	P	P
Ms R Phillips	P	P	P	P
Ms T Mhlanga	P			
Mr F Strauss	P	P	P	P
Mr B Lategan	P	VT		
Mr P Naude (ORCA)		VT		
Mr J Ntedy (ORCA)		VT		
Mr P Mkhumbusi (Nexia SAB&T)	VT	VT	P	P
Ms M Oosthuizen (ORCA)	VT	VT	P	P
Dr L Konar (ORCA)	VT	VT		P
Mr M Moolla (ORCA)	VT	P		
Ms T Mohusi (ORCA)				P
Mr J Asa (ORCA)				P
Mr S Kleovoulou (Nexia SAB&T)				P

n/m = not members A = Apology P = Present VT = Via Telecon

SCHEDULE OF ATTENDANCE AT TECHNICAL COMMITTEE MEETINGS

Member	10-Apr-14	18-Jul-14	27-Oct-14	22-Jan-15	19-Feb-15
Dr J Bristow	VT	P	P	VT	P
Dr R Paul	VT	P	P	VT	P
Mr MJ Carstens	P	P	p	P	P
Ms R Phillips	P	P	P	P	P
Mr D Bowers	P	P	P	P	P
Mr D Beukes	A	A	A	A	A
Mr G Cloete	P	P	P	P	P
Mr J van Dyk				P	
Mr F Strauss		P	P	P	
Mr P Khoza		P			P
Mr A Grills					P

SCHEDULE OF ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS

No meetings for the FY.

SCHEDULE OF ATTENDANCE AT TENDER COMMITTEE MEETINGS

Member	08-May-14	20-Oct-14	31-Oct-14	11-Dec-14
Dr R Paul	P	P	P	P
Mr R Bagus	P	A	A	P
Mr D Korabie	A	P	P	P
Mr W Vries	A	P	P	A
Mr MJ Carstens	P	P	P	P
Ms R Phillips	P	P	P	P
Mr P Khoza		P	P	

n/m = not members A = Apology P = Present VT = Via Telecon

DIRECTORS' EMOLUMENTS AND EXECUTIVE REMUNERATION

NAME	CAPACITY	FEES FOR SERVICES AS MEMBERS	BASIC SALARY	TOTAL 2014/15	TOTAL 2013/14
Executive Management					
P Khoza	Chief Executive Officer	-	2 730 000	2 730 000	2 600 000
B Lategan ^	Chief Financial Officer	-	-	-	1 120 000
M Dludla ^	Chief Financial Officer	-	1 102 500	1 102 500	600 000
TTA Mhlanga ^	Acting Chief Financial Officer	-	810 215	810 215	-
H Mokwena	Chief Operating Officer	-	1 890 000	1 890 000	900 000
Z Kellerman	Chief Legal Officer	-	1 701 000	1 701 000	810 000
Non-Executive Directors					
MR Bagus	Chairperson	1 258 435	-	1 258 435	1 201 285
R Paul	Non-executive director	565 377	-	565 377	632 063
N Mathabathe	Non-executive director	258 196	-	258 196	248 314
Z Ntlangula	Non-executive director	424 118	-	424 118	397 255
M Bhabha	Non-executive director	227 453	-	227 453	275 333
S Zilwa	Non-executive director	250 413	-	250 413	214 958
B Grobbelaar	Non-executive director	258 196	-	258 196	206 809
DB Mkhwanazi	Non-executive director	244 954	-	244 954	196 263
TOTAL		**3 487 141**	**8 233 715**	**11 720 857**	**9 402 279**

^ Mr Lategan was replaced by Mr Dludla on 1 December 2013. Mr Dludla's contract has since been terminated and Ms Mhlanga has been Acting Chief Financial Officer since 29 August 2014.

SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE REPORT

MR. B GROBBELAAR
NON EXECUTIVE MEMBER

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.

The Social, Ethics and Human Resource Committee ("SE&HR Committee") members are:

Mr B Grobbelaar as Chairperson, Ms Z Ntlangula, Dr Mohutsioa-Mathabathe and Mr MR Bagus as members.

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 Board, has continued to oversee the progress of Alexkor.

During the year under review, the focus was on revising and updating Human Resource (HR) practices and governance within Alexkor. In addition, standardising human resources processes and practices across our business was concluded.

Remuneration packages are paid based on the total package concept ("Total Cost To Company –TCTC") and an approved Remuneration Policy has been developed by the Company. During the period under review salaries paid to employees amounted to R 23 068 077. Of this total figure mentioned, Directors' salaries for the period amounted to R 3 487 141, while payments to contractors and consultants for the period under review amounted to R 12 030 662.

For the year under review the company offered employees and members of local communities' opportunity to participate in: Learnerships; Internships; Bursaries; Participation in Skills Development Programmes; and Acquisition of Portable Skills. An amount of R 640 101 has been expended on various training initiatives including in-house training and bursary contributions to community members.

Alexkor has met its Employment Equity targets and will continue to improve by attracting and placing qualified black females in Senior and Top Management positions when the opportunity presents itself.

We successfully submitted the Mining Charter report required by the Minerals and Petroleum Resources Development Act ("MPRDA") aimed at tracking progress on our Social and Labour Plan, Human Resource Development and Local Economic Development (LED) project commitments.

LED projects identified at operational level (i.e. PSJV) have been 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 (as we are required to do in terms of the Deed of Settlement).

A highlight for the year under review was the launching of the Alexkor RMC JV Wellness Campaign in partnership with the Department of Health. This initiative benefited both employees and the Richtersveld community which included schools and contractors. More than five hundred volunteers participated in this initative.

Most of our policies and procedures have been revised and approved by the SE&HR Committee and the board, this will help strengthen the Human Resource practices and governance within Alexkor.

The focus for the current financial year will be to implement our Talent Management and development plans to develop and retaining our talent and to create human resources systems that will maximize the potential of employees and the Company and focus on sound performance management principles.

The CFO, Mr M Dludla, is no longer with the Company after a disciplinary hearing. The matter was not reported prior to the year-end as the matter was, at such time, *sub judice*.

The GM Finance, Ms Tsundzukani Mhlanga was appointed as the acting CFO effective 29 August 2014. The recruitment process will commence as soon as a mandate is received from the shareholder.

MR B GROBBELAAR
CHAIRPERSON OF THE SE&HR COMMITTEE

INTERNAL AUDIT

The Internal Audit Services has been outsourced to Outsourced Risk and Compliance Assessment (ORCA) and they have unrestricted access to the chairperson of the audit and risk committee and the Board. The Audit and Risk Committee has during the period under review approved the three year Coverage Plan, including the Annual Audit Plan, which formed the basis of focus by the internal Audit function. The Internal auditors provided quarterly progress reports of the findings of the audit work against the agreed internal audit plan to the audit and risk committee. The results of the internal audit reviews provided an independent and objective assurance to management, Audit and Risk Committee as well Board on the adequacy and effectiveness on systems of internal controls, risk management and governance. Where the weaknesses are identified, the audit and risk committee ensured that management took appropriate action. Internal Audit work was done in accordance with the Standards of the Institute of Internal Auditors as well as other corporate governance regulations.

The Internal Audit Plan incorporated the risk identified through the risk assessments conducted by the outsourced risk management service provider.

The audits performed for the 2014/15 financial year, and the evidence obtained indicated that the processes and related system of internal controls, in the areas reviewed, are reasonably adequate and effective.

HUMAN RESOURCES

BUHLE MAKWETLA
GM HUMAN RESOURCE

1. INTRODUCTION

In 2014 our focus was on revising and updating all Human Resource (HR) practices and governance within Alexkor. We also focused on standardising processes and practices to ensure best employee/employer relationship experience across our business. We conducted various training and skills development initiatives for all our employees to keep up with trends in the mining sector.

For the current financial year, HR will be focusing on the following:

- Implementing the revised policies and procedures across the business;
- Developing short-term and long-term incentive scheme;
- Training and development;
- Performance management;
- Employment equity; and
- Implementing 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.

2. STAFF COMPLEMENT

As of 31 March 2015 the staff complement was:

Permanent employees at the mine	35
Temporary employees at the mine	28
Permanent employees Head Office	10
External contractors & other	14
TOTAL	**87**

Over the period of 2014/15, the following positions were filled:

2.1 PERMANENT POSITIONS

TOTAL	TOTAL
Executive PA	01/11/2014
Financial Manager	25/03/2015

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 June 2014 we appointed an executive PA (personal assistant) on a limited duration contract basis. In November 2014 she was appointed in the same position on a permanent basis. In October 2014 we appointed a financial administrator in the Finance Department on a limited duration contract basis.

3. REMUNERATION

Salaries are paid based on the total package concept and the remuneration policy developed by the Company.

During the period under review salaries paid to employees amounted to R23 068 077. Directors' emoluments for the period amounted to R3 487 141.

Payments to contractors and consultants for the period under review amounted to R 12 030 662.

4. INDUSTRIAL RELATIONS

For the period under review three disciplinary matters were conducted as detailed in the table below:

NUMBER	OUTCOME
1	Verbal Warnings
1	Written Warnings
0	Final Written Warnings
1	Dismissals
0	Settlement

We had one grievance lodged at the CCMA by an employee who was dismissed in October 2014. This matter has been resolved and a sanction was awarded in favour of the Company.

Learnerships and Internships

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

- Graduate in-service training
- Internships
- Skills development programmes

An amount of R640 101 has been expended on various training initiatives, including in-house training and amounts spent on our bursary programmes.

5. HUMAN RESOURCES DEVELOPMENT & TALENT MOBILITY

The identification and retention of core and critical skills remains a focus in ensuring the sustainability of our business. To this end we have developed comprehensive Human Resource and Talent Management initiatives, such as succession planning, mentoring, coaching and skills development to ensure the growth and development of our talent across the business.

We remain committed to talent development, training and retention with the objective of achieving developmental goals of the organisation.

At the end of 2014 one of the four students who was offered a bursary through our bursary programme successfully completed her studies and graduated with an Honors degree in Environmental and Water Management.

In February 2015 we offered bursaries to an additional four students who are studying B.Sc in Mining Engineering. The four students who were added onto our bursary programme effective 31 March 2015 are as follows:

5.1 Bursaries

RACE	QUALIFICATION	GENDER	INSTITUTION
A	B.Sc Mining Engineering	Female	Wits University
A	B.Sc Mining Engineering	Male	Wits University
A	B.Sc Mining Engineering	Female	Wits University
A	B.Sc Mining Engineering	Female	Wits University

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. For the current financial year, we are especially committed to ensuring that we develop talented and qualified black females who will form part of our succession plan for senior and top management positions in the organisation.

The following structures exist 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 have been revised and approved.

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

EMPLOYEE EQUITY

Occupational Level	Number of Incumbents	Male				Female			% of Designated Group
		AM	CM	WM	AF	IF	CF	WF	
Top Management	3	2	0	0	0	1	0	0	100%
Senior Management	3	1	0	0	2	0	0	0	100%
Professionally Qualified	1	1	0	0	0	0	0	0	100%
Skilled	7	0	1	3	2	0	1	0	71%
Semi-Skilled	18	1	17	0	1	0	0	0	100%
Unskilled	13	0	11	2	0	0	0	0	100%
TOTAL	**45**	**5**	**30**	**5**	**5**	**1**	**1**	**0**	**98%**

7. CORPORATE SOCIAL RESPONSIBILITY

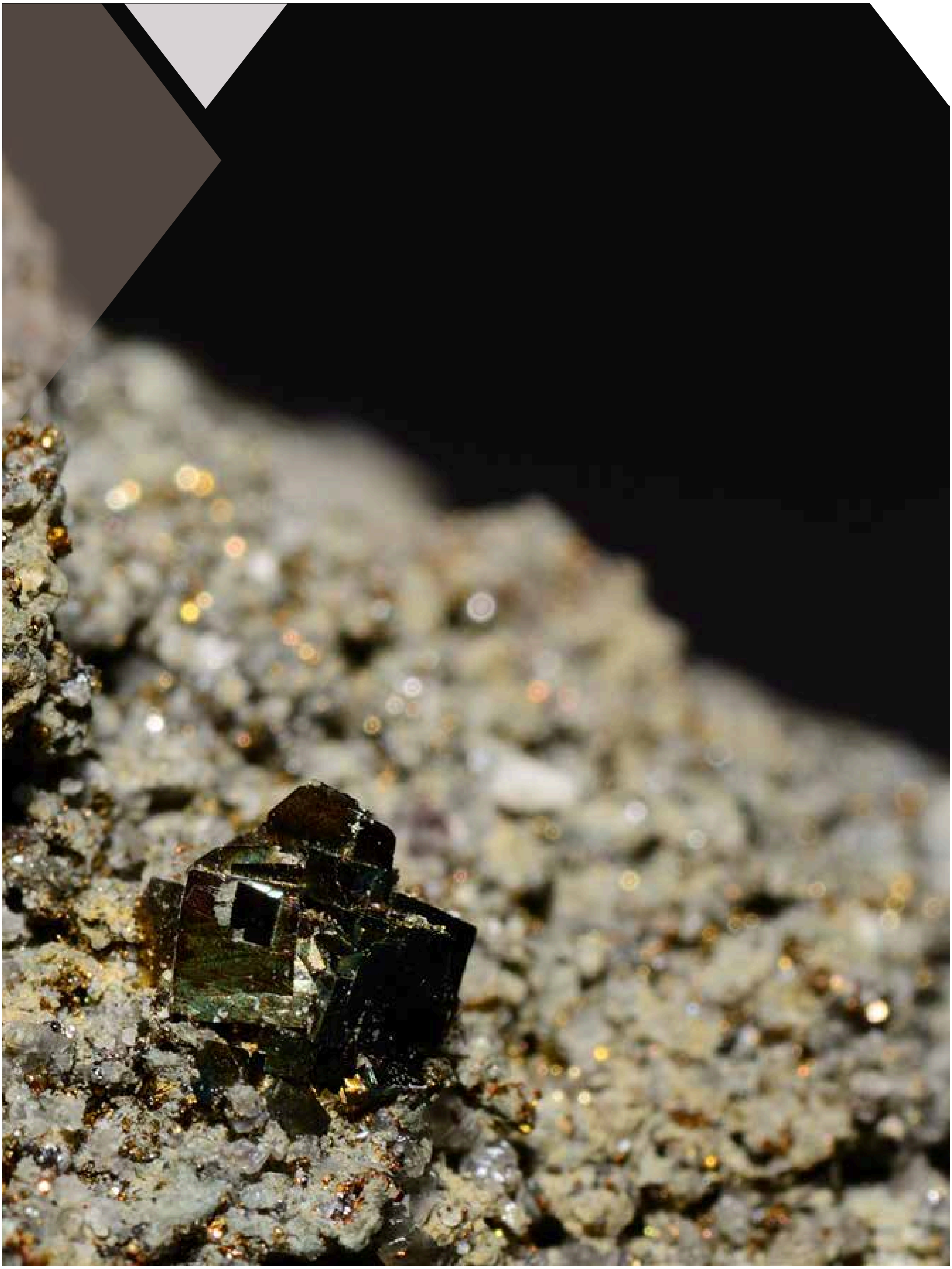
At Head Office we donated groceries and other essentials to an orphanage in Alexander Bay township during the Mandela Day celebrations.

8. SOCIAL AND LABOUR PLAN (SLP)

In line with our approved marine and land mining social and labour plans we have begun implementing the following projects and initiatives:

- ABET
- Job creation
- Skills development initiatives
- Internships

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



PSJV HR & SOCIAL DEVELOPMENT ANNUAL REPORT

OVERVIEW

Alexkor RMC JV's HR improvement plan is based on an in-depth analysis of the 2014 end of the year risk analysis versus the benchmarks that the Human Resources Department has set for itsself for the continued growth and sustainability of the PSJV. This is also based on the analysis of the performance of the previous value-adding HR Practices which was set for the previous financial year.

The primary aim of this strategy is to improve employees' morale by focusing on not only individual development but to strengthen good relations between employee and employer on how to deal with project dynamics and project specifications to enhance excellent work ethics and relations.

Strategic imperatives were focused on the following:

- Transformation
- Ongoing employee sourcing and placement of critical grades
- Skills development and employee mobility
- Employee relations
- Social and Labour Plan
- Corporate social investments
- Talent retention
- Succession planning
- Performance management

OBJECTIVES

- To identify at-risk areas in practical as well as theoretical areas with special focus on critical and priority areas in today's rapidly changing working environment.
- Enhance employees' existing skills by providing a solid framework of the methodology behind the process but with ample opportunity to practise and demonstrate new skills through reality based exercises.
- The new skills gained by employees, both male and female, undoubtedly place them in a perfect position to take on more responsibilities and act as a solid platform for future career success.

1. STAFF COMPLEMENT

As at 31 March 2015 the staff complement was:

Permanent Employees	280
Temporary & Casual Employees	55
External Contractors & Other	665
TOTAL	**1000**

We were successful in our attempts to recruit and promote highly qualified and experienced individuals to fill high profile positions, amongst others: the Mining Manager, Safety Manager, Geologist, Environmental Manager and Cost Accountant. Most of these candidates were locally sourced and internally developed and play pivotal roles in the turn-around strategy which the company is committed to in terms of its Corporate Plan for 2014/2015.

We have achieved our manpower requirements for Muisvlak and other critical positions within marine and land mining. A staff complement of 150 was attained.

2. REMUNERATION

Salaries are paid based on the total package concept and the Remuneration Policy developed by the company is based on a remuneration philosophy that offers 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 R222 172 124.

3. INDUSTRIAL RELATIONS

For the year under review management and the representative union (NUM) held a Bosberaad where issues of concern were addressed.

The Company also reviewed, updated and implemented its Disciplinary Code and Procedure as well as its Alcohol & Drug Policy in consultation with the representative union (NUM).

Continuous engagements with Organised Labour were held in an endeavour to ensure smooth running of all operations. To further ensure sound labour relations, a committee consisting of Management and Shop Stewards was established at the Muisvlak constituency.

The United Staff Association of South Africa (UASA) forfeited their bargaining rights due to a decline in membership representation, but subsequently upholds their constitutional rights.

NUM remains the active union with a selected Branch Committee representing the bargaining arena.

No industrial action during the review period was experienced.

Union membership is indicated in the table below:

NUM	73%
UASA	4%
Non-Affiliates	23%

For the period under review 55 disciplinary cases were conducted and are detailed in the table below

NO	OUTCOME
5	Verbal Warning
29	Written Warnings
14	Final Written Warnings
7	Dismissals

Two grievances were lodged during the year under review: 1 employee alleged that line supervisor/s did not let him do standby duties. This seemed to be a misunderstanding and the Engineering Superintendent will in future send out the standby roster in advance to the section.

Another employee lodged a grievance, claiming that another employee accused him of sabotage. This was cleared when the employee who was implicated, explained that what he actually said was merely to remind the aggrieved that the manner in which he carried out his work, could be seen by others as possible sabotage.

4. HUMAN RESOURCES DEVELOPMENT & TALENT MOBILITY

WORKPLACE SKILLS PLAN AND TRAINING REPORT

The Workplace Skills Plan has been successfully submitted and we awaiting approval from the MQA (Mining Quality Authority).

Training Methodology

The following training interventions and workshops have been successfully rolled out:

HEALTH AND SAFETY DEPARTMENT:

	Training Interventions	Number of Candidates	Gender	Gender	Status
			MALE	FEMALE	
1	Risk Management	1	1	0	Completed
2	Comsoc 1	3	3	0	Completed
3	Comsoc2	2	2	0	Completed
4	Audiometry	3	1	2	Completed
5	Basic Ambulance	1	0	1	Completed
6	BAA Course	1	1	0	Completed
7	Occupational Health Nurse	1	1	0	In Progress
8	Spirometry	2	0	2	Completed

ENGINEERING DEPARTMENT:

	Training Interventions	Number of Candidates	Gender	Gender	Status
			MALE	FEMALE	
1	Fast Rescue	1	1	0	Completed
2	N2 Diesel Mechanic	2	2	0	In Progress
3	N2 Fitter	1	1	0	In Progress
4	N2 Electrical	1	1	0	In Progress
5	Production /Operation	4	4	0	In Progress
6	Welder	1	1	0	In Progress
7	Telehandler Course	5	5	0	Completed
8	Flow sort Course	5	2	3	Completed
9	RPL – Different Trades	13	13	0	In Progress

MINERAL & RESOURCES:

	Training Interventions	Number of Candidates	Gender	Gender	Status
			MALE	FEMALE	
1	Survey Course	1	1	0	In Progress
2	Basic Rough Diamond	1	0	1	Completed
3	Water and Waste Course	5	4	1	Completed
4	Geologist Honours	1	0	1	In Progress

EXECUTIVE DEPARTMENT:

	Training Interventions	Number of Candidates	Gender	Gender	Status
			MALE	FEMALE	
1	M Phil Management Coaching (Registration contribution)	1	0	1	In Progress
2	Executive Development	2	1	1	Scheduled

MANAGEMENT DEPARTMENT:

	Training Interventions	Number of Candidates	Gender	Gender	Status
			MALE	FEMALE	
1	Management Development Programme	2	0	2	Completed

FINANCE DEPARTMENT:

	Training Interventions	Number of Candidates	Gender	Gender	Status
			MALE	FEMALE	
1	Forensic Detective	1	0	1	Completed
2	PFM Act	1	0	1	Completed

CONTRACTOR TRAINING INTERVENTIONS:

TYPE OF COURSE	Alexkor	Contractors	Total
First Aid	9	135	144
Oxcygen	4	50	54
First Aid Level 3	0	26	26
Diving Supervisor	0	26	26
TOTALS TRAINED	**13**	**237**	**250**

TMM (TRACKLESS MOBILE MACHINES) TRAINING INTERVENTIONS:

TYPE OF MACHINE	Alexkor	Contractors	Total
Front End Loader	10	28	38
Excavator	11	29	40
Dump Truck	26	20	46
Dozer	11	2	13
Telehandler	4	0	4
Tractor	4	73	77
Grader	0	0	0
Vlakvarkie	12	0	12
TLB	0	0	0
LDV	51	99	150
Code 10-14	0	5	5
	129	**256**	**385**

- Alexkor RMCJV has implemented an accredited TMM Operators course to ensure compliance to the DMR. The table above indicates the total of operator training done on the new programme.
- A new Authorization Card system will be implemented to ensure proper monitoring and update of Information of operators.
- Maximize resources to enable sufficient training interventions.
- Pursuing opportunities to enhance and create excellence in our systems by appointing consultants to identify the gaps in our systems.
- Ensure the appointment of accredited facilitators.
- Feedback reports from HOD's ensure that regular performance indicators are implemented and monitored to ensure the expectations of the workforce and the company.
- Skills gaps have been identified by the HOD's with the IDP system to implement appropriate programmes to fill the skills gaps.
- Operational problems and challenges have been identified and solutions towards improvement has been proposed and implemented.

The training centre strives to ensure investment opportunities driven by the quality of opportunities on offer to conduct business with integrity to generate shareholder value.

A total amount R1 062 425 was expended under reviewed period.

5. TRANSFORMATION & EMPLOYMENT EQUITY (EE)

Alexkor RMC JV views transformation and gender equivalences as a strategic priority and monitors progress closely in this regard. Most barriers which impedes on the enhancement of EE numerical and other goals have been eliminated.
Alexkor RMC JV is representative of designated groups in all levels as the table on the next page depicts:

EMPLOYMENT EQUITY RMC JV - MARCH 2015

Occupational Level	Number of Incumbents	Male			Female			% of Designated Group
		AM	CM	WM	AF	CF	WF	
Senior Management	9	1	4	2	0	2	0	78%
Professionally Qualified	17	0	10	0	0	7	0	100%
Skilled	60	0	42	6	0	9	3	90%
Semi Skilled	157	3	112	4	0	37	1	97%
Unskilled	37	1	10	0	0	26	0	100%
TOTAL	**280**	**5**	**178**	**12**	**0**	**81**	**4**	**96%**

The following structures exist to augment EE in the workplace:

- Alexkor RMC JV has articulated human resource policies which do away with workplace discrimination and as well as engendering management sensitizing on stereotypes;
- A committee has been established to investigate and act on any workplace discrimination; and
- Management investigates any obstructive behavior within its ranks.

EE plans for 2013/2014 were submitted to the Department of Labour.

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

6. CORPORATE SOCIAL INVESTMENTS

CSI 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 Alexkor RMC JV'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 595 015 was contributed towards social investment interventions which included donations, feeding schemes, educational assistance, sport development, transportation, youth development, TV signal for the Richtersveld area, Cansa and HIV/Aids.

As a further initiative to enhance the education transformation process in the Richtersveld area, the Alexkor RMC JV partnered with 7 local schools and 3 (three) Nursery by sponsoring salaries of Mathematics and Science Teachers to amount of R552 503, as we remain committed to the general upliftment of not only our employees, but also to the communities within which we operate. The total contribution amounted to R658 052.

As part of its social responsibility 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.

7. SOCIAL AND LABOUR PLAN (SLP)

Due to the late approval of the SLP from DMR as well as some logistical planning, the projects at various Richtersveld towns could only commence in November 2014.

Logistics arrangements (e.g. appointment of project supervisor, ordering of materials, etc.) was only finalised during January 2015.

The Community Hall in Sanddrift, 17 houses in Kuboes and the sports grounds at Eksteenfontein was completed before the end of March 2015.

The following projects are in their final stages:

- Community Hall in Eksteenfontein;
- Sports grounds at Kuboes;
- Houses for 2 disabled individuals in Sanddrift; and the
- Community Hall in Lekkersing.

7 ABET Facilitators were also appointed to enhanced the skills of the employees and surrounding communities in order to afforded them the opportunity to become functional literate and marketable.

The table below depicts various amounts spend per town for the period under review:

Location	Total Spent
Sanddrift	R 246 120
Kuboes	R 143 783
Eksteenfontein	R 211 194
Port Nolloth	R 472 466
Lekkersing	R 82 143
Alexander Bay (ABET)	R 38 000
	R 1 193 706

SOCIAL AND LABOUR PLAN BUDGET COMMITMENTS

	2013/14		2014/15		2015/16		2016/17	
		Budget		Budget		Budget		Budget
Commercial Diver Training	1	40,000			1	48,400		
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
Skipper Courses	1	4,500	1	4,950	1	5,445	1	5,990
Diving Equipment Technician	20	1,500			1	1,815		
Basic Rigging and Welding	1	20,000	20	22,000	20	24,200	20	26,620
Commercial Diving Supervisor		10,000			1	12,100		
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
Learners	6	514,800	7	660,660	7	726,726	5	571,000
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**

	2017/18			TOTAL	TOTAL	
		Budget		Budget	ALEXKOR RMC JV	ALEXKOR SOC
	1	58,564		146,964	72,012	74,952
				20,000	9,800	10,200
	20	102,487		427,357	209,405	217,952
	1	6,588		27,473	13,462	14,011
	1	2,196		5,511	2,700	2,811
	20	29,282		122,102	59,830	62,272
	1	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
	3	197,049	15	828,934	406,178	422,756
	4	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**

HEALTH AND SAFETY

HUMPHREY MOKWENA
CHIEF OPERATIONS OFFICER

HEALTH AND SAFETY STATEMENT

Every employee and person associated with the mine has the right to work in a safe environment, along with an ingrained responsibility to work safely. Every employee must work within the safety standards as defined by the Company. All employees and people associated with the Company have to 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; and
- Promotion of a culture of safety.

HEALTH AND SAFETY PERFORMANCE

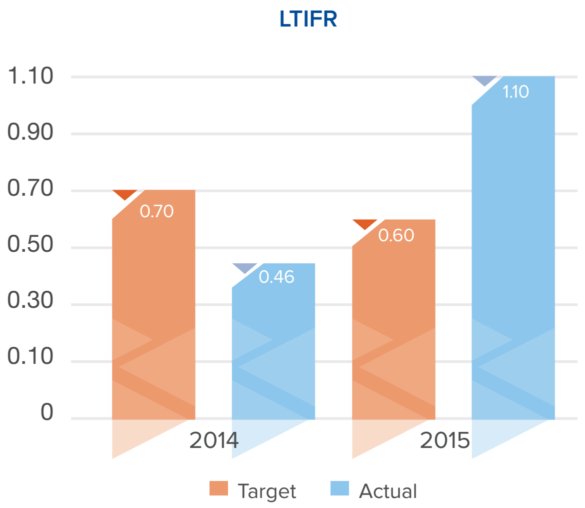
Alexkor's most important assets are the people working for and associated with the Company. The occupational health and safety of our people and the sustainability of our environment are non-negotiable principles on which the Company's mining operations are based.

Alexkor has been operating for the past eight years without a fatality as the last fatality was on 27 September 2007. On 13 October 2014 Alexkor received a letter of recognition from DMR for operating without fatalities for the previous twelve months.

The Company is focusing on improving safety year on year, and as such much focus has been put on training whilst an experienced full-time Safety Officer was also employed. The Company realised an increase in minor injuries and reportable injuries, as per the table below, and this was mainly attributable to the Safety Officer intervening and encouraging employees to report any injury, no matter how small or minor it may be.

	Actual 2015	Actual 2014	Variance	% Variance
Minor Injury	12	7	5	71%
Disabling Injury	2	7	(5)	-71%
Reportable Injury	2	0	2	200%
Fatalities	0	0	0	0
Lost Time Injury	4	7	(3)	-43%

It was encouraging to note that during the same period, disabling and lost time injuries decreased significantly by 71% and 43% respectively. The lost time injury frequency rate (LTIFR) has also decreased during this financial year compared to the previous year, as per the following graph on the next page.



OCCUPATIONAL ILLNESS

There was only one occupational illness incident reported during the financial year as compared to eight incidents in the previous year. The single incident diagnosed for the financial year was a Noise Induced Hearing Loss (NIHL) incident.

ENVIRONMENT

EPHRAIM SITHOLE
GM TECHNICAL

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

- 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

An Alexkor Alexander Bay rehabilitation project (AAR-P) was undertaken over an 18-month period, resulting in, among other things, the calculation of the rehabilitation quantum by an independent consultant. The required quantum was calculated to be R232 million.

The following is a summary of the project:

Phased plan for rehabilitation implementation

- Phase 1, short-term, which includes;
  - All structures and buildings that are due or available for immediate demolition consideration at the end of Feb 2015.
  - All mining disturbances due for rehabilitation (not overlapping with likely prospecting or future mining areas)
- Phase 2, life of mine, which includes;
  - Alexkor-built structures pre-March 2011 specifically designated in 2014/15 to serve continued administration and logistics for new mining.
  - Roads, electrical and water lines retained to serve part of LOM.
  - Mining disturbances overlapping with identified prospecting and mining areas
- Phase 3, post-mining, which includes:
  - The core buildings of the mine (e.g. offices, stores, etc.)
  - The final recovery plant
  - The inside fuel dispensing facility
  - The inside workshop complex for maintenance of mobile plant.

OVERALL REHABILITATION SCHEDULE

Phase	Short term 5 Years		Life of new mining up to 20 Years	Post-mining	Closure
Phase 1(A)	R 70.87m				
Phase 1B		R.16m			
Phase 2			R69.73m		
Phase 3				R15.39m	
TOTAL					**R156.15m**
% OF TOTAL COST	**45.49%**		**44.46%**	**9.84%**	

Note: Variable Costs Only; used as indicative base cost per phase

ANNUAL FINANCIAL STATEMENTS

CONTENT

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

DIRECTORS' RESPONSIBILITIES

The Board of Directors is required, by the Companies Act, No 71 of 2008 of South Africa (Companies Act), and the Public Finance Management Act No 1 of 1999, of South Africa (PFMA), to prepare annual financial statements that fairly present the state of affairs of Alexkor SOC Limited as at the end of the financial year, the profit or loss and cash flows of the Company for the financial year then ended.

In preparing these annual financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the annual financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business for the foreseeable future.

The Board of Directors of the Company is responsible for the maintenance of adequate accounting records, maintenance of appropriate systems of internal control, as well as the preparation and integrity of the annual financial statements and related information.

The Audit and Risk Committee has evaluated the Company's annual financial statements and recommended their approval to the Board of Directors. In preparing the Company financial statements, the Company has complied with International Financial Reporting Standards (IFRS) and the Companies Act. In addition, the Company has complied with the reporting requirements of the PFMA.

The Company has used appropriate accounting policies supported by reasonable and prudent judgements and estimates. Judgements and estimates made in application of IFRS, that have a significant impact on the annual financial statements, are disclosed in the notes to the annual financial statements.

The external auditor, Nexia SAB&T, is responsible for independently auditing and reporting on the annual financial statements in conformity with International Standards on Auditing (ISA). Their unmodified report on the annual financial statements, prepared in terms of the Public Audit Act of South Africa, Act No 25 of 2004 (PAA), appears on pages 62 to 64.

The internal audit function is outsourced to a service provider. The internal audit activities are in accordance with the pre-approved Internal Audit Plan. The Internal Audit Plan is reviewed and approved annually by the Audit and Risk Committee. The service provider, Outsourced Risk and Compliance Assessment (ORCA), has executed the Internal Audit Plan during the year and has provided assurance to the Board of Directors as to the state of the internal controls of the Company. The Audit and Risk Committee has reviewed the effectiveness of the Company's internal controls and considers the systems appropriate for the effective operation of the Company.

The Board of Directors is of the opinion that the Company has complied with applicable laws and regulations except as disclosed in the Report of Directors as set out on pages 62 to 67.

The Board of Directors is of the opinion that these annual financial statements fairly present the financial position of the Company as at 31 March 2015, and the results of its operations and cash flow information for the year then ended.

The annual financial statements have been prepared under the supervision of the Acting Chief Financial Officer, Ms TTA Mhlanga.

Mr P Khoza
CEO
29 July 2015

Mr MR Bagus
Chairperson
29 July 2015

STATEMENT BY THE COMPANY SECRETARY

FOR THE YEAR ENDED 31 MARCH 2015

I, the undersigned, in my capacity as Company Secretary do hereby confirm that for the financial year ended 31 March 2015 Alexkor SOC Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of the Companies Act No. 71 of 2008, as amended, and that to the best of my knowledge such returns are true, correct and up to date.

Adv Z Kellerman
Company Secretary

REPORT OF THE AUDIT AND RISK COMMITTEE

FOR THE YEAR ENDED 31 MARCH 2015

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 eight scheduled meetings during the year ended 31 March 2015.

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 as well as their terms of engagement;
- insured 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;
- 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 2015;
- 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 capacity within the finance function of Alexkor 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 28.2 of the financial statements.

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 2015 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 28 July 2015 during its special audit and risk committee meeting.

S Zilwa

Ms S Zilwa
Chairperson of the Audit and Risk Committee

The committee has further evaluated the annual report for the year ended 31 March 2015 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2015

TO PARLIAMENT AND THE DEPARTMENT OF PUBLIC ENTERPRISES ON ALEXKOR SOC LIMITED (ALEXKOR)

INTRODUCTION

I have audited the financial statements of the Alexkor SOC Limited set out on pages 68 to 115 which comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, statement of changes in equity or 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, 2008 (Act No.71 of 2008) (Companies Act) 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'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on our audit. I conducted my audit in accordance with 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 we 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 the Alexkor SOC Limited as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the PFMA, and the Companies Act.

EMPHASIS OF MATTERS

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Financial reporting framework

As disclosed in note 1.2 to the financial statements, the National Treasury has exempted the public entity to depart from the requirements of the PFMA and prepare its financial statements in accordance with IFRS for the reasons indicated.

Restatement of corresponding figures

As disclosed in note 3 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of a change in the accounting policy for the accounting of the exploration costs incurred by the joint operation.

Material impairments

As disclosed in note 13 to the financial statements, Non-Current Assets Classified as Held for Sale, material impairments of R162,434,882 (2014: R0) were incurred as a result of no further compensation being receivable as compensation for these assets.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of my audit of the financial statements for the year ended 31 March 2015, I 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, I have not identified material inconsistencies between the reports and the audited financial statements in respect of which I expressed an opinion. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual report, non-compliance with legislation and internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we 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 against predetermined objectives for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2015:

- Programme 1: Alexkor Sustainability on pages 20 to 21
- Programme 2: Rehabilitation Obligation on pages 20 to 21
- Programme 4: 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 identify any material findings on the usefulness and reliability of the reported performance information for the above mentioned programmes.

ACHIEVEMENT OF PLANNED TARGETS

Refer to the annual performance report on pages 20 to 21 for information on the achievement of the planned targets for the year.

COMPLIANCE WITH LEGISLATION

I performed procedures to obtain evidence that the public entity had complied with legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

EXPENDITURE MANAGEMENT

The accounting authority did not take effective and/or appropriate steps to prevent fruitless and wasteful expenditure as required by section 51 (1)(b)(ii) of the PFMA.

Internal control

I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Other reports

INVESTIGATIONS

An independent legal firm performed an investigation with regard to a Human Resource matter at the request of the entity which covers the period of August 2014 to September 2014.

Nexia SAB&T

Nexia SAB&T
Per: S. Kleovoulou
Director
Registered Auditor
31 July 2015

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2015

The Board of Directors (the Board) is pleased to present its report for the financial year ended 31 March 2015. 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 Pooling and Sharing Joint Venture (PSJV) with the Richtersveld Mining Company (RMC) on Alexkor SOC Limited (Alexkor or the Company), 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 (PSJV), 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 Pooling and Sharing Joint Venture (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 Corporate and Alexkor RMC JV, 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, a full complement of Alexkor's Board of Directors discharged its duties. The composition of the Board, with respect to the independent non-executive directors, comprised eight members during the current financial year.

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 Mohutsioa-Mathabathe	September 2012
Mr. Mohammed Bhabha	September 2012
Ms. Zukiswa Ntlangula	September 2012
Mr. Don Mkhwanazi	June 2013
Ms. Sindi Zilwa	June 2013
Mr. Brian Grobbelaar	June 2013

The Company's Chief Financial Officer was dismissed following an internal disciplinary hearing in September 2014. An Acting Chief Financial Officer was appointed in August 2014. The matter was not reported prior to year-end as the matter was *sub judice*.

4. OVERVIEW OF FINANCIAL PERFORMANCE FOR THE YEAR

Performance for the year	March 2015	March 2014	% change
Revenue (R million)	211.2	141.3	49.5
Profit/(loss) from continuing operations (R million)	(74.1)	50.2	(1 576.1)
Current ratio	4.48:1	3.20:1	40.0
Cash Ratio	4.42:1	3.15:1	40.3
Carats produced	74 387	46 680	59.4
Capital expenditure (R million)	40.4	34.3	17.8

Detailed commentary on the performance for the year is contained in the Integrated Report on pages 18 to 19.

5. 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, comprising the Statement of Financial Position as at 31 March 2015, 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 and in the manner required by the Companies Act.

The Annual Financial Statements contained in pages 68 to 71, reflect the financial performance, position and cash flow results of the Company's operations for the year ended 31 March 2015.

6. DIVIDENDS

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

7. BORROWINGS

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

8. 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.

The Shareholder's Compact Key Performance Indicators (KPIs), which are revised annually by agreement between the Board of Directors and the Shareholder Representative, serve as the performance monitoring framework for the Company. Performance against the Shareholder's Compact 2015 financial year targets is outlined in section 3 of the Integrated Report. This performance information has been subjected to audit review and the Company's auditors have reported no adverse findings on the performance against predetermined objectives.

Alexkor produced a Report on Predetermined Objectives for the 2015 financial year, which is contained in section 3 of the Integrated Report, outlining its targets and achievements for the period as set out in the signed Shareholder's Compact. Measuring the Company's performance against the KPI targets of the Shareholder's Compact, 100% of the targets for the 2015 financial year were achieved.

9. LITIGATION STATEMENT

Nabera (Pty) Ltd instituted legal action against the Company and the Government for amounts allegedly owed 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 and an application to dismiss the matter is being considered.

During the current financial year, a meeting took place with the State Attorney and the DPE to discuss and take a decision on an application to dismiss the matter. The State Attorney advised that Government would not be in a position to do so as its exposure on the litigation was much greater than the Company's exposure. This matter was discussed at the Board meeting in May 2014 and the decision was taken that no action be pursued at this time.

Full details of the litigation have been disclosed in Note 30 to the financial statements.

10. GOING CONCERN AND OTHER MATTERS

The Board took cognisance of the losses suffered during the past number of financial years and has considered the impact thereof on the solvency of the Company. Due to the amount of cash available to meet its operating cash requirements as well as the rehabilitation liability shortfall (refer to Note 18), the financial statements have been prepared on the going concern basis. Alexkor has no borrowings.

The cash balance available for operating cash requirements is R83.9 million as at 31 March 2015 (2014: R113.6 million). The Company budgeted for a total cash outflow of approximately R43.5 million for the 2016 financial year based on the level of operational activities planned and capital expenditure. The available cash reserves are therefore sufficient to fund the cash requirements for the Company for the next 12 month period ending 31 March 2016.

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 Directors have applied the liquidity and solvency test as required by the Companies Act 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.

11. AUDITORS

In accordance with the provisions of section 90(1) of the Companies Act, 2008, Nexia SAB&T's term comes to an end this year in terms of the tender that had been awarded to them after the approval of the shareholder during the AGM in September 2012. Due process will be followed in appointing a new audit firm.

12. COMPANY SECRETARY

Ms Zarina Kellerman holds dual responsibilities of Chief Legal Officer and Company Secretary.

13. NON-CURRENT ASSETS

Except for an impairment of the non-current assets held for sale as stated in Note 13 to the financial statements, there have been no major changes in the nature of the non-current assets during the year under review.

14. EVENTS AFTER REPORTING PERIOD

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 and includes expansion into coal mining. A revised strategic intent statement was received from the Shareholder on the 12th of May 2015. 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 Company's Chief Financial Officer was dismissed following an internal disciplinary hearing in September 2014. An Acting Chief Financial Officer was appointed in August 2014. The matter was not reported prior to year-end as the matter was *sub judice*.

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015 R	2014 R	
ASSETS				
Non-current assets		293 475 277	241 906 635	
Property, plant and equipment	6	86 124 864	72 068 621	
Intangible assets	7	15 341 213	2 843 459	*
Cash held in rehabilitation trust	9	118 552 589	115 018 955	
Pension Fund surplus	17.1	5 010 000	13 883 000	
Loan to joint venture	10	68 446 612	38 092 600	
Current assets		403 779 367	502 546 694	
Inventories	11	14 044 172	14 051 181	
Trade and other receivables	12	5 760 866	13 380 273	
Cash and cash equivalents	28.2	383 974 329	475 115 239	
Non-current assets classified as held for sale	13	-	162 434 882	
TOTAL ASSETS		**697 254 644**	**906 888 210**	
EQUITY AND LIABILITIES				
Capital and reserves		365 264 013	451 993 097	
Share capital	14	400 000 000	400 000 000	
Accumulated loss		(46 945 987)	(122 827 794)	*
Revaluation reserve	15	-	158 084 892	
Actuarial reserve	16	12 210 000	16 736 000	
Non-current liabilities		233 092 736	284 687 977	
Environmental rehabilitation liability	18	233 092 736	284 687 977	
Current liabilities		98 897 895	170 207 136	
Trade and other payables	19	98 897 895	170 111 698	
Operating lease liability	36.1	-	95 438	
TOTAL EQUITY AND LIABILITIES		**697 254 644**	**906 888 210**	

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015	2014	
		R	R	
Revenue	20	211 243 105	141 272 566	
Cost of sales	21	(249 369 209)	(153 596 718)	*
Gross loss		(38 126 105)	(12 324 152)	
Administration expenses		(2 070 776)	(2 193 205)	
Other expenses	22	(174 477 860)	(20 430 689)	
Other income	23	67 271 489	74 039 989	
Movement in environmental rehabilitation liability	18	51 595 242	(15 936 874)	
Provision for retirement benefit obligations	17	-	-	
Operating Profit/(Loss)	24	(95 808 010)	23 155 070	
Net finance income		23 843 545	30 398 888	
Taxation	27	-	-	
Profit/(Loss) for the year from continuing operations		(71 964 464)	53 553 958	
Discontinued operations (net of income tax)				
Loss for the year from discontinued operations	29	(10 238 619)	(3 294 420)	
Profit/(Loss) for the year		(82 203 084)	50 259 537	
Other comprehensive income:				
Remeasurement of post employment benefit obligation		(4 526 000)	(826 000)	
Reversal of revaluation reserve		158 084 892	-	
Other comprehensive income for the year, net of tax		153 558 892	(826 000)	
Total comprehensive income for the year		**71 355 808**	**49 433 537**	

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

	Share capital	Accumulated loss	Revaluation reserve	Actuarial reserve	Total
	R	R	R	R	R
Balance as at 1 April 2013	400 000 000	(173 087 332)	158 084 892	17 562 000	402 559 560
Total comprehensive income for the year	-	50 259 537	-	(826 000)	49 433 537
Profit/(loss) for the year	-	50 259 537	-	-	50 259 537 *
Other comprehensive income	-	-	-	(826 000)	(826 000)
Balance as at 1 April 2014	**400 000 000**	**(122 827 795)**	**158 084 892**	**16 736 000**	**451 993 097**
Total comprehensive income for the year	-	75 881 808	(158 084 892)	(4 526 000)	(86 729 084)
Profit/(loss) for the year	-	(82 203 084)	-	-	(82 203 084)
Other comprehensive income	-	158 084 892	(158 084 892)	(4 526 000)	(4 526 000)
Balance as at 31 March 2015	**400 000 000**	**(46 945 987)**	**-**	**12 210 000**	**365 264 013**
Note:	**14**		**15**	**16**	

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

	Notes	2015	2014	
		R	R	
Net cash (out)/inflow from operating activities		47 098 725	53 053 483	
Cash flow (to)/from operating activities	28	33 621 626	24 440 645	*
Cash flow from discontinued operations	29	(10 238 619)	(3 294 420)	
Interest received	25	26 765 281	40 149 946	
Interest paid	26	(3 049 564)	(8 242 688)	
Net cash outflow from investing activities		(40 279 536)	(35 573 854)	
Expenditure to maintain operating capacity				
Purchase of property, plant & equipment	6	(27 696 309)	(33 258 480)	
Disposal of property plant and equipment		160 314	217 234	
Disposal of intangible assets		-	-	
Purchase of intangible assets	7	(12 743 541)	(2 532 608)	*
Net cash in/(out)flow from financing activities		(97 960 099)	(99 043 561)	
Loan granted to joint venture	10	(30 354 012)	(28 052 141)	
(Increase)/decrease in Rehabilitation Trust Investment	9	(3 533 634)	(5 497 341)	
Government funded obligations utilised	19.1	(67 118 491)	(73 731 068)	
Interest received on government funded obligations	19.1	3 046 038	8 236 990	
Net increase/(decrease) in cash and cash equivalents		(91 140 910)	(81 563 932)	
Opening cash and cash equivalents		475 115 239	556 679 171	
Closing cash and cash equivalents	28.2	**383 974 329**	**475 115 239**	
The cash and cash equivalents balance is reconciled as follows:				
Operational cash		83 939 799	113 552 209	
Recapitalisation funds (MTEF)		214 489 985	211 449 024	
Cash held in legal trust		11 103 005	10 662 173	
Cash held for government funded obligations		74 441 539	139 451 833	
Total cash and cash equivalents	28.2	**383 974 329**	**475 115 239**	

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

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 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations of those standards issued by the International Financial Reporting Interpretations Committee (IFRIC) and applicable legislation.

1.2. BASIS OF PREPARATION

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

The financial statements are prepared on the going concern basis.

Except as otherwise disclosed, these accounting policies are consistent with those applied in previous years and are consistently applied throughout the Company.

Treasury Regulation 28.1.6 requires that in terms of Section 55(1)(b) of the PFMA, public entities shall prepare financial statements in accordance with generally 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 accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of equity, assets and liabilities, revenue and expenses.

The estimates and underlying assumptions are based on historical experience, independent experts' advice and inputs and various other factors that are considered to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.3. JOINT OPERATIONS

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

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

Where the Company transacts with its joint operation, any profits or losses arising on the transactions with the joint operation are recognised in the Company's consolidated financial statements only to the extent of the interests in the joint operation are not related to the Company.

1.4. PROPERTY, PLANT AND EQUIPMENT

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

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:

• 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
• Building improvements	5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and, if appropriate, adjusted. Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection 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 4 years. The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Capitalised exploration and evaluation expenditure

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

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2015

evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to profit or loss.

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

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

1.6. 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; where after 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 in profit or loss 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. 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 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.

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

Subsequent measurement

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

Derecognition

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

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

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 are 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

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.

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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 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 which 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:

ACCOUNTING POLICIES

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- 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 17.

Taxation

Judgment 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, the ability of the Company to realize 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 for slow moving, damaged and obsolete stock allows management 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 are depreciated over its useful life taking into account residual values where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as relevant market information, the condition of the asset and management's consideration. In assessing the residual values, the Company considers the remaining life of the assets, their projected disposal value and future market conditions.

1.12. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

Section 1 of the Public Finance Management Act, No. 1 of 1999, 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. The Act 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.

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 12 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 within 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.

ACCOUNTING POLICIES

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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 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 note 30.

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 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.

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2. NEW STANDARDS AND INTERPRETATIONS

2.1. STANDARDS AND INTERPRETATION 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 01 January 2014 or later periods:

- **IFRS 14** Regulatory Deferral Accounts (effective for financial periods beginning on or after 1 January 2016). This standard permits first-time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances while the IASB completes its comprehensive project in this area. The standard requires regulatory deferral account balances and movements to be presently from the other items. This is to ensure that users of the financial statements can compare entities that do and do not apply the interim standard.

  This standard will have no impact as Alexkor is not a first-time adopter of IFRS.

- **IFRS 11 (**Amendment) Accounting for Acquisitions of Interests in Joint Operations (effective for financial periods beginning on or after 1 January 2016). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments place the focus firmly on the definition of a business.

  Management is in the process of assessing the impact.

- **IAS 16** and **IAS 38** (Amendment) Clarification of Acceptable Methods and Amortisation (effective for financial periods beginning on or after 1 January 2016). These amendments were issued to clarify when revenue-based depreciation or amortisation methods are permitted. The amendments to IAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are "highly correlated".

  Management is in the process of assessing the impact.

- **IAS 16** and **IAS 41** (Amendment) Agriculture: Bearer Plants (effective for financial periods beginning on or after 1 January 2016). The amendments were issued as the fair value model is not appropriate for measuring bearer plants that are no longer undergoing biological transformation. This is because these assets are matured, and are a means for production of agricultural produce over several reporting periods until they are scrapped at the end of their useful lives.

  This standard will have no impact as Alexkor does not have agricultural operations.

- **IAS 27** (Amendment) Equity Method in Separate Financial Statements (effective for financial periods beginning on or after 1 January 2016). The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments were introduced to facilitate the convergence of IFRS with local GAAP for separate financial statements in those countries that require companies to present separate financial statements using the equity method to account for investments in subsidiaries, associates and joint ventures.

  Management is in the process of assessing the impact.

- **IFRS 10** and **IAS 28** (Amendment) Sale or Contribution of Assets between an investor and its Associate or Joint Venture (effective for financial periods beginning on or after 1 January 2016). The amendment seeks to resolve conflict between the existing guidance on consolidation and equity accounting when a parent loses control of a subsidiary in a transaction with an associate or joint venture. The amendments require the full fain to be recognised when the assets transferred meet the definition of a "business" under IFRS 3 Business Combination.

  Management is in the process of assessing the impact.

- Annual improvements 2014 (effective for financial periods beginning on or after 1 January 2016). Annual improvements to IFRSs 2012-2014 Cycle, a collection of amendments to IFRSs, in response to four issues addressed during the 2012-2014 cycle. The issues included in this cycle are:

  - **IFRS 5**: Changes in method of disposal
  - **IFRS 7:** Continuing involvement' for servicing contracts
    Offsetting disclosures in condensed interim financial statements
  - **IAS 19**: Discount rate in a regional market sharing the same currency
  - **IAS 34**: Disclosure of information 'elsewhere in the interim financial report'

  Management is in the process of assessing the impact.

- **IFRS 10**, **IFRS 12** and **IAS 28** (Amendment) Investment Entities: Applying the Consolidation Exception (effective for financial periods beginning on or after 1 January 2016). 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.

  The amendment will have no impact as Alexkor is not an investment entity (as defined).

- **IAS 1** (Amendment) Disclosure Initiative (effective for financial periods beginning on or after 1 January 2016). This standard aims to improve presentation and disclosures in financial reporting. Preparers were looking for ways to de-clutter financial statement disclosures whilst users want more Company-specific information. With the new standard, there is an emphasis on materiality, the order of notes in the financial statements is not prescribed and guidance provided on the use of subtotals.

  Management is in the process of assessing the impact.

- **IFRS 15** Revenue from Contracts with Customers (effective for financial periods beginning on or after 1 January 2017). This standard replaces existing IFRS and US GAAP guidance and introduces a new revenue recognition model for contracts with customers. In addition, companies will now be subject to extensive disclosure requirements. The standard includes new criteria to determine when revenue should be recognised over time, addressing fact patterns such as construction contracts and contracts for services.

  Management is in the process of assessing the impact.

- **IFRS 9** Financial Instruments (effective for financial periods beginning on or after 1 January 2018). This new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements published in 2013. This standard replaces the 'incurred loss' model in UAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. The standard aim to address concerns about 'too little, too late' provisioning for loan losses, and will accelerate recognition of losses.

  Management is in the process of assessing the impact.

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3. CHANGE IN ACCOUNTING POLICY

During the year, the Company changed its accounting policy in respect of exploration costs from charging direct exploration expenditure against profit and loss to capitalising and carrying forward direct exploration cost incurred in an area of interest as an asset. Management is of the opinion that the new accounting treatment of exploration costs will result in a fairer presentation of the statement of financial position and operating results as the rights to tenure of the Muisvlak area are current and costs are expected to be recouped through successful development and exploitation of the area or alternatively by its sale. Restatement of 2013 figures has not been performed as there was no expenditure incurred in respect of exploration. This change in accounting policy has been accounted for retrospectively and the comparative amounts have been restated. The effect of this change in accounting policy is as follows:

	2015	2014
	R	R
(Increase)/decrease in salaries (cost of sales)	3 127 554	291 870
(Increase)/decrease in diesel (cost of sales)	2 800 527	557 714
(Increase)/decrease in other expenditure (cost of sales)	2 007 225	124 211
(Increase)/decrease in implement hire (cost of sales)	4 790 621	1 456 214
(Increase)/decrease in taxation	(3 563 260)	(272 663)
Increase/(decrease) in comprehensive income	**9 162 668**	**2 157 346**
Increase/(decrease) in exploration and evaluation asset	12 725 928	2 430 009
(Increase)/decrease in taxation payable	(3 563 260)	-
(Increase)/decrease in deferred tax liability	-	(272 663)
Increase/(decrease) equity	**9 162 668**	**2 157 346**

4. FINANCIAL RISK MANAGEMENT

4.1. 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 minimize 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	
	2015	2014	2015	2014
	R	R	R	R
Financial assets				
Trade and other receivables	4 447 920	12 961 558	4 447 920	12 961 558
Cash and cash equivalents	383 974 329	475 115 239	383 974 329	475 115 239
Cash held in the rehabilitation trust	118 552 589	115 018 955	118 552 589	115 018 955
Loan to joint venture	68 446 612	38 092 600	68 446 612	38 092 600
Financial liabilities				
Trade and other payables	98 897 895	170 520 029	98 897 895	170 520 029

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 2015, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

As at 31 March 2015 a strengthening of the USD against all other currencies of 12% would have, on average, increased the net profit before tax with R 25.3 million (2014: 16.9 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

As at 31 March 2015 a strengthening of the USD against all other currencies of 9% would have, on average, increased the profit before tax with R19.0 million (2014: R12.7 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 2015 a strengthening of the USD price per carat of 8%, with all other variables remaining constant, would have, on average, increased the net profit before tax with R14.2 million (2014 R11.3 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

As at 31 March 2015 a strengthening of the USD price per carat of 10%, with all other variables remaining constant, would have, on average, increased the profit before tax with R17.9 million (2014: R14.1 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 2015, 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 R3.5 million higher (2014: R4.1 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

At 31 March 2015, 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 R2.5 million higher (2014: R2.9 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1. FINANCIAL RISK FACTORS (CONTINUED)

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 ongoing 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 R1 766 091 (2014: R4 440 536) 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 12 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 held at the following institutions:

	Cash balances	
	2015	2014
	R	R
Momentum	142 269 106	-
Investec Bank Limited	175 050 392	214 290 735
Rand Merchant Bank Limited	150 895 699	345 052 062
First National Bank Limited	15 422 576	13 422 725
Nedbank Limited	18 266 121	17 362 779
Total	**501 903 894**	**590 128 301**

Other financial risks

Credit risk

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

	Credit rating	
	2015	2014
	R	R
AA+	142 269 106	-
BBB	184 584 396	375 837 566
BBB-	175 050 392	214 290 735
Total	**501 903 894**	**590 128 301**

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

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 2015			
Trade and other payables	**88 572 016**	**7 737 194**	**80 834 822**
As at 31 March 2014			
Trade and other payables	**170 520 029**	**30 716 637**	**139 803 392**

4.2. 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.

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5. 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 assets or liabilities 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 2015:

Assets	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Cash held in Rehabilitation Trust	118 552 589			118 552 589
Loan to Joint Venture		68 446 612		68 446 612
Total assets	**118 552 589**	**68 446 612**	**-**	**186 999 201**

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

See note 13 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.

(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

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6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	2015			2014		
	R	R	R	R		
Owned assets						
Land and buildings	22 880 382	-	22 880 382	22 880 382	-	22 880 382
Building improvements	967 429	46 135	921 294	-	-	-
Plant and equipment	96 867 466	43 100 415	53 767 051	71 302 938	32 764 554	38 538 385
Motor vehicles	17 782 784	12 445 203	5 337 581	17 315 751	9 995 949	7 319 802
Furniture and fittings	2 854 802	849 379	2 005 424	2 655 307	572 321	2 082 985
Computer equipment	3 994 560	2 781 428	1 213 132	3 591 127	2 344 060	1 247 067
Total	**145 347 424**	**59 222 560**	**86 124 864**	**117 745 504**	**45 676 884**	**72 068 621**

Reconciliation of the carrying values of property, plant and equipment:

	Carrying value at beginning of the year	Additions	Disposals/ Impairment	Reassessment of useful lives	Depreciation	Carrying value at end of year
	R	R	R	R	R	R
2015						
Owned assets						
Land and buildings	22 880 382	-	-	-	-	22 880 382
Building improvements	-	967 429	-	-	(46 135)	921 294
Plant and equipment	38 538 385	25 528 133	-	-	(10 299 466)	53 767 051
Motor vehicles	7 319 802	574 394	(107 360)	-	(2 449 255)	5 337 581
Furniture and fittings	2 082 985	233 033	(35 411)	-	(275 184)	2 005 424
Computer equipment	1 247 067	393 320	(17 544)	-	(409 711)	1 213 132
Total	**72 068 621**	**27 696 309**	**(160 314)**	**-**	**(13 479 751)**	**86 124 864**
2014						
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**

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.

7. INTANGIBLE ASSETS

	Cost	Accumulated Depreciation	Carrying Value	Cost	Accumulated Depreciation	Carrying Value
	2015			2014		
	R	R	R	R		
Owned assets						
Capitalised exploration and evaluation expenditure	15 155 936	-	15 155 936	2 430 009	-	2 430 009 *
Computer software	1 904 322	1 719 046	185 276	1 886 708	1 473 258	413 451
Total	**17 060 259**	**1 719 046**	**15 341 213**	**4 316 717**	**1 473 258**	**2 843 459**

Reconciliation of the carrying value of intangible assets:

	Carrying value at beginning of the year	Additions	Disposals/ Impairment	Reassessment of useful lives	Depreciation	Carrying value at end of year
	R	R	R	R	R	R
2015						
Owned assets						
Capitalised exploration and evaluation expenditure	2 430 009	12 725 927	-	-	-	15 155 936
Computer software	413 451	17 614	-		(245 788)	185 276
Total	**2 843 459**	**12 743 541**	**-**	**-**	**(245 788)**	**15 341 212**
2014						
Owned assets						
Capitalised exploration and evaluation expenditure	-	2 430 009	-	-	-	2 430 009 *
Computer software	227 729	102 600	-	341 222	(258 100)	413 451
Total	**227 729**	**2 532 609**	**-**	**341 222**	**(258 100)**	**2 843 459**

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.

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

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FOR THE YEAR ENDED 31 MARCH 2015

8. JOINT OPERATION

The Pooling and Sharing Joint Venture ("PSJV") named the Alexkor RMC JV was established on 7 April 2011. 31 March 2015 was its fourth year in existence. All mining operations previously performed by Alexkor are now performed in the joint venture.

8.1. 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:

	2015	2014
	R	R
Assets		
Non - current assets	135 313 405	66 335 884
Current assets	105 108 419	100 097 376
	240 421 824	166 433 260
Liabilities		
Long-term liabilities	139 686 963	78 200 167
Current liabilities	40 826 569	55 504 210
	180 513 532	133 704 377
Net assets	**59 908 292**	**32 728 883**
Revenue	414 202 166	277 005 032
Cost of Sales	(391 327 522)	(250 970 566)
Gross profit/(loss)	22 874 644	26 034 466
Administration expenses	(3 378 415)	(2 352 706)
Other expenses	(3 018 952)	(1 014 248)
Other income	(102 907)	8 097
Movement in environmental rehabilitation liability	(216 556)	(25 637)
Operating profit/(loss)	16 157 814	22 649 972
Net finance income	1 832 815	802 597
Profit before income tax	17 990 629	23 452 569
Taxation	-	-
Profit for the year from continued operations	17 990 629	23 452 569
Profit /(loss) for the year from discontinued operations	(907 402)	221 955
Net profit for the year	17 083 227	23 674 524
Cash flow from operating activities	37 999 861	12 417 997
Cash flow to investing activities	(80 724 197)	(54 997 787)
Cash flow from financing activities	62 741 189	57 249 268
Net cash flow	20 016 853	14 669 477

The amounts stated above reflect 100% of the PSJV adjusted for differences in accounting policies and intercompany transactions. The PSJV generated a gross profit of R 14.9 million

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

8.2. DETAILED ANALYSIS OF THE JOINT VENTURE IN THE STATEMENT OF COMPREHENSIVE INCOME

	Notes	Alexkor excluding PSJV	51% share PSJV	Alexkor including PSJV
		R	R	R
Revenue	20	-	211 243 105	211 243 105
Cost of sales	21	(48 645 010)	(200 724 199)	(249 369 209)
Gross profit / (loss)		(48 645 010)	10 518 906	(38 126 105)
			-	-
Administration expenses		(347 984)	(1 722 792)	(2 070 776)
Other expenses	22	(172 938 194)	(1 539 665)	(174 477 860)
Other income	23	67 323 972	(52 483)	67 271 489
Movement in environmental rehabilitation liability	18	51 705 685	(110 444)	51 595 242
Provision for retirement benefit obligations	17	-	-	-
Operating profit/(loss)	24	(102 901 532)	7 093 522	(95 808 010)
			-	-
Net finance income		22 908 810	934 736	23 843 545
		-	-	-
Profit for the year from continued operations		(79 992 723)	8 028 258	(71 964 464)
Discontinued operations (net of income tax)				
Profit /(loss) for the year from discontinued operations	29	(9 775 845)	(462 775)	(10 238 619)
Profit for the year		(89 768 567)	7 565 483	(82 203 084)
Other comprehensive income:				
Remeasurements of post employment benefit obligations		(4 526 000)	-	(4 526 000)
Reversal of revaluation reserve		158 084 892	-	158 084 892
Other comprehensive income for the year, net of tax		153 558 892	-	153 558 892
Total comprehensive income for the year		**63 790 324**	**7 565 483**	**71 355 808**

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

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9. CASH HELD IN REHABILITATION TRUST

	2015	2014
	R	R
Opening balance	115 018 955	109 521 614
Contributions	-	-
Utilised	(2 000 000)	-
Interest received	5 533 634	5 497 341
Total	**118 552 589**	**115 018 955**

The cash held in rehabilitation trust is a long term investment and will be utilised to fund the rehabilitation liability (refer to Note 18).

10. LOAN TO JOINT VENTURE

	2015	2014
	R	R
Opening balance	38 092 600	10 040 459
Advances	30 354 012	34 543 478
Repayments	-	(6 491 337)
Total	**68 446 612**	**38 092 600**

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

11. INVENTORIES

The amounts attributable to the different categories of inventory are as follows:

	2015	2014
	R	R
Diamonds	9 832 352	10 184 498
Parts and consumable stores	4 211 821	3 866 683
Total	**14 044 172**	**14 051 181**

Diamond inventory from the optical sorter is carried at cost whilst those from Muisvlak and the contractors are carried at net realisable value. No inventories have been pledged as security.

12. TRADE AND OTHER RECEIVABLES

	2015	2014
	R	R
Trade receivables *	304 840	2 258 017
Loan to the Richtersveld Agricultural Holding Company *	-	2 100 443
Less: Provision for impairment of receivables	-	(2 100 443)
Total other receivables *	5 909 170	13 043 634
Less: Provision for impairment of receivables	(1 766 091)	(2 340 093)
VAT receivable †	-	- *
Total prepayments †	1 312 946	418 715
Total	**5 760 866**	**13 380 273**

* Financial assets
† Non-financial assets

Movement in the provision for impairment of trade receivables		
Balance at the beginning of the year	4 440 536	4 155 637
Impairment losses recognised/ (reversed)	324 390	284 899
Amounts written off as uncollectable	(2 998 836)	-
Balance at the end of the year	**1 766 091**	**4 440 536**

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.

	2015	2014
	R	R
Counter parties with no external credit rating		
New customers	144 828	5 454 296
Existing customers with no defaults in the past	191 390	1 891 000
Existing customers with some defaults in the past	2 160 291	1 771 746
Total	**2 496 509**	**9 117 042**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

12. 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 2015 R910 910 (2014: R2 424 234) were past due but not impaired. An impairment provision of R1 766 091 (2014: R4 440 536) was recognised against trade and other receivables.

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

	Gross Amount	Impairment	Net Carrying amount
2015			
Currently/fully performing	2 496 509	-	2 496 509
30 - 60 days	547 395	-	547 395
60 + days	3 170 106	(1 766 091)	1 404 015
Total	**6 214 011**	**(1 766 091)**	**4 447 920**
2014			
Currently/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**

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 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.

13. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Fair value at the beginning of the year	Impairment	Disposal	Fair value at the end of the year
2015				
Land and buildings	162 434 882	(162 434 882)	-	-
Total	**162 434 882**	**(162 434 882)**	**-**	**-**
2014				
Land and buildings	162 434 882	-	-	162 434 882
Total	**162 434 882**	**-**	**-**	**162 434 882**

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 in settlement of a claim instituted by the aforesaid community in terms of the Restitution of Land Rights Act 22 of 1994, in an amount 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.

The Company has since been advised by National Treasury, through the Shareholder, that the shortfall of R202 million for the compensation of the land and buildings will not be reimbursed as the R350 million payment was in full and final settlement.

The land and buildings classified as non-current assets held for sale are those assets specifically identified in the land claim settlement agreement (as discussed above) that will be transferred to the Richtersveld Community once the Township upgrade has been completed. The transfer is expected to be made in the 2016 financial year.

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 had 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 1 May 1989, when Alexkor obtained these properties.

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.

14. SHARE CAPITAL

	2015	2014
	R	R
Authorised		
400 000 000 Ordinary shares	400 000 000	400 000 000
	400 000 000	**400 000 000**
Issued		
400 000 000 Ordinary shares	400 000 000	400 000 000
	400 000 000	**400 000 000**

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 Memorandum of Incorporation ("MOI").

15. REVALUATION RESERVE

	2015	2014
	R	R
Revaluation of land and buildings (assets held for sale)	-	158 084 892
Total	**-**	**158 084 892**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

15. REVALUATION RESERVE (CONTINUED)

The revaluation reserve was transferred to retained earnings as compensation for the assets is not expected from National Treasury. The assets held for sale are to be transferred to the relevant entities upon completion of the Township handover in the 2015 financial year.

16. ACTUARIAL RESERVE

	2015	2014
	R	R
Opening balance	16 736 000	17 562 000
Remeasurement of post employment benefit obligation	(4 526 000)	(826 000)
Total	**12 210 000**	**16 736 000**

17. RETIREMENT CONTRIBUTION OBLIGATIONS

17.1 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.

Defined Contribution Pension Plan

An estimation of the pension plan status was performed by independent consulting actuaries on 31 March 2015 using certain actuarial assumptions. The previous actuarial valuation was performed on 31 March 2014.

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 2015.
- Any plan assets are valued at current market value as required by IAS 19. The Company used the actuarial surplus as at 31 March 2014 and projected this with expected cash flows and expected returns to 31 March 2015. The plan assets are creditor remote, meaning that should the Company itself go 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 employers' 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.

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:

	2015	2014	2013	2012	2011
	%	%	%	%	%
Key economic assumptions					
Discount rate	7.8	8.70	7.00	8.25	9.00
Inflation rate	5.6	6.40	5.40	5.5	5.75
Salary increase rate	6.60	7.40	6.40	n/a	6.75
Expected rate of return on assets	n/a	n/a	n/a	8.25	9.00
Pension increase allowance	n/a	n/a	n/a	n/a	4.89

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.

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

	2015	2014	2013	2012	2011
	R	R	R	R	R
Fund Status					
Fair value of plan assets	6 359 000	15 405 000	17 821 000	32 456 000	24 271 000
Present value of obligations	-	-	-	-	-
Asset	6 359 000	15 405 000	17 821 000	32 456 000	24 271 000
Unrecognised surplus - Paragraph 65 limit*	(1 349 000)	(1 522 000)	(1 470 000)	(32 005 000)	(24 271 000)
Asset recognised on the balance sheet	5 010 000	13 883 000	16 351 000	451 000	-
Movement Analysis					
Opening balance of recognised asset	13 883 000	16 351 000	451 000	-	-
Net income/(expense) recognised in the income statement**	(4 347 000)	(1 642 000)	(1 662 000)	451 000	(67 000)
Remeasurments recognised in Other comprehensive Income ***	(4 526 000)	(826 000)	17 562 000		
Company contribution	-	-	-	-	67 000
Closing balance of recognised asset	**5 010 000**	**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.

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17. RETIREMENT CONTRIBUTION OBLIGATIONS (CONITINUED)

17.1 PENSION FUNDS (CONTINUED)

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

	2015	2014	2013	2012	2011
	R	R	R	R	R
Current service cost ^	(5 126 000)	(2 580 000)	(1 002 000)		-
Net interest on net defined liabillity	779 000	938 000	(660 000)	-	-
Expected return on assets *	-	-	-	2 184 000	-
Amortisations	-	-	-	(1 733 000)	-
(Expense)/Income	**(4 347 000)**	**(1 642 000)**	**(1 662 000)**	**451 000**	**-**

^ Employer contribution holiday in respect of defined contribution benefits.
* Refer to note 3 for details of a change in accounting policy

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

	2015	2014	2013
	R	R	R
Interest cost on defined benefit obligation	-	-	-
Interest income on assets	(911 000)	(1 041 000)	(1 980 000)
Interest on limit	132 000	103 000	2 640 000
Net interest	**(779 000)**	**(938 000)**	**660 000**

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

	2015	2014	2013
	R	R	R
Current year gains/(losses)	(4 831 000)	(877 000)	(15 613 000)
Change in paragrapgh 65 limit	305 000	51 000	33 175 000
Remeasurement recognised	**(4 526 000)**	**(826 000)**	**17 562 000**

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 R5 010 000 as at 31 March 2015.

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

	2015	2014	2013	2012	2011
	R	R	R	R	R
Defined benefit obligation at the beginning of the year	-	-	-	-	64 470 000
Service cost	-	-	-	-	311 000
Member contributions	-	-	-	-	81 000
Liability settled	-	-	-	-	(65 008 000)
Interest cost	-	-	-	-	2 440 000
Actuarial (gain)/loss	4 741 000	3 318 000	15 903 000	-	19 000
Benefits paid	(4 741 000)	(3 318 000)	(15 903 000)	-	(2 224 000)
Risk premiums	-	-	-	-	(89 000)
Past service cost	-	-	-	-	-
Defined benefit obligation at the end of the year	**-**	**-**	**-**	**-**	**-**

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

	2015	2014	2013	2012	2011
	R	R	R	R	R
Assets at fair market value at the beginning of the year	15 405 000	17 821 000	32 456 000	24 271 000	93 943 000
Interest income on assets	911 000	1 041 000	1 980 000	2 184 000	4 617 000
Member contributions	-	-	-	-	81 000
Company contributions				-	67 000
Employer contribution holiday	(5 126 000)	(2 580 000)	(1 002 000)	-	-
Risk premiums	-	-	-	-	(89 000)
Benefits paid	(4 741 000)	(3 318 000)	(15 903 000)	-	(2 224 000)
Settlement	-	-	-	-	(71 804 000)
Actuarial gain(/(loss)	(90 000)	2 441 000	290 000	6 001 000	(320 000)
Assets at fair market value at the end of the year	**6 359 000**	**15 405 000**	**17 821 000**	**32 456 000**	**24 271 000**

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17. RETIREMENT CONTRIBUTION OBLIGATIONS (CONITINUED)

17.1 PENSION FUNDS (CONTINUED)

Estimated asset composition was as follows:

	2015	2014	2013	2012	2011
	R	R	R	R	R
Cash	18.93%	25.91%	38.11%	35.78%	40.62%
Equity	33.57%	33.92%	15.37%	33.76%	39.94%
Bonds	15.92%	14.04%	29.27%	8.41%	9.55%
Property	4.14%	2.34%	0.72%	1.94%	1.82%
Other	2.32%	1.74%	0.47%	1.13%	1.44%
International	25.12%	22.05	16.06%	18.98%	6.63%
	100.0%	100.00%	100.00%	100.00%	100.00%
Actual return on assets	**821 000**	**3 482 000**	**2 270 000**	**8 185 000**	**4 297 000**

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 Inet Bridge, at duration of 10 years. This converts into an effective yield of 8.70% as at 31 March 2015. 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.

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%.

18. 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 a result of a re-assessment of the liability. 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:

	2015	2014
	R	R
Opening balance	284 687 977	268 751 103
Inflationary increases	110 444	15 936 874
Assessed reduction in liability	(51 705 685)	-
Total	**233 092 736**	**284 687 977**

A study conducted by an independent environmental management consultant in April 2015 estimated the gross liability to amount to R232.7 million as at 31 March 2015 (2014: R284.7million). The Company makes monthly contributions towards a duly registered Rehabilitation Trust Fund and the funds held in the trust amounted to R118.5 million as at 31 March 2015 (2014: R115.0 million), resulting in a currently unfunded rehabilitation liability of R114.2 million (2014: R169.5 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 will be the responsibility of the PSJV. The PSJV environmental liability as at year end amounted to R 676 723 (2014: R460 167) (consolidated into Alexkor at 51% resulting in an amount of R 345 129 (2014: R234 685)).

Aerial photography was carried out during the year which provided the ground-truthed total recalculation of the rehabilitation liability, taking full cognizance of sand plume increases, sand plume control by netting over the past four years. The results contain a detailed quantification of reduced liability which has come about since its initial determination in 2005/2006 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.

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19. TRADE AND OTHER PAYABLES

	Note	2015 R	2014 R
Trade payables *		18 741 385	26 249 773
Other payables *		1 526 329	1 289 400
VAT payable †		(2 225 588)	(475 349)
Income received in advance †		(226 414)	67 017
Government funded obligations *	19.1	74 441 539	138 513 992
Accruals *		6 640 644	4 466 865
Accrued leave *		4 846 870	3 031 497
Other accruals *		1 793 774	1 435 368
Total		**98 897 895**	**170 111 698**

* Financial liability
† Non-financial liability

19.1. 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	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**

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.

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 three, 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 (phase1 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 R129 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 3 years.

Costs related to the Deed of Settlement – Funding was received from the Department of Public Enterprises ("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 utilized 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

20. REVENUE

	2015	2014
	R	R
Diamond sales	211 343 105	141 272 566

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.

21. COST OF SALES

Cost of sales consists of the following items:

	2015	2014	
	R	R	
Employee costs	51 321 616	27 872 516	*
Consumables and maintenance	14 599 139	5 415 578	*
General expenditure	24 561 658	24 139 302	*
Depreciation and impairment	13 123 980	(7 945 028)	
Revenue split contractors cost	113 307 783	82 878 705	
Security services	7 582 138	4 722 968	
Legal costs	2 943 398	2 444 239	
Implement hire	5 578 590	5 073 911	*
Other specialised services	16 350 908	8 994 527	
Total	**249 369 209**	**153 596 718**	

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

22. OTHER EXPENSES

	Note	2015	2014
		R	R
Government transfers - specific expenditure incurred		5 171 528	15 991 068
Movement in pension fund surplus	17.1	4 347 000	1 642 000
Impairment loss on non-current assets held for sale		162 434 882	-
Other expenses		2 524 449	2 797 621
Total		**174 477 860**	**20 430 689**

23. OTHER INCOME

	2015	2014
	R	R
Government transfers - specific expenditure incurred	67 118 491	73 731 068
Other income	152 998	308 921
Total	67 271 489	74 039 989

24. OPERATING PROFIT/(LOSS)

		2015	2014
	Note	R	R
Operating profit/(loss) is stated after:			
Auditors' remuneration		938 525	720 099
External audit fees		823 004	625 151
Fees for other services		115 521	94 947
Internal audit fees		703 072	584 251
Fuel and oil		6 165 817	3 357 561
Electricity and water		2 748 224	1 759 442
Directors' emoluments	33	3 487 141	9 402 279
Mining royalties		1 056 249	(466 973)
Insurance		1 549 777	1 118 443
Impairment losses recognised		262 163	347 781
Operating lease payments		1 863 028	3 901 249
Consultations		15 209 638	8 903 653
Accounting services		1 838 891	1 338 028
Occupational health services		734 305	17 442
Geological Services		975 650	-
Environmental Services		101 180	-
Other consultations		11 559 612	7 548 183

25. FINANCE INCOME

	2015	2014
	R	R
Interest received from cash held in rehabilitation trust	6 043 838	5 143 361
Interest received PSJV recapitalisation funds	2 535 623	8 208 644
Interest received on government funds	3 046 038	8 236 990
Interest received from cash held in bank	15 267 610	17 052 581
Total	**26 893 109**	**38 641 576**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

26. FINANCE EXPENSES

	2015	2014
	R	R
Interest paid on government funds	3 046 038	8 236 990
Sundry interest expense	3 525	5 699
Total	**3 049 564**	**8 242 688**

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 19.1).

27. TAXATION

Major components of the tax expense:

	2015	2014
	R	R
Local income tax current period	-	-
Reversal of previous period over estimation	-	-
Total	**-**	**-**

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.

Reconciliation of the tax expense:

Reconciliation between accounting profit/ (loss) and tax expense:

	2015	2014
	R	R
Accounting profit/ (loss)	(82 203 084)	53 553 958
Tax at the applicable rate of 28% (2012: 28%)	(23 016 863)	14 995 108
Tax effects of adjustments on taxable income		
Income not subject to tax	(1 941 500)	(7 104 951)
Expenses not deductible for tax purposes	(8 962 648)	(8 751 067)
Deductable contribution to rehabilitation trust	-	-
Wear & tear allowance	(1 781)	(1 781)
Section 12M deduction	-	-
Tax losses carried forward	(14 519 527)	(30 048 633)
Capital expenditure carried forward	(16 014 603)	(16 014 603)
Capital expenditure for the year	(8 109 526)	(9 552 180)
Tax losses for which no deferred income tax asset was recognised	48 442 320	14 519 527
Capital expenditure for which no deferred income tax asset was recognised	24 124 130	25 566 784
Reversal of previous period over estimation	-	-
Total	-	-

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

	2015	2014
	R	R
Estimated tax losses	173 008 284	51 855 453
Estimated unutilised capital allowances	86 157 606	91 309 941
Total	**259 165 890**	**143 165 395**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

28. NOTES TO THE STATEMENT OF CASH FLOWS

28.1. CASH GENERATED BY OPERATING ACTIVITIES

	2015	2014
	R	R
Net profit/(loss) before taxation	(82 203 084)	50 259 537 *
Adjustments for:		
Depreciation	13 725 539	9 563 966
Finance income	(26 893 109)	(38 641 576)
Finance costs	3 049 564	8 242 688
Movements in retirement benefit obligations	-	-
Movements in environmental rehabilitation liability	(51 595 242)	15 936 874
Movement in pension plan surplus	4 347 000	1 642 000
Cash flow from discontinued operations	10 238 619	3 294 420
Cash settlement on medical aid liability	-	-
Other non - cash items	(95 438)	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	162 434 882	-
Impairment of property, plant and equipment	-	988 785
Accounting profit on sale of intangible asset	-	-
Taxation paid	-	-
Payable at the beginning of the year	-	-
Income tax expense	-	-
Payable at the end of the year	-	-
Movement in working capital	612 894	(8 845 569)
(Increase)/ decrease in inventories	7 009	(933 447)
(Increase)/ Decrease in accounts receivable	7 747 235	(8 605 321)
Increase/(decrease) in accounts payable	(7 141 350)	693 199
Total	**33 621 626**	**24 440 645**

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

28.2. CASH AND CASH EQUIVALENTS

	2015	2014
	R	R
Restricted cash and cash equivalents		
Cash held in call account – government related funds	74 441 539	139 451 833
Cash held in trust – ongoing litigations	11 103 005	10 662 173
Recapitalisation funds(MTEF) funds	214 489 985	211 449 024
Unrestricted cash and cash equivalents		
Cash held in call account	83 939 799	113 552 209
Total	**383 974 329**	**475 115 239**

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

The government funds received will be utilised for specific projects (refer to note 19.1). The cash held in the trust for ongoing litigations will be utilised for legal costs should the Company's defence be unsuccessful (refer to note 30). Cash received from the MTEF allocation will be utilised as approved by the Board in conjunction with the Shareholder.

29. DISCONTINUED OPERATIONS

	Alexander Bay Trading	Hospital	Airport	Total
	R	R	R	R
Results from discontinued operations for the year ended 31 March 2015				
Revenue	13 348 516	-	-	13 348 516
Expenditure	(23 578 968)	(4 439)	(3 728)	(23 587 135)
Operating loss	(10 230 452)	(4 439)	(3 728)	(10 238 619)
Taxation	-	-	-	-
Loss for the period	**(10 230 452)**	**(4 439)**	**(3 728)**	**(10 238 619)**
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)**

	2015	2014
	R	R
Cash flow (to)/from discontinued operations		
Net loss before taxation	(10 238 619)	(3 294 420)
Total	**(10 238 619)**	**(3 294 420)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

30. CONTINGENT LIABILITIES

Nabera Mining

Nabera instituted legal action against the Company and the 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 and an application to dismiss the matter is being considered.

As Alexkor is dependent on Government to agree to an application for dismissal (and the State Attorney has refused to do so as Government's exposure far outweighs Alexkor's exposure), the matter will remain dormant.

31. GUARANTEES

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

	2015 R	2014 R
Eskom	18 900	18 900
Department of Mineral Resources	434 685	314 000
Total	**453 585**	**332 900**

32. RELATED PARTIES

32.1. RELATED PARTY TRANSACTIONS

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

	2015 R	2014 R
SAA	1 909 568	621 952
Eskom	11 363 137	4 979 192
SA Post Office	750 411	828 292
Sentech	33 476	38 163
Fin5 Inc	1 640 289	2 458 028
Department of Transport, Safety and Liaison	211 646	-
Department of Water Affairs	325 479	-
Total	**16 234 007**	**8 925 628**

32.2. 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 Transport, Safety and Liaison
- Department of Water Affairs

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

33. DIRECTORS' EMOLUMENTS AND EXECUTIVE MANAGEMENT REMUNERATION

Name	Capacity	Fee for services as members	Basic Salary	Total 2014/2015	Total 2013/2014
Executive management					
PN Khoza	Chief Executive Officer	-	2 730 000	2 730 000	2 600 000
B Lategan ^	Chief Financial Officer	-	-	-	1 120 000
M Dludla ^	Chief Financial Officer	-	1 102 500	1 102 500	600 000
TTA Mhlanga ^	Acting Chief Financial Officer		810 215	810 215	-
H Mokwena	Chief Operations Officer	-	1 890 000	1 890 000	900 000
Z Kellerman	Chief Legal Officer	-	1 701 000	1 701 000	810 000
Non-executive directors					
R Bagus	Chairperson	1 258 435	-	1 258 435	1 201 285
R Paul	Non-executive director	565 377	-	565 377	632 063
N Mathabathe	Non-executive director	258 196	-	258 196	248 314
Z Ntlangula	Non-executive director	424 118	-	424 118	397 255
M Bhabha	Non-executive director	227 453	-	227 453	275 333
S Zilwa	Non-executive director	250 413	-	250 413	214 958
B Grobberlaar	Non-executive director	258 196	-	258 196	206 809
DB Mkhwanazi	Non-executive director	244 954	-	244 954	196 263
Total		**3 487 141**	**8 233 715**	**11 720 857**	**9 402 279**

^ Mr Lategan was replaced by Mr Dludla on 1 December 2013. Mr Dludla's contract has since been terminated and Ms Mhlanga has been Acting Chief Financial Officer since 29 August 2014.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

34. EVENTS AFTER THE REPORTING PERIOD

The Minister of Public Enterprises has given 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 and includes expansion into coal mining. A revised strategic intent statement was received from the Shareholder on the 12th of May 2015. 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.

35. FRUITLESS AND WASTEFUL EXPENDITURE

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

	2015	2014
	R	R
Opening balance	52 633	146 980
Identified in the current year	1 429 008	-
Recovered	-	(94 347)
Losses written off	-	-
Total	**1 481 640**	**52 633**

Fruitless and wasteful expenditure	Action taken	Opening balance	Losses identified	Losses recovered year to date	Losses written off	Recovery outstanding
2015						
SARS Penalties (VAT)	Disciplinary action undertaken and finalised	46 942	351 679	-	-	398 621
SARS Interest (VAT)	Disciplinary hearing was held	5 691	1 077 328	-	-	1 083 019
		52 633	**1 429 008**	**-**	**-**	**1 481 640**
2014						
SARS Penalties (VAT)	Disciplinary action undertaken and finalised	141 289	-	(94 347)	-	46 942
SARS Interest (VAT)	Disciplinary hearing was held	5 691	-	-	-	5 691
		146 980	**-**	**(94 347)**	**-**	**52 633**

36. COMMITMENTS

36.1. OPERATING LEASE COMMITMENTS – ALEXKOR AS A LESSEE

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

Payments made under operating leases (net of any incentives rec eived 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 24.

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

Wanderers Office Park
42 Corlett drive
Illovo
2196
Tel: 010 590 7977
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:
Adv Zarina Kellerman;
FA ARB; ACI ARB (UK); CEDR Acc (UK)

ALEXKOR SOC LTD HEAD OFFICE

PHYSICAL AND POSTAL ADDRESS:
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KOMATSU

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 / Acting Chief Financial Officer
COO	Chief Operations Officer
CLO	Chief Legal Officer
CPA	Communal Property Association
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DBSA	Development Bank of South Africa
DMR	Department of Mineral Resources
DMS	Dense Media Separation
DoS	Deed of Settlement
DPE	Department of Public Enterprises
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ED	Executive Director
EE	Employment Equity
EMP	Environmental Management Plan
Eskom	Eskom Holdings SOC Limited
EXCO	Executive Committee
GRAP	Generally Recognised Accounting Practice
HR	Human Resource
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IMDSA	International Mining and Dredging South Africa (Pty) Ltd
INED	Independent Non-Executive Director
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
NDP	National Development Plan
NEMA	National Environmental Management Act
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, also styled the RMC JV or Alexkor RMC JV
RMC	Richtersveld Mining Company, an entity created by the DoS and part of the CPA
RVC	Richtersveld Community
SAA	South African Airways SOC Limited
SAMREC	South African Mineral Resource Committee
SA Post Office	South African Post Office SOC Limited
SCA	Supreme Court Appeal
Self Devco	The Self Development Company, an entity created by the DoS and part of the CPA
Sentech	Sentech SOC Limited
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 Minister	The Minister of Public Enterprises

ALEXKOR

www.alexkor.co.za