INTEGRATED REPORT

/KHIDA !OMGA !KHO TSI SISEN //GARE, !GÂI AI!GÛS AMSAI.

LET US JOIN HANDS AND WORK TOGETHER FOR A BETTER FUTURE

2019/20

ALEXKOR


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OUR APPROACH TO REPORTING

REPORTING PHILOSOPHY AND APPROACH

This year's integrated report strives to adhere to the framework and principles recommended by the International Integrated Reporting Council (IIRC). It provides a balanced view of the financial and operational performance of the company including, strategy, governance and prospects of the company within the context of the prevailing the internal and external environment. It also sets out the challenges and material risks that the company faces and how those impacted and may continue to impact the overall performance of the company.

It provides information for stakeholders to assess the performance and prospects of the company and in particular, the prospects of creating value for the community of Richtersveld, the employees, the government, suppliers and customers. In all our activities, we remain cognisant of our responsibility for protecting the environment and ensuring sustainable mining practices.

REPORTING BOUNDARY

This report covers the activities and initiatives of Alexkor state-owned company (SOC) Ltd and Pooling and Sharing Joint Venture (PSJV) and where the operations of the joint venture are situated. There have not been any significant changes in scope or reporting boundaries during the reporting period, other than a commitment to continuous improvement in risk management and good corporate governance.

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

ASSESSING VALUE CREATION

This report has been written primarily for the Shareholder (the South African Government), potential investors, National Treasury, major contractors, diamond marketers and the Richtersveld community. The report may also interest other stakeholders wishing to make an informed assessment of Alexkor's ability to create sustainable value over time.

OUR ADHERENCE TO INTEGRATED REPORTING STANDARDS PROVIDES A TRANSPARENT AND COMPREHENSIVE REPORT, REFLECTING THE FINANCIAL, OPERATING, SOCIAL AND SUSTAINABILITY PERFORMANCE OF ALEXKOR

The report focuses on material matters and reflects an integrated thinking approach to ensuring that decisions consider the outcomes on the following six capitals:

- Financial capital,
- Manufactured capital,
- Intellectual capital,
- Human capital,
- Social and relationship capital, and
- Natural capital.

COMBINED ASSURANCE

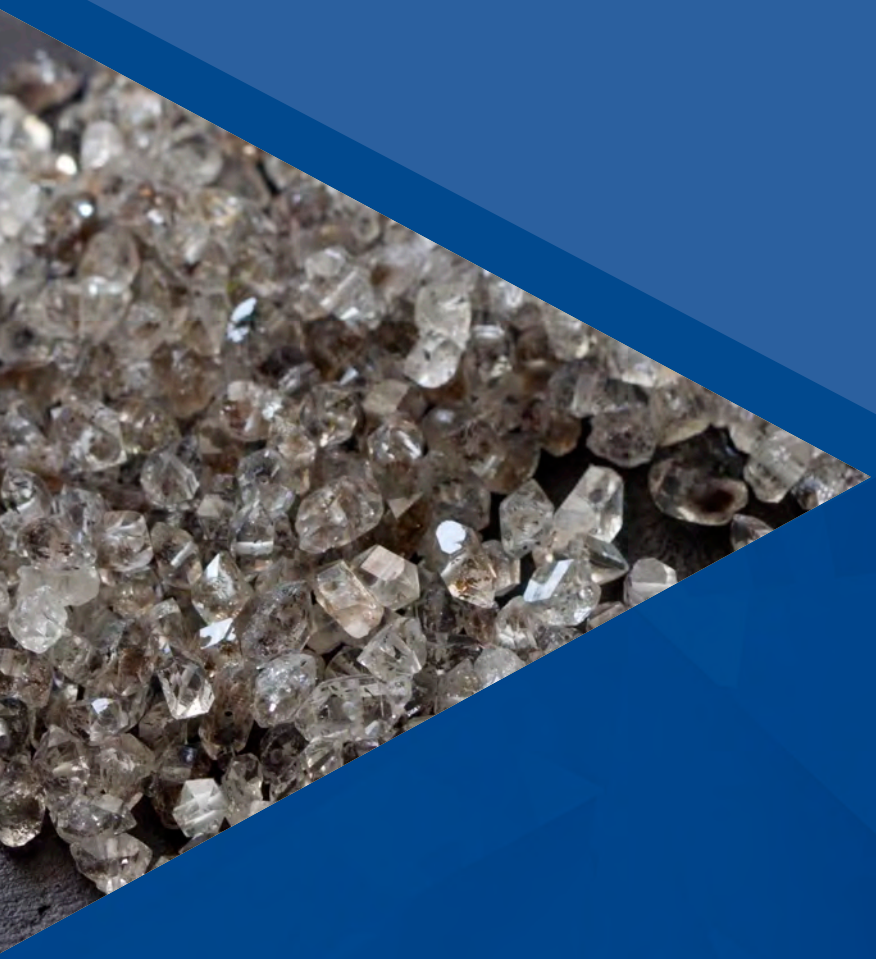
Our assurance is achieved through a combination of:

- Management-based assurance as first line of defence,
- Internal assurance in terms of policies, procedures, internal controls, legal and compliance, risk management and health, safety and the environment,
- Independent assurance providers who provide overall assurance on the adequacy and effectiveness of internal control, and
- Oversight by the governing body.

ACCOUNTING AUTHORITY APPROVAL

The Accounting Authority ensures the integrity of the integrated report. The Board believes that this report addresses all material issues and presents a balanced and fair account of Alexkor's performance.

Mr Lemogang Pitsoe
Alexkor SOC Limited



SECTION **A**
ABOUT ALEXKOR

WHO **WE ARE**

OUR PURPOSE

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

OUR VISION

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

OUR MISSION

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

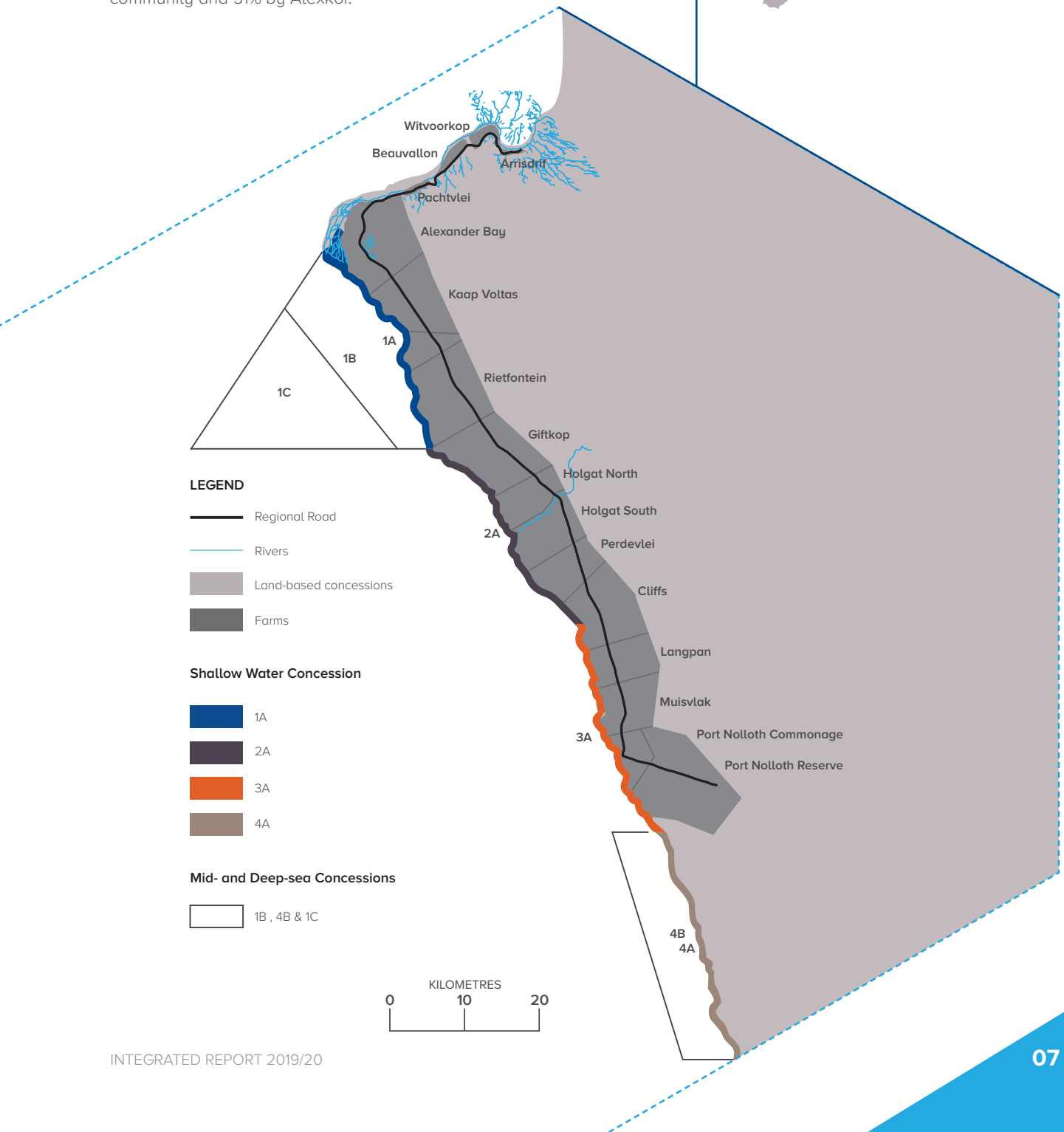
OUR VALUES

Integrity – we will always deliver on our promise
Professionalism – we will always strive for the highest standards possible
Accountability – we will always take full responsibility for the outcomes of our behaviours
Dedication – we will be focused, goal-orientated and not side-tracked
Dynamic – we will be highly energetic, creative and innovative

WHERE WE **OPERATE**

ALEXKOR'S MINING EFFORTS CURRENTLY FOCUS PREDOMINANTLY ON THE RICHTERSVELD AREA ON THE NORTH-WEST COAST OF SOUTH AFRICA.

Our marine-based concessions span from north of Alexander Bay to south of Port Nolloth. To date we have mined in the shallow and deep waters, but are looking to extend our operations to the mid-waters. The land-based concessions span an area of land equivalent to 865km^2, which we mine through Alexcor Richtersveld Mining Company (RMC) JV (PSJV) RMC JV(PSJV), which is 49% owned by the Richtersveld community and 51% by Alexkor.



OUR FOCUS IS ON **UNLOCKING SHAREHOLDER VALUE,** WHILE DELIVERING **SUSTAINABLE SOCIO-ECONOMIC UPLIFTMENT.**

OUR **BUSINESS MODEL**

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

SOURCES OF CAPITAL

The resources used by our operations to create value are:

MANUFACTURED CAPITAL

Mining assets

- Mining equipment and other assets
- Ancillary support services (residential services, community services, outside engineering services, external transport services, airport/landing strip, fuel stations and guesthouses)
- Municipal infrastructure

SOCIAL AND RELATIONSHIP CAPITAL

Stakeholder relationships

- Department of Public Enterprises (DPE)
- Department of Mineral Resources and Energy (DMRE)
- Department of Environmental Affairs, Forestry and Fisheries (DEFF)
- Northern Cape Provincial Government
- Richtersveld Local Municipality
- Richtersveld Community Property Association

HUMAN CAPITAL

Our workforce

- Our team
- Our suppliers

FINANCIAL CAPITAL

Stakeholder relationships

- Government investments
- Diamond sales

NATURAL CAPITAL

Water, energy, mariculture, land to enable mining operations

- Land diamond resources
- Marine diamond resources

EXPLORING NEW OPPORTUNITIES

- Diamond beneficiation
- Public and private business partners
- Working with both State Diamond Trader and Diamond Regulator
- Relationship with Institute of Marine Technology, Geoscience and Transnet National Port Authority

INTELLECTUAL CAPITAL

Mining expertise and experience in land and marine mining

- Innovation (new mining technologies)
- Health and safety systems
- Environmental management plan and systems (geographical information system)
- Training programmes

DIAMOND MINING

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

OUTPUTS
WHAT WE PRODUCE

The products and services we deliver to our stakeholders are:

PRODUCED: **28 676 CARATS (48 127 IN 2018/19)**
REVENUE GENERATED: **R170 MILLION (R209 MILLION 2018/19)**

OUTCOMES
WHAT WE CREATE

Through our operations, we create:

EMPLOYMENT OPPORTUNITIES

- Direct and indirect workforce (local and national)

SOCIO-ECONOMIC DEVELOPMENT

- R371 495 spent on social investment interventions
- R820 147 invested in education transformation programmes
- R5.6 million invested in community upliftment through the Social Labour Plan

BETTER TRAINED AND TRANSFORMED WORKFORCE

- R103 241 spent on training in 2020
- Employment equity programme delivering transformation objectives
- Employment equity plan.

SHARED CAPITAL

- Alexkor RMC JV (PSJV)
  - 49% RMC
  - 51% Alexkor

OUR **STRATEGY**

INCREASING LAND CARATS

- Employ larger contractors to explore and mine the land extensively
- Reprocess the tailings dump
- Increase diamond mining footprint in the region
- Invite large contractors for turnkey management.

MARINE MINING

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

WE RECOGNISE THAT DIAMONDS ARE A FINITE RESOURCE AND, THEREFORE, WE ARE EXPLORING DIVERSIFICATION OPPORTUNITIES TO ENSURE LONG-TERM SUSTAINABILITY. TO ACHIEVE THIS, WE ARE EXPLORING:

DIAMOND BENEFICIATION

- Plans to set up in Alexander Bay
- Expansion of operations outside Richtersveld and South Africa.

MATERIAL **ISSUES AND RISKS**

RISK	RISK DESCRIPTION	CAUSE OF RISK	EFFECT (CONSEQUENCE/ IMPACT) OF THE RISK
Liquidity risk	Inability of PSJV to sell diamonds due to international impact of Covid-19	Covid-19 related to business and trading of diamonds	Lack of cash resources to meet financial obligations as they fall due
	Alexkor cannot fund its mandate due to lack of funding and of returns from the PSJV investment	Unfunded mandate, which strains the financial resources of the organisation	Failure to effectively deliver on its mandate because of funding challenges
			Reputational damage
			Continuous adverse audit findings, resulting in irregular reportability of the matter
			Going concern challenge
Non-compliance with the deeds of settlement	Implementation of the last few remaining items of the deeds of settlement. Some of the important decisions are outside the control of Alexkor and rests with other stakeholders such as the DPE, Property Holding Company, the municipality and the Office of the Premier in the Northern Cape. Failure of these parties to work together may have repercussions for Alexkor's performance	Ongoing community disputes on members to be elected	Reputational damage
		Unfunded mandate, which strains the financial resources of the organisation	Adverse audit finding
		Insufficient financial resources	Financial implications from non-compliance
			Violation of court order
Diamond resources	Inability to convert diamond resources from inferred to indicated level of confidence	Inaccurate reports	Inability to demonstrate economic viability of mining operations
			Impacts Alexkor as a going concern as it impacts on the ability to convert inferred into bankable and financially sustainable mining operations
	Low level of confidence due to non-upgrading of resources to required level of confidence (indicated)	Funding constraints	Alexkor fails to effectively deliver on its mandate
		Insufficient historical information	Reputational risk

ALEXKOR **BOARD**

THE MINISTER OF PUBLIC ENTERPRISES RETIRED THE BOARD OF ALEXKOR ON 3 SEPTEMBER 2019 AND APPOINTED AN ADMINISTRATOR. THE INTENTION WAS TO RESTORE GOVERNANCE, TO BRING FINANCIAL SUSTAINABILITY IN THE LONGER TERM AND TO CONTRIBUTE TOWARDS THE REGION'S SOCIO-ECONOMIC CONDITIONS. MR LLOYD MCPATIE SERVED AS THE FIRST ADMINISTRATOR, FROM 3 SEPTEMBER TO FEBRUARY 2020.

MR TSHEDISO MATONA
INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed August 2015

BSc Hons (University of Cape Town); MA Development Economics (University of East Anglia, United Kingdom)
Expertise: *Public policy, strategy management and leadership, and corporate governance*

Mr Matona is currently the head of the National Planning Commission Secretariat.

Between 2005 and 2014, he was the Chief Executive Officer of Eskom, Director-General of the Department of Public Enterprises and the Department of Trade and Industry. An economist and experienced public administrator, he has served on the boards of a number of public policy bodies and has been a member of Chartered Secretaries South Africa (CSSA) since 2011.

He has 24 years of senior management experience and skills in international trade and diplomacy, export promotion, investment promotion, industrial development, enterprise development, economic regulation and corporate governance.

He was the Interim Chairperson of the Board of Alexkor and the PSJV and a member of the Social, Ethics and Human Resources Committee and Environmental Rehabilitation Committee at Alexkor until the Board was retired by the Minister.

MR TREVERN HAASBROEK

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed August 20

15 Electronic Engineer Diploma

Expertise: Turnaround specialist

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

MR JOHN SEMBIE DANANA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed August 2015

Bachelor of Journalism; BA Hons; MBA

Expertise: Strategy development and implementation

Mr Danana has extensive experience and involvement in the construction industry. He previously worked for Harmony Gold Mining and is the co-founder of First Uranium Corporation. He is also involved in property development.

His previous roles include chairman of the Pretoria Technikon, South African Broadcasting Corporation board member, and director at Ubunye Cement Distribution and Mbambushe Investment Enterprises Proprietary Limited. During his tenure at Alexkor, he served as the Chairperson of the Social, Ethics and Human Resources Committee and was a member of the Audit and Risk Committee and Environmental Rehabilitation Committee, and a trustee in the Rehabilitation Trust.

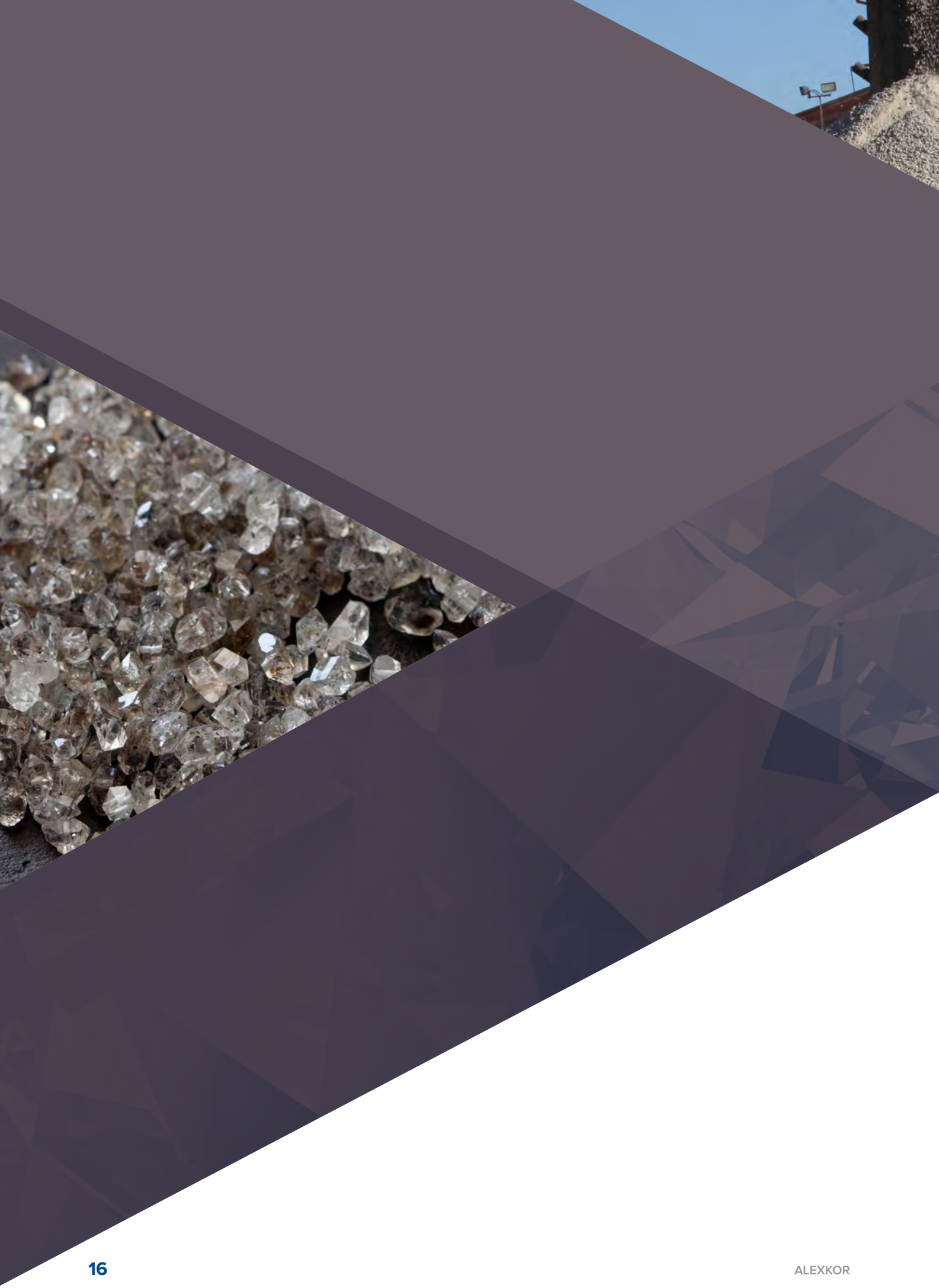
MS ZUKISWA NTLANGULA
INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed September 2012

B Juris; LLB; Master's Diploma in Human Resources; Diploma in Project Management
Expertise: Commercial and corporate lawyer and a property law specialist

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

She served as a non-executive director at Glencore South and on the Social and Ethics Committee. During her tenure at Alexkor, she was Chair of the Environmental Rehabilitation Committee and a member of both the Audit and Risk Committee and Social, Ethics and Human Resources Committee.

ALEXKOR'S **LEADERSHIP STRUCTURE**



SECTION **B**

OUR PERFORMANCE HIGHLIGHTS

OUR **PERFORMANCE HIGHLIGHTS**

REVENUE

The 2020 financial year had its own challenges for Alexkor. Revenue declined by 19% to R170 million (2019: R209 million). This is largely the result of significant declines in carat production and subsequently carat sales driven mainly by inability of International Mining and Dredging South Africa (IMDSA) to produce. Carat production was 28 896 units for the year ended 31 March 2020, down from 48 127 units in the prior year.

COST OF SALES

The decrease in production of carats is directly attributed to the decrease in cost of sales - to which resulted in cost of sales dropping to R104.5 million in 2020 (2019: R161.6 million). The PSJV uses independent mining contractors, and the revenue from the exploration is shared in terms of the contract negotiated with the contractors. The amount paid to the contracts is part of cost of sales.

OPERATING EXPENSES

Alexkor saw a decrease in employee cost to R61 million in 2020 (2019: R65 million). The major factors were the retrenchment of 150 staff at the end of June 2019 and efforts to reduce other operating costs.

COMPREHENSIVE INCOME

For the year ended 31 March 2020, Alexkor reported a loss of R109 million, which is an improvement from the previous year's loss of R149.6 million driven largely by impairment charges. One of the driving factors is the significant decrease in operating expenses.

CASH GENERATION AND LIQUIDITY

At 31 March 2020, Alexkor's net cash balance was R305 million, an increase of R3.2 million from the prior year, attributable directly to the decrease in cash reserves.

FINANCIAL RISK MANAGEMENT

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

CONCLUSION

The Board has taken heed of the Covid-19 pandemic as well as the country's downgrade to sub-investment grade. The pandemic is considered to be a non-adjusting event. Management has established high-level task teams that are continually assessing and monitoring developments in the disease and at the time of finalising the report, the Board was confident that the company's responses were adequate and that the crisis is being adequately monitored. The financial estimate cannot be determined reliably as the extent of Covid-19 is unknown.

These consolidated financial statements have been prepared according to the accounting principles applicable to a going concern, which assume that the company will realise its assets and discharge its liabilities in the normal course of business.

There are, however, material uncertainties that cast significant doubt upon the company's ability to continue as a going concern, which are discussed below.

The company has a history of losses, with no operating revenue other than interest income and rental income. The company is exploring ways to diversify and increase its revenue.

These consolidated financial statements do not give effect to any adjustments that could be material and that would be necessary should the company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements.

MR LEMOGANG PITSOE
Chief Executive Officer

OUR SHAREHOLDERS CAN DRAW COMFORT FROM THE FACT THAT THEIR HARD EARNED CONTRIBUTIONS ARE MAKING A DIFFERENCE IN THE LIVES OF ORDINARY CITIZENS.

CHIEF EXECUTIVE OFFICER'S **OVERVIEW**

THE 2020 FINANCIAL YEAR CONTINUED A CHALLENGING PERIOD FOR ALEXKOR FROM BOTH A FINANCIAL AND OPERATIONAL PERSPECTIVE. SEVERAL FACTORS FORCED US TO TAKE A HARD, CRITICAL LOOK AT EVERYTHING WE HAVE DONE TO THIS POINT: OUR APPROACHES TO BUSINESS, THE STRUCTURE OF OUR CONTRACTS, THE EFFICIENCY OF OUR OPERATIONS, AND OUR STANDARDS AND SYSTEMS OF GOVERNANCE.

We had to formulate action plans to address our shortcomings and chart a new course that would steer us to sustainability.

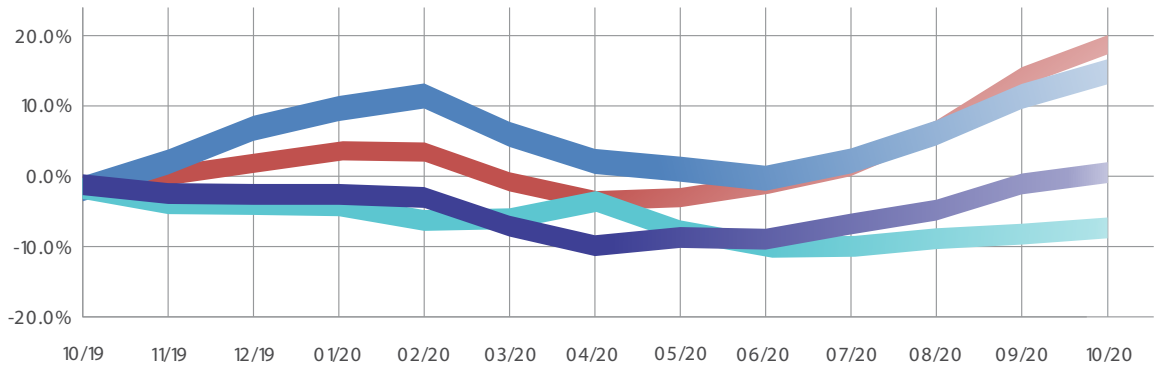
The steps we plan will, we are confident, set us on the comeback trail during 2020/21 and lead to a complete and essential turnaround of the organisation at all levels in the medium- to long term. The solutions will not be quick or painless, but will herald in a new era of productivity, profitability and strength, which will restore the faith of our Shareholder, the Department of Public Enterprises, and of our many stakeholders.

During 2019/20, we grappled with both external and internal issues.

STORMY TRADING CLIMATE

The trading environment was dismal and Alexkor ended the year producing much fewer carats than originally planned, culminating in lower revenue than in the prior year.

Of course, South Africa was not alone in having to deal with a flagging market. The global economy remained severely depressed for all its corporate citizens. For the year under review, the Rapaport Rough Diamond graph prices below dark blue = 5ct; turquoise = 3ct; red = 0.5ct and light blue = 0.3 ct) reflected this, with the decline that started around September 2018 continuing reaching levels of 12% to 14% in September 2019.



However, fortunes turned around in the last quarter of 2019 until February 2020, when the impact of Covid-19 started to be felt, with prices remaining under pressure until July 2020. Prices are now showing a healthy improvement.

During the period, the USA rough diamond market was stagnant and another large trading partner, India, was very quiet. Belgium and Dubai were the only active markets, but by the end of the year, they too were suffering, promising a very tough last quarter of 2019/20.

The Global Diamond Report 2019 from Bain & Company, with the Antwerp World Diamond Centre, highlighted falling sales throughout the mined-diamond supply chain, predicting the drop of 25% in rough diamond sales and a decline of 10% in polished diamond figures for 2019.

The report cited the three greatest disruptors to mined diamonds as online sales, laboratory-grown diamonds, and consumers' environmental and social responsibility.

Although the market downturn cannot be attributed to synthetic diamonds, low-cost producers anticipating adverse trading conditions for rough diamonds flooded the market with lab-grown alternatives.

Bain & Company forecast a 15% to 20% growth in the lab-grown diamond markets during 2019 and hinted at a marked take-off once more traditional jewellers started offering created stones.

Indeed, people were relying less on mined diamonds, according to Amish Shah, CEO of ALTR Created Diamonds. The reasons, he is quoted as saying, include the attractive price of cultivated carats, with sophisticated lab equipment cutting costs by up to two thirds; and environment-friendliness compared to the footprint of mining. And, Mr Shah commented, the engagement market, which now accounts for 10% of the diamond market, is particularly receptive to the value proposition of created carats, where the decision is often a compromise between what the woman wants on her finger and what's in a couple's pocket.

THE STATE OF ALEXKOR GROUP

Alexkor entered 2020 firmly on the backfoot following a loss of R149-million in 2019. Into this woeful picture strode an unknown enemy, Covid-19, closing off links with our trading partners, temporarily shutting down retail outlets worldwide and heaping insult on the injury of our considerable losses.

Already, Alexkor was contending with a severely tarnished reputation and internal turmoil. The company's size counted against it, thus a retrenchment programme was instituted, with the welcome cooperation of the unions. It saved us significant costs, but would not be enough to secure our long-term sustainability.

The organisation's structure is not fit for purpose and it also faced challenges with working capital management, which impacts on its ability to meet its obligations as they fall due. In addition, we have not invested in exploration, necessary capital equipment and technology that has the potential to turn the company prospects and company operations around. All of these factors are threatening Alexkor's ability to remain viable during the 2020 financial year.

many of the negative characteristics of state-owned enterprises. This led the Shareholder to dissolve the Board as the term of the current members ended in September 2019, and bring in an administrator to assess the viability and the value of the organisation, which, despite its challenges, had amassed almost three decades of service to South African society.

Administrator, Mr Lloyd McPatie, assessed the situation honestly and dispassionately and, under the harsh gaze of an objective eye, the pressing issues came into sharp focus. This was the reality shock needed to take the first step to formulating a survival strategy.

RECOMMENDATIONS

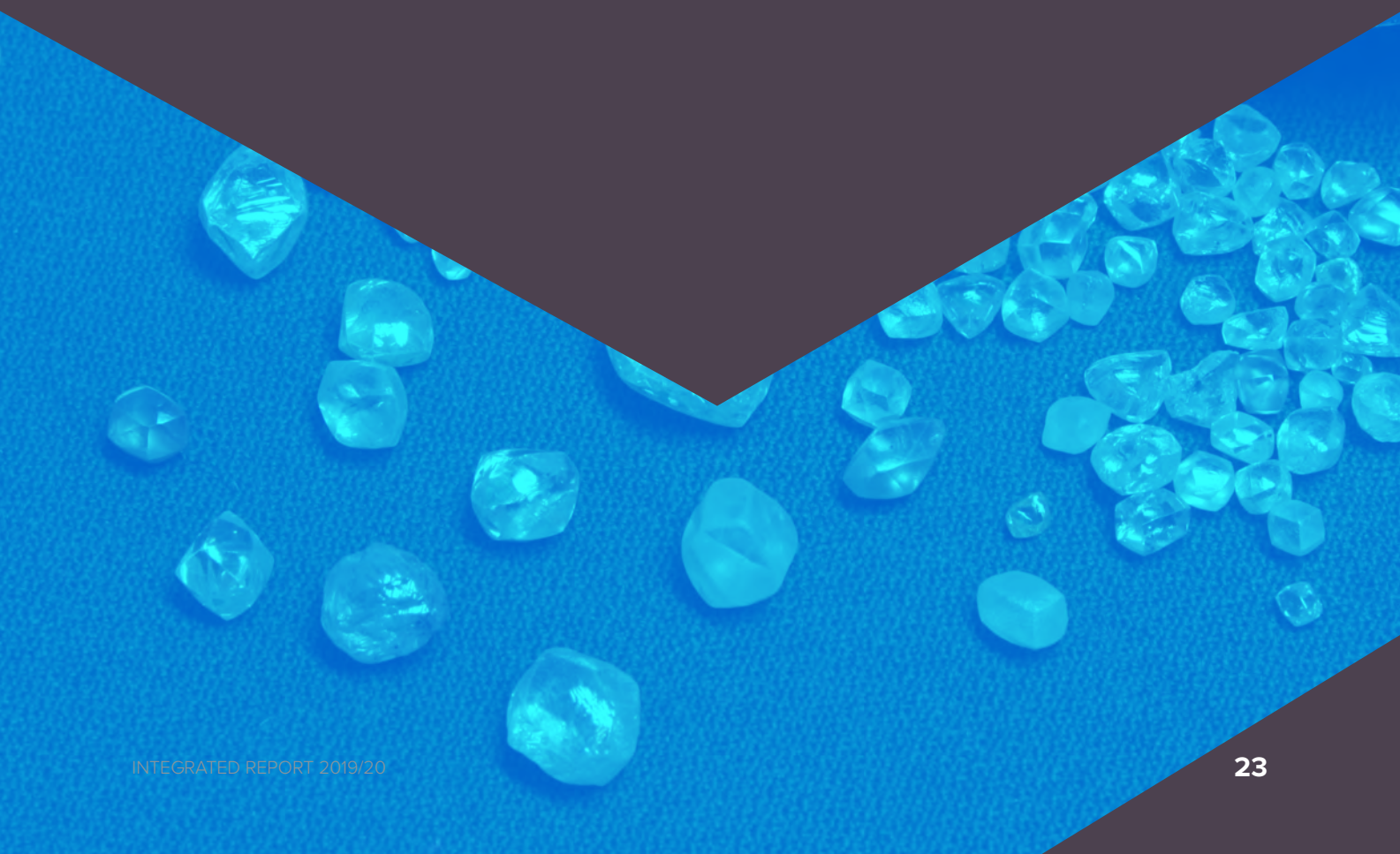
Recommendations were made in many areas. After a review of the structure and status of the revenue-sharing models between Alexcor RMC JV (PSJV) and its contractors, Mr McPatie proposed a new corporatised and recapitalised entity to own and manage the Alexander Bay mine.

Staggered plant operation would help to optimise operations, allowing them to 'hibernate' during the traditionally more difficult mining months of June and July. This would free up boats and equipment for maintenance, reducing operational costs, especially electricity costs, and ready the boats for service over December, whose weather conditions are more conducive to productive mining.

A need was noted to seek out partners with technical and commercial capabilities that could sustain Alexkor without it having to beg for a bailout from an already beleaguered government. Our marine rights have been our anchor in recent years and we are now looking at exploring thoroughly the middle and shallow waters, with a view to sourcing contractors for exploration, surveying and profiling of these areas. This is necessary as we do not have the capabilities in-house.

Contracts will be drawn up with those able to bring the expertise and finance needed to plumb the mid-depth waters and we will then move to shallow water mining where diamonds vary between high- and low-quality depending on sea conditions. In addition, we are looking to insource certain mid-water activities and we require the financial resources to fully explore the opportunity.

The lease on our Johannesburg premises has just over a year to run, after which we will restructure the office to establish it as a finance, marketing of diamonds, sale of diamonds and legal and enterprise-wide risk management hub, taking the operational roles to the mine. This will give us better control of the finances, risk management and corporate governance, and ensure effective management of the operations.



WE MUST NEVER FORGET THAT WE TRADE EVERY DAY ON THE VERY ECONOMIC FOUNDATION ON WHICH SOUTH AFRICA IS BUILT.

A restructure of the current workforce is essential to achieve the optimal balance of internal and contracted resources, particularly crucial in an ailing economy. Effectively, we will be going back to our roots, re-sounding the starting whistle on our game and building up our business with the cooperation and in consideration of all stakeholders involved, including community members, contractors and suppliers.

ADDING VALUE

Alexkor sees itself as a valuable partner to the Richtersveld community, growing with it and benefitting it economically and socially. Our sustainability is the community's sustainability and, together, we must be able to manage and emerge from crisis. The mine must remain viable for the sake of its many constituents, all the time remaining mindful of further impoverishment of the surrounding community should the mine close.

Our corporate social investment has, over the years, made a meaningful change to the lives of beneficiaries in the communities we work in and serve.

We hope to continue with social investment and youth development programmes, especially technical, because we are now dispensing with the status quo in favour of a more modern organisation that can keep pace with current and future business demands.

Our association and collaboration with the municipalities, local and regional, was very constructive during the review year and we hope to build on this during 2020/21, particularly in the area of township relations. We are indebted to the Office of the Premier, the regional office in Springbok and the local office in Port Nolloth for their support and assistance to date.

An administrator has been appointed for the Communal Property Association (CPA) that governs our relationship with the Richtersveld community, and it is hoped that his involvement will strengthen our relationship to the point where we can work as an effective team focused on achievement and growth in the area.

We are liaising with Transnet National Port Authority and Northern Cape Provincial Government on the Boegoebaai Port, Rail and Infrastructure Development Project, which is a greenfield, deep-water port development that should rejuvenate the area and enrich the community. Alexkor is well positioned to support Transnet as a state-owned company to achieve the mandate on this project.

Activity in the Orange River Delta (mouth) also bodes well for future success, with certain sections of the river having the highest average value per carat of any deposit in the world. The traditional Alexkor approach of concentrating primarily on seeking beneficiary licences and rough diamond trading

licences must switch to mining the diamonds, processing them and selling them as a core business. For the year ended 31 March 2020, Scarlett Sky Investments (SSI) marketed and sold our diamonds, but the contract has been controversial for a number of years, as that company does not have a diamond trading licence.

On the other hand, the South African Diamond and Precious Metals Regulator has granted Alexkor's trading licence to start marketing our products.

THE FUTURE

We don't yet know the enduring effects of Covid-19 on our industry nor on the economy, but we do know that there are pre- and post-coronavirus ways of doing business and that the latter involves strengthening our business sufficiently to prepare it for any other unexpected crisis that may arise.

The challenges of recent times will be reversed in the medium term through appropriate financial management that will ensure that Alexkor has adequate resources to meet all its operational and capital requirements. This will be underpinned by efficiently run mine operations, supported by responsibility for the safety of our operations, people and community, and care for the environment.

In conclusion, we can end the current chapter of our history and look to the future with optimism. After almost 100 years of operation, we cannot afford to lose the human capital that resides in our company or the advantage we have to turn the potential of Alexander Bay into reality for the good of the South African economy and of society, and of the communities that rely on us for their livelihood.

We penned our current vision – to be a competitive, progressive, forward-looking organisation with a conscience – and it sums up perfectly the image that must be synonymous with the name Alexkor. It is time that we breathe life into these few words and make them come alive for the good of all our stakeholders.

According to the Global Diamond Report 2019, the industry's first and strongest opportunity to regain growth will be 2021. We need to use every moment constructively and prepare ourselves to take advantage of an upturn, however small. We retrenched some of our employees during the year under review, and further retrenchments and restructuring are inevitable so that we can preserve as much cash as possible, we are determined to create jobs in the long-term, directly or indirectly.

We must never forget that we trade every day on the very economic foundation on which South Africa is built. The diamonds we mine now were formed between 1 billion to 3.3 billion years ago. That kind of heritage cannot be taken lightly.

ACKNOWLEDGEMENTS

We have an obligation to take what is presented to us and deliver on its promise. For supporting us in our quest and helping us to find solutions to our current problems, I and my team thank the Minister of Public Enterprises and his department for their guidance and foresight.

My appreciation goes also to our many community partners, business associates and contractors for their continued support and assistance throughout the year.

For persevering through a very tough and unsettling year, the staff of Alexkor must be commended for their ongoing commitment to serving the organisation and its stakeholders.

As a long-standing corporate citizen of South Africa and with the advantage of lessons well learnt, we have nowhere to go but up. We aim to do just that.

As our theme says isa Nama '/Khida !Omga !Kho tsi sisen //gare, !Gâi ai!Gûs amsai.' 'Let us join hands and work together for a better future'.

MR LEMOGANG PITSOE
Chief Executive Officer

OPERATIONS **OVERVIEW**

THE 2019/20 YEAR BROUGHT OPERATIONAL AND FINANCIAL CHALLENGES FOR ALEXKOR RMC PSJV, ATTRIBUTABLE TO THE ECONOMIC MARKETS, BUSINESS PARTNER PRODUCTION, AVAILABLE SEA DAYS AND OUTSIDE INFLUENCES. DUE TO THE NATURE OF ITS OPERATIONS AND THE BUSINESS MODEL, THE PSJV IS INFLUENCED BY SMALL CHANGES AND DEVIATIONS IN ITS ENVIRONMENT.

The PSJV mines diamonds through contractors and is wholly dependent on business partners for carat production and income. Marine diamonds are the main contributor to revenue based on the value of the stones compared to that for land diamonds.

Our operation is particularly prone to pricing variability due to the presence or absence of high-value diamonds from the marine division in each tender. A turnaround in terms of year-to-date revenue is evident, due mostly to large, high-value diamonds from the marine division as a result of improved weather conditions and visibility during the last half of the fiscal period.

Revenue generated by the PSJV (excluding IMDSA) in 2019/20 by the PSJV was below budget . Year-on-year revenue is lower due to sea conditions and insufficient resources in mid-sea concessions during the period under review and not enough resources in mid sea concession.

A record sale for PSJV production amounting to R97 million was achieved in February 2020. The sale included a single 40.52 carat stone that achieved R27.5 million.

The day-to-day operational activities remained under pressure due to the PSJV's continued liquidity and profitability challenges.

Land mining performance was below budget. Carat production forecasts remain complex due to the inferred status of the resource. Land contractors are required to fund their own exploration, and many have stopped operations due to poor results or not having the capacity to do mining or exploration. Currently, the PSJV has partnered with two major tailings contractors to increase production. Management has received no other proposals to process historic coarse tailings dumps. Pan plant operators are planned to the mine areas and contribute to increased volumes. There are active bedrock contractors in the mine, but some have ceased sweeping activities due to poor production, inferred resources and/or lack of financial assistance.

No exploration was done in the period under review, since the PSJV does not have the capacity to do so. Hence the initiative to employ larger contractors that can explore, bulk sample mine and process.

A **RECORD SALE** FOR PSJV PRODUCTION AMOUNTING TO **R97 MILLION** WAS **ACHIEVED IN FEBRUARY 2020**.

Production from beach contractors increased significantly during the fourth quarter and is well above the year-to-date budget, due mainly to production from a new cofferdam that was built in Block 60A. The dam also produced a substantial number of high-quality and high-value stones, which are 6.8 carats and above. Carats of this size were also produced by mid-water contractors in concession 1B.

IMDSA completed a sampling campaign during December 2019, with the motor vessel The Explorer, in concession 1B. IMDSA will confirm the timing for a mining campaign after confirmation by port authorities of a docking date for mandatory maintenance of the mining vessel Yo Toivo in Cape Town.

SECTION C

STAKEHOLDER ENGAGEMENT

STAKEHOLDER **MANAGEMENT**

STAKEHOLDERS ARE DEFINED AS ANY INDIVIDUAL OR GROUP WITH A MATERIAL INTEREST IN ALEXKOR'S BUSINESS, OR AFFECTED DIRECTLY OR INDIRECTLY BY ALEXKOR'S BUSINESS. STAKEHOLDER MANAGEMENT IS ONE OF THE PILLARS OF GOOD CORPORATE GOVERNANCE AND TO THIS END, REGULAR AND EFFECTIVE ENGAGEMENT REMAINS A PRIORITY FOR ALEXKOR. ITS ENGAGEMENT WITH STAKEHOLDERS IS CAREFULLY PLANNED, WITH A CLEAR SCOPE AND A FOCUS ON COMMUNICATION WITH ALL STAKEHOLDERS AS A STRATEGIC OUTCOME. THIS IS GUIDED BY THE STAKEHOLDER ENGAGEMENT STRATEGY.

Alexkor, as SOC, interacts with government through the Department of Public Enterprises (DPE) as the designated Shareholder representative and Executive Authority. It also interacts with National Treasury as the department responsible for sound financial regulation and governance.

Alexkor SOC is a player in the mining industry and is regulated by the Department of Minerals and Energy, as the mining sector regulator responsible for sustainable and economic mining in South Africa. Another key department with an interest in mining activities is DEFF, which is responsible for protection of the environment, ensures sustainable prospecting and mining activities in communities and oversees the implementation of the National Environmental Management Act. Alexkor also regularly engages with the South African Precious Metals and Diamond Regulator. During the year under review, this engagement focused on Alexkor's bid to increase its participation and market share in diamond sales and marketing through dealing and beneficiation.

The company also engaged regularly with Parliament through the various parliamentary committees and particularly the Public Enterprises Portfolio Committee. With Alexkor's operations in Namaqua, there was also continuous interaction with Richtersveld and surrounding communities as well as the RMC as partners in the joint venture with the Richtersveld community as mandated by the court through the deeds of settlement.

There was increased interaction with the provincial government through the Premier's Office and the Provincial Department of Rural Development to restore proper governance at the RMC. Further engagements were held with the Department of Justice and Constitutional Development's State Attorney's Office, which is assisting Alexkor to transfer various properties to Richtersveld Municipality. Another important stakeholder is the Department of Public Works and Infrastructure, which holds ownership of certain properties in the Alexkor stable on behalf of government. Interactions dealt with the maintenance and handling of township-related activities.

Alexkor also engages regularly with other national and provincial departments and municipalities of the Northern Cape, investors, business chambers and other business groups, suppliers, contractors, and management and key individuals in business.

Regular contact is maintained with employees and organised labour, particularly National Union of Mineworkers as the recognised union, and civil society and non-governmental organisations. Alexkor also liaises with industry experts and the media.

Stakeholder engagement and communication take various forms, including one-on-one meetings, Board and Board committee meetings with identified stakeholders, meetings of committees of the National Council of Provinces, Alexkor's annual general meeting, engagements with industry associations, through various task teams, site visits and public hearings, and at community and other forums.

The following principles are applied:

- Sharing meaningful information in a format and language that are easily understandable
- Providing information in advance to enhance consultation
- Respecting local traditions and ensuring culture-sensitive decision-making processes
- Ensuring two-way dialogue and communication
- Accommodating diverse views and allowing inclusiveness of views with a focus on marginalised people such as women, people with disabilities, youth and/or other minority groups
- Ensuring free engagement without intimidation or coercion
- Establishing clear mechanisms for addressing and responding to stakeholders' issues, proposals and grievances.

COMMITMENT TO OUR **COMMUNITY**

As part of commitment to the community, Alexkor SOC Ltd uses corporate social investment (CSI), education, and its Social and Labour Plan (SLP) to give back to the communities within which it operates, while building brand loyalty and spreading goodwill.

Alexkor endorses and supports government's endeavours to achieve the constitutional right to equality, increase broad-based and effective participation of black people in the economy and promote a higher growth rate, increased employment and employability.

CORPORATE SOCIAL INVESTMENT

The CSI programme funds strategic socio-economic programmes, ad hoc project involvement, donations, sponsorships and disaster relief efforts in the key priority areas of education, women empowerment, youth development, social and enterprise development. During the year, Alexkor received requests for social assistance not only from employees, but from community members.

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

For the review period, R371 495 was invested in transportation, funeral assistance, stipends to a museum/tourism curator and a youth centre assistant, and tertiary assistance.

EDUCATION

To enhance education transformation in the Richtersveld area, Alexkor RMC JV partnered with nine local schools and six nursery schools, sponsoring salaries of educators and practitioners, primarily in mathematics and science, to an amount of R820 147.

As part of its social responsibility initiatives, the company spent R2 035 181 during the review year on meals for employees and contractors living in the single quarters. Alexkor RMC JV partnered with the Department of Rural Development to develop unemployed youth of the community in diamond processing, diving and plant production.

Alexkor RMC JV recognises that a workforce with the right skills, experience and training is one of the country's most basic needs and, therefore, invested a great deal of resources developing the skills of employees. Six adult education training (AET) facilitators were appointed in the period under review to enhance the skills of employees and of the surrounding community members, affording them the opportunity to become functionally literate and marketable.

SOCIAL AND LABOUR PLAN

Alexkor RMC JV's initiatives progress SLP commitments, which are aligned to municipal integrated development plans (IDPs). Approval is still awaited on the SLP, which was submitted to DMRE in January 2019, but the Covid-19 national lockdown in South Africa has delayed approval. The plans were developed through consultative processes with Richtersveld Municipality and through interaction with stakeholders to ensure that the identified projects are sustainable in line with their needs.

During the year under review, R5 606 422 was spent on these projects, and various projects were identified with stakeholder consultations to ensure sustainability and suitability.

COMMITMENT TO OUR **PEOPLE**

HUMAN RESOURCES REPORT

The year under review ended with the following vacant strategic positions:

- Chief Finance Officer
- Finance Manager
- Chief Operations Officer
- Company Secretary (remained temporarily filled)

During the second quarter of 2020/21, Alexkor implemented a Section 189 process under Labour Relations Act, Act No 66 of 1995.

EMPLOYMENT EQUITY

One of Alexkor's diversity objectives is to create an environment that allows employees with multiple backgrounds, mindsets and ways of thinking to work together to perform to their highest to achieve organisational objectives.

The organisation is committed to and adheres to following affirmative action measures to realise its employment equity goal. A detailed employment equity plan is developed in consultation with the various employee constituencies.

The table below depicts the employment equity status for Alexkor head office at 31 March 2020:

OCCUPATIONAL LEVELS	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top management	1	-	-	-	-	-	-	-	-	-	1
Senior management	-	-	-	-	1	-	-	-	-	-	1
Professionally qualified	-	-	-	-	-	-	-	-	-	-	-
Skilled	1	-	-	-	1	-	-	-	-	-	2
Semi-skilled	-	-	-	-	1	-	-	-	-	-	1
Unskilled	-	-	-	-	2	-	-	-	-	-	2
TOTAL PERMANENT	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**7**
Temporary employees	-	-	-	-	2	1	-	-	-	-	3

THE ORGANISATION IS COMMITTED TO AND ADHERES TO FOLLOWING AFFIRMATIVE ACTION MEASURES TO REALISE ITS EMPLOYMENT EQUITY GOAL.

The table below depicts the employment equity status for Alexkor SOC Ltd (Alexander Bay Mine) at 31 March 2020:

OCCUPATIONAL LEVELS	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Top management	-	-	-	-	-	-	-	-	-	-	-
Senior management	-	-	-	-	-	-	-	-	-	-	-
Professionally qualified	-	-	-	-	-	-	-	-	-	-	-
Skilled	-	5	-	1	-	-	-	-	-	-	6
Semi-skilled	1	11	-	-	-	2	-	-	-	-	14
Unskilled	1	5	-	-	-	2	-	-	-	-	8
TOTAL PERMANENT	**2**	**21**	**-**	**1**	**-**	**4**	**-**	**-**	**-**	**-**	**28**
Temporary employees	-	1	-	-	-	-	-	-	-	-	1

The table below depicts the employment equity status for Alexkor RMC JV at 31 March 2020:

OCCUPATIONAL LEVELS	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Senior management	-	-	-	-	-	-	-	-	-	-	4
Professionally qualified	-	-	-	-	-	-	-	-	-	-	13
Skilled	-	-	-	-	-	-	-	-	-	-	49
Semi-skilled	-	-	-	-	-	-	-	-	-	-	61
Unskilled	-	-	-	-	-	-	-	-	-	-	10
TOTAL PERMANENT	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**137**
Temporary employees	-	-	-	-	-	-	-	-	-	-	28

SKILLS DEVELOPMENT

Alexkor's philosophy is premised on the principle that good people make a great business, and that people's strengths, people's ambitions and people's ideas are the engine of success. With that principle in mind, Alexkor invests in skills development of its people with the belief that people are the most valuable asset an organisation has at its disposal and the only asset that appreciates in value. The following training interventions were undertaken during the year under review.

Statutory training was conducted for operators and contractors to adhere to DMRE regulations.

ARPL training – three employees were sent for assessment of recognition of prior learning (ARPL) apprentices training and one completed the training successfully.

Leadership development – to develop future leadership and to ensure sufficient supply of critical skills within Alexkor RMC JV, an investment was made in a leadership development programme for one employee. This will enable the individual to reach new heights in job performance and productivity levels and enhance progression towards self-actualisation.

Community training – Alexkor RMC JV is committed to its social responsibilities and 76 unemployed youth in four towns of the Richtersveld were trained in first aid and fire-fighting.

Community education and training – Alexkor RMC JV provides employees with the opportunity to become functionally literate to achieve their personal developmental goals. Four employees participated in community education and training.

Learnerships – 90 unemployed youth participated in the learnership programmes of professional cooking, project management and environmental practice.

Staff training – investment was made in various training initiatives for employees.

STAFF COMPLEMENT

At 31 March 2020, the staff complement was:

	MAR-19	MAR-20
ALEXKOR SOC – HEAD OFFICE		
Permanent employees	10	7
Temporary employees	1	3
TOTAL	11	10
ALEXKOR SOC – ALEXANDER BAY MINE		
Permanent employees	33	28
Temporary employees	1	1
TOTAL	34	29
ALEXKOR RMC JV		
Permanent employees	292	137
Temporary employees	55	28
TOTAL	**347**	**165**
CONTRACTORS		
Marine contractors – shallow water	481	371
Beach and land mining	482	130
Bedrock mining	-	355
Other	125	59
TOTAL	**1 088**	**915**

REMUNERATION

A key principle of Alexkor's remuneration policy is achieving equity. Thus, it continuously monitors relevant job markets to ensure a competitive total reward positioning within the parameters of affordability.

The total wage bill for Alexkor and the 51% of PSJV for the year under review was R49.4 million compared to R56.4million in the previous year.

INDUSTRIAL RELATIONS

A sound working relationship is maintained with the unions and regular engagements take place. Some 62% of employees belong to the National Union of Mineworkers, while 7% to the United Association of South Africa and 31% are non-affiliated.

COMMITMENT TO **HEALTH, SAFETY AND THE ENVIRONMENT**

LEGACY REHABILITATION PROGRAMME

Alexkor subscribes to policies that are consistent with legislation, regulations and other requirements. In addressing the environmental balance in present and future operations, it is committed to:

- Establishing an environmental engagement system and conducting quarterly environmental audits for continuous improvement and prevention of pollution
- Recording environmental risks regularly and reviewing performance against policies, objectives and targets
- Ensuring an awareness of environmental issues among employees, contractors and other stakeholders
- Respecting fundamental human rights for a safe and healthy environment in which to work and live, and safeguarding the rights to self-esteem, personal growth and respect
- Being involved in sustainable community projects that contribute to social upliftment

Legacy rehabilitation is the responsibility of Alexkor as per its deeds of settlement.

Phase 1A (ii) rehabilitation for mining earthworks:

The target for 2019/20 was to begin historic rehabilitation in Arriesdrift, Witvoorkop, Alexander Bay and Voltas Basin. This would include earthworks (rehabilitation of dumps, trenches and excavations). Work at Alexander Bay/Voltas would have run into 2020/21 due to the number of trenches and extent of excavations.

However, no historic rehabilitation was done during 2019/20.

A plan has been developed for the way forward and the process will start on 1 December 2020.

Work to be carried out from then until March 2021 will cover rehabilitation of historic dumps, trenches and excavations.

Historic rehabilitation liability update:

As no historic rehabilitation was completed during the year, the liability remained unchanged from the previous calculation in 2018/19.

The outstanding liability at end-March 2020 remains R200 531 534 (ex VAT) based on rates applicable in 2015.

CONCURRENT **REHABILITATION**

ARTISANAL (ILLEGAL) MINING IMPACTS

Governance system

Currently there is no governance system or policy aimed specifically at artisanal miners. The impacts and processes of small-scale miners differ significantly from those of industrial miners. Uncertainty exists on how the DMRE intends to deal with the impacts of small-scale miners.

Environmental impacts

DMRE was given the competency to issue mining environmental authorisations in 2015. With that came the responsibility of duty of care. The following are of concern:

- Rehabilitation expectations
- Overall rehabilitation costs to increase
- Waste and pollution management
- Safety and security of future permit holders
- Compliance and enforcement monitoring

Downstream issues

The South African Police Service has mentioned the linkages between illegal artisanal mining and organised crime (internationally), including abalone poaching and drug trafficking.

Since the artisanal miners do not have mining rights, the diamonds are sold on the black market.

Post-mining economies

Insufficient planning has been done for economic activities beyond the lifespan of non-renewable resources economies such as mining.

External meetings

Orange River Mouth virtual implementation meeting

The Convention on Wetlands of International Importance, (Ramsar) asked to meet with Alexkor (PSJV) and DMRE on future mining activities and Ramsar boundaries.

Removal of scrap from the Orange River Mouth was raised again and the meeting was informed that the scrap is not visible at the moment.

An intergovernmental task team will be established to investigate the removal of berm, which the tourism industry is opposing, as it is a means to reach the mouth.

Complaints

The PSJV Environmental Department received a complaint about cofferdam activities in the Ramsar area on 29 October 2019. The PSJV manages five mining rights, one for RMC

(49% shareholder) and four for Alexkor (51% shareholder). The PSJV does not distinguish between RMC and Alexkor as all mining rights are managed as one according to the deeds of settlement. The cofferdams fall under Alexkor mining right 554, which spans the estuary, partially in the protected area, into the Orange River Mouth and Orange River itself.

The mining right covers areas that extend along approximately 90km of the Namaqualand near-shore coastal zone from the bank of the Orange River in the north to O'Beep south of Port Nolloth. The eastern boundary is marked by the high water mark along the coast line adjacent to seas concessions 1(a), 2(a) and 3(a). The western boundary is approximately 1km offshore from the coast line and a further 4km offshore from the 1(b) concession.

The matter was investigated and it was found that the PSJV is not mining in the Ramsar area. The terrestrial Ramsar shapefile was received from the Department of Environment and Nature Conservation and forwarded to the complainant on 29 October 2019.

The complainant was not satisfied with the response of the PSJV Environmental Department, insisting that the cofferdam is not within the mining right of the RMC and sending the complaint to the DEFF. Further investigation was conducted.

Investigations

The DEFF Environmental Management Inspectorate (EMI) visited the site to investigate the complaint on the instruction of the Minister of Environment, Forestry and Fisheries on 11 December 2019.

The EMI confirmed that the cofferdams were not in the Ramsar area and a response will be drafted to the Minister. All requested information was provided to the EMI.

No feedback or report on the investigation had been received by the PSJV and DMRE (regulatory authority) by year-end. The EMI visited the site in 19 May 2020, to investigate the following:

COFFERDAM

The department received a complaint that the mine was dumping at sea and needed a dumping permit. The department had stated earlier that no permit was required.

The inspector countered that the comment from the department was merely an opinion based on information received from independent consultants.

It was stated that an appeal process was underway after environmental authorisation was granted, but consultation with DMRE revealed no appeals.

LAND RECLAMATION

No detailed discussions were held on land reclamation during the site visit. PSJV Environmental Department will request that DEFF give reason why the mine should apply for reclamation.

The two complaints were a follow-up on the investigation by DEFF during December 2019.

The enforcement and compliance investigation teams will do a follow-up site investigation depending on the findings.

The EMI stressed that it need not inform DMRE of site visits and that it was responsible for certain permits despite approval received from DMRE.

WETLAND

DEFF received information on 27 March 2017 that a sub-contractor of Alexkor was infilling an old earth berm in the middle of the Orange River Mouth estuary – a Ramsar site. The area being infilled was outside the property being mined by Alexkor and was accessible to the public.

On 28 March 2017, a department representative investigated the complaint. A warrant to enter the property was not applied for since the area is public. Investigation rather than inspection was used since there was a reasonable suspicion that environmental legislation was being contravened.

It was pointed out that the mine cannot be held accountable for the actions of a private citizen.

The matter remains unresolved.

HEALTH AND **SAFETY**

The occupational health and safety of employees remains a non-negotiable principle for Alexkor, as it believes that a safe working environment results in a healthy and productive workforce.

The mine's health and safety programme strives to improve occupational health and safety awareness by implementing and maintaining an effective health and safety management system, enhancing legal compliance, minimising or eliminating risk to employees, preventing injuries to employees and damage to property through safe behaviour, and enforcing mandatory codes of practice and compliance.

Regular inspections are performed to assess safety behaviour at the mine and ensure effective implementation of safety controls. A comprehensive medical surveillance programme is in place as per the Mandatory Code of Practice for Minimum Standards of Fitness to Perform Work at a Mine, in terms of the Mine Health and Safety Act, No29 of 1996.

Risk assessments, planned inspections, task observations and communications form part of day-to-day safety management. A union- appointed chairperson (health and safety) is in place.

THE OCCUPATIONAL HEALTH AND SAFETY OF EMPLOYEES REMAINS A NON-NEGOTIABLE PRINCIPLE FOR ALEXKOR.

INJURY STATISTICS	LAND	MARINE	2019/20
Minor Injuries	2	3	5
Disabling injuries (1 to 13 days)	-	-	-
Reportable injuries (+ 14 days)	2	1	3
Fatalities	-	-	-

No property damage incidents occurred during the year under review. Continuous trackless mobile machinery compliance interventions will be promoted and enforced.

No occupational illnesses were diagnosed during the year under review.

SECTION **D**

GOVERNANCE

GOVERNANCE

DURING ITS TENURE, THE BOARD OF ALEXKOR WAS FIRMLY COMMITTED TO GOOD CORPORATE GOVERNANCE AND ETHICAL LEADERSHIP, DEMONSTRATED BY FAIRNESS, ACCOUNTABILITY, RESPONSIBILITY AND TRANSPARENCY IN CARRYING OUT ITS MANDATE IN LINE WITH CORPORATE GOVERNANCE CODES. THIS COMMITMENT WAS REFLECTED IN THE TERMS OF REFERENCE GOVERNING THE BOARD'S FUNCTIONS, INCLUDING THE BOARD CHARTER AND TERMS OF THE COMMITTEES. ETHICS WAS A CORNERSTONE OF ALL POLICIES AND PROCESSES OF THE COMPANY, WHICH ARE REVIEWED REGULARLY.

The Board adhered to the guidance for SOCs in government protocols on corporate governance and in the King Report.

To the extent of its involvement, the Board takes responsibility for the integrity of reports produced, which culminated in this integrated report of 2020, which it believes provides a balanced view of the company's integrated performance, including key material matters.

BOARD COMPOSITION

The Minister of Public Enterprises, as the Shareholder representative and Executive Authority, appoints all directors to the boards of entities reporting in his portfolio, including Alexkor. He also takes governance into account in making decisions on the proper governing of any institution under his watch, including appointing, retaining and removing any director. Following a decision to amend the memorandum of incorporation (MoI) to provide for the appointment of an administrator to restore governance and financial sustainability, Mr Lloyd McPatie was appointed administrator to lead Alexkor. Mr McPatie replaced the Board of Directors, which was retired in the first half of the financial year. The Board members retired included four non-executive directors, namely Mr Tshediso Matona, Mr Trevern Haasbroek, Ms Zukiswa Ntlangula and Mr John Sembie Danana. However, the two ex-officio directors, namely the CEO, Mr Lemogang Pitsoe, and the CFO, Ms Adila Chowan, remained at the helm of the company and assisted the administrator.

Ms Chowan resigned in December 2019, with her financial manager following suit, which exacerbated the governance crisis and created a crisis in the finance unit, which almost collapsed before a caretaker was brought on board to see the organisation through the last quarter of the reporting period.

Placing the institution under administration meant that no Board committees could be constituted nor appointed.

ETHICAL CULTURE

Governance standards decree that the governing body assumes responsibility for the governance of ethics within any company and sets the tone and direction for ethics throughout the business. The ethical foundation was laid by the Board, with the Social, Ethics and Human Resources Committee, during its tenure, assisting in monitoring ethical conduct at Alexkor and across the group.

WE BELIEVE THIS REPORT PROVIDES A BALANCED VIEW OF THE COMPANY'S INTEGRATED PERFORMANCE, INCLUDING KEY MATERIAL MATTERS.

CONFLICT OF INTEREST

Conflict of interest within Alexkor is managed and prescribed in the Board-approved Code of Business Conduct, which applies to Board and employees. All material and potential conflicts of interests between any director and the company are declared and recorded at every Board and Board committee meeting. Should any material or potential conflict arise, the matter is addressed according to the Companies Act and the Code of Ethics and Conduct Policy.

This includes key decision-makers recusing themselves from decision-making where there is potential or declared conflict. Conflict is also to be reported to the Shareholder at the annual general meeting. For the period under review, no conflict of interest was declared.

REGULATORY ENVIRONMENT

The Board of Directors performs the roles and functions of Accounting Authority as prescribed in the company's MoI, the Public Finance Management Act, its regulations and guidelines; the Companies Act 2008, the Mineral and Petroleum Resources Development Act of 2002, industry regulations and in all other applicable legislation, regulations and guidelines.

THE **BOARD**


ALEXKOR BOARD
REHABILITATION TRUST
AUDIT AND RISK COMMITTEE
SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE
ENVIRONMENTAL REHABILITATION COMMITTEE
EXECUTIVE COMMITTEE

BOARD **STRUCTURE**

Until 3 September 2019, the Board consisted of four non-executive directors and two executive directors (the CEO and the CFO). The following committees operated:

AUDIT AND RISK COMMITTEE

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr TM Haasbroek (Chairperson)
Mr JS Danana
Ms Z Ntlangula

BY INVITATION
CEO: Mr L Pitsoe
CFO: Ms A Chowan

Internal auditors
External auditors
Representatives from the Auditor-General South Africa

MANDATE

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

ENVIRONMENTAL REHABILITATION COMMITTEE

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr JS Danana (Chairperson)
Mr TJ Matona
Ms Z Ntlangula

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

MANDATE

- Ongoing historic rehabilitation of the mined areas at Alexander Bay
- Rehabilitation activities
- Rehabilitation costs and liability
- Management accounting and control of the Environmental Rehabilitation Trust Fund
- Legislation

BOARD STRUCTURE CONTINUED

SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS
Ms Z Ntlangula (Chairperson)
Mr JS Danana
Mr TM Haasbroek

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

MANDATE
- Social and ethical statutory obligations
- Human resources philosophy, strategy and policies
- Remuneration philosophy, strategy and policies

All the above committees are supported by the Executive Committee (Exco) as the implementing agent as per below:

EXECUTIVE COMMITTEE

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

BY INVITATION
- Corporate Services Manager
- Finance Manager
- Supply Chain Management Officer
- Company Secretary

MANDATE
- Strategies and policies
- Allocation of capex, human capital and technical resources
- Best management practices and functional standards
- Senior and middle management appointments and performance monitoring

DECISION MAKING BY THE **BOARD OF DIRECTORS**

BOARD CHARTER

The Board remained responsible for managing the company and ensuring its long-term economic, social and environmental sustainability throughout its tenure. In achieving its mandate, the Board had to delegate responsibility to various Board committees whose members are specialists. Such delegation of powers enables the committees to meet objectives defined in their terms of reference and business requirements. The Board also has to ensure that policy and regulation obligations are met to support government's commitment to economic transformation, beneficiation, job creation and broad-based black economic empowerment objectives. Its oversight role also extends to the implementation of best practices on safety, ownership and management, skills development and procurement to support economic growth.

The Board implements its statutory, commercial and social objectives by approving and regularly monitoring that strategic and operational objectives are achieved. This is done through assessing the company's performance against the predetermined objectives in the corporate plan agreed with the Shareholder.

MANAGING RISK IN AN INTEGRATED WAY

The company's risk management philosophy is encapsulated in the Risk Management Policy and Risk Management Plan and is aligned to the principles of good corporate governance in accordance with the PFMA.

Alexkor implements and maintains effective, efficient and transparent systems of risk management and internal controls. Risk management processes are embedded in the company's work systems and processes to ensure agility and prompt responsiveness to potential and emerging risks. This ensures that the risk management system remains robust, relevant and dynamic at all times. All risk management efforts support the company's objectives to ensure compliance with legislation, fulfil the requirements of good corporate governance and add value to stakeholder management. The agile risk management framework allows Alexkor to anticipate and respond to unpredicted events or conditions that may give rise to risks that, individually or collectively, may have a significant impact on the company's ability to fulfil the objectives and obligations in the corporate plan. This applies to matters within the control of the Board of Directors.

To mitigate risk, Alexkor has an information and communication technology change management policy with high-level objectives for change management and control. A business continuity plan approved by the Board supplements the policy, strengthening disaster and business interruption processes.

PERFORMANCE EVALUATION

An annual independent Board evaluation evaluates the Board of Directors collectively and individually, the Chairperson, Board committees and their chairpersons, and the Company Secretary. The last evaluation was performed in July 2019 in compliance with the requirements of King IV and government governance prescripts. Outcomes that required attention were submitted to the Shareholder for consideration at the 2019 annual general meeting. As the key issues from 2019 were not addressed adequately, and given the Shareholder's retirement of the Board, there was no evaluation in the year under review.

GOVERNANCE REPORTS

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

KEY STRATEGIC FOCUS AREAS

The Board and its committees collectively take responsibility for the strategic focus areas agreed to with the Shareholder. Timelines have been agreed and the status of key strategic focus areas is detailed in this report in the performance information in the annual financial statement section.

COMPANY SECRETARY

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

The Board is satisfied that the Company Secretary is suitably qualified to perform her duties in accordance with legislation such as the Companies Act and is a fit and proper person for the position. The Company Secretary reports to the Board via the CEO. All Board members have unrestricted access to the advice and guidance of the Company Secretary in performing their fiduciary duties.

The Company Secretary provided her services during the year under review but was offerd in August 2020 a voluntary severance package as part of the Company's effort to right size and refocus its operations.

The key governance issue facing Alexkor during the lockdown was retrenchment, which affected morale and productivity. The Board of Directors was retired in September 2019 and there has been uncertainty as to whether a new Board of Directors will be appointed or not. As a result of the vacuum created by Board vacancies and retrenchments, the company is now coping with limited human resources and compromised oversight. In addition, the company provides assistance to the PSJV in the form of company secretariat function, legal function and sales and marketing of diamonds. The management team is providing support to the best of their abilities and a decision to remedy these challenges is required urgently.

THE PSJV BOARD

The Alexkor Board exercises oversight of the PSJV Board. The PSJV operates as a division of Alexkor for reporting. The deeds of settlement concluded with Richtersveld community dictates the composition of the joint Board, on which Alexkor Board has three members. Governance processes between the two entities have been interfaced for regular reporting and sharing of information. The Chairperson of the Alexkor Board serves as the Chairperson of the PSJV Board. The CEO of Alexkor attends PSJV Board meetings by invitation, providing key communication between the PSJV and Alexkor's head office functions.

Alexkor is implementing the final phases of the deeds of settlement and is transferring township handling and maintenance to Richtersveld Municipality. A transitional agreement was signed during the year under review to further guide this process.

The PSJV Board remained unconstituted during the year under review, preventing implementation of the deeds of settlement and affecting operational effectiveness at the mine. Alexkor approached the court to have new directors appointed to replace those at the helm as the Richtersveld representatives on the joint Board. In the interests of good governance, three Board members left, namely Ms P Mokhali, Mr G Oliphant and Mr A Maarman, and were replaced by Mr Brian Grobelaar, Ms Adelaide Ranape

and Mr Raymond Maboe. In the meantime, the court granted an order to the Department of Land and Rural Development to put the communal property association under administration to restore governance and properly constitute the entity.

GOVERNANCE FRAMEWORK

Alexkor's governance framework rests on the Board, the Shareholder and management. These roles and responsibilities are prescribed in various governance documentation, including the MoI, the Board Charter, the terms of reference of the various Board committees, the Shareholder's Compact, the Significant and Materiality Framework and the corporate plan.

The Board subscribes to good governance codes, including King IV and the Protocol on Corporate Governance in the Public Sector. It also adheres to key legislation such as the Companies Act and the PFMA and is guided at all times by its founding Act as amended. The Significance and Materiality Framework further guides governance and compliance and sets out matters requiring approval in terms of the PFMA. The Delegation of Authority Framework sets out the levels of authority and provides for delegated power and authority from the Board to appointed committees and executive management. Governance policies and plans, and standard operating procedures guide the implementation of corporate governance. After all committee meetings, committees formally report on their activities to the Board meeting. The Exco ensures that all Board resolutions, policies and operational plans approved by the Board are implemented and reviewed as and when required.

A code of conduct dictates how business should be ethically conducted, in line with Alexkor's zero tolerance of ethical breaches. The Board performs consequential management for breaches and transgressions. Employees are encouraged to report all breaches through the whistleblower's hotline available to both the operations and head office. No unethical or/criminal occurrences were reported through in the year under review. As an SOC, Alexkor follows a conservative approach to risk management, with risk appetite/risk tolerance set by the Board in the risk documents. The Risk Management Policy and Risk Management Plan provide a prudent but effective approach to risk management across the entire value chain. Ordinarily, the Board holds an annual strategic session to assess achievement of its strategic objectives for the year under review and to set its short-, medium- and long-term objectives.

The resolutions taken at the session form the foundation for the corporate plan for the new financial year. During 2019/20, however, no strategic session was held as the company was placed under administration, with the administrator making various proposals to the Shareholder, as required by the MoI, on steering the company to sustainability. The Board has both a commercial and social mandate and is involved, primarily through the PSJV, in meeting the needs of the Richtersveld community. As a good corporate citizen, Alexkor endeavours to protect the environment during its mining activities and responds to the legitimate interests, needs and expectations of other key stakeholders, while balancing the short- and long-term strategic objectives of the company.

KEY MATTERS DISCUSSED/ APPROVED BY THE BOARD

THE SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE REVIEWED EXECUTIVE AND NON-EXECUTIVE REMUNERATION BASED ON INDUSTRY- AND MARKET-RELATED BENCHMARKS AND MADE PROPOSALS TO THE SHAREHOLDER. THE SHAREHOLDER DECLINED ALL SALARY INCREASES AT THE 2019 ANNUAL GENERAL MEETING IN THE LIGHT OF THE COMPANY'S FINANCIAL DIFFICULTIES.

Details of remuneration of directors appear in the notes to the annual financial statements (note 26).

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

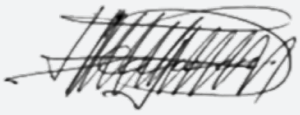
NAME	BOARD	AUDIT AND RISK COMMITTEE	SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE	ENVIRONMENTAL REHABILITATION COMMITTEE
Mr TJ Matona	4/4		0/1	1/1
Mr TM Haasbroek	4/4	3/3		1/1
Ms Z Ntlangula	4/4	1/3	1/1	1/0
Mr JS Danana	4/4	3/3	1/1	
BY INVITATION				
Mr L Pitsoe	4/4	3/3	1/1	1/1
Ms A Chowan	4/4	3/3	1/1	0/1
Ms S Bopape	4/4	3/3	1/1	1/1
Ms P Momoza			1/1	

PSJV ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

NAME	BOARD	AUDIT AND RISK COMMITTEE
Mr JS Danana	9/9	4/4
Mr TM Haasbroek	9/9	4/4
Ms P Mokhali	7/9	2/4
Mr G Oliphant	5/9	
Mr A Maarman	7/9	
Mr TJ Matona	2/9	2/4
BY INVITATION – (ALEXKOR MANAGEMENT)		
Mr L Pitsoe	4/9	1/4
BY INVITATION -– (PSJV MANAGEMENT)		
Mr M Carstens	9/9	4/4
Ms R Phillips	9/9	4/4
Mr F Strauss	8/9	4/4
Mr G Cloete	6/9	1/4

STATEMENT BY THE COMPANY SECRETARY

I, the undersigned, in my capacity as Company Secretary, hereby confirm that for the financial year ended 31 March 2020. Alexkor SOC Limited 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.



Mr Lopang Peacock
Company Secretary

SECTION E
ANNUAL FINANCIAL STATEMENTS

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AUDIT AND RISK COMMITTEE REPORT

Report of the Audit and Risk Committee in terms of Section 94(7) of the Companies Act No. 71 of 2008 Mandate and terms of reference

The audit and risk committee (the committee) presents its report in terms of the requirements of the PFMA, the Companies Act (section 94(7)(f)) and in accordance with the King Code of Governance Principles for South Africa for the financial year ended 31 March 2020. The role of the committee is defined in its mandate. It covers amongst others, its statutory duties and the assistance to the Board with the oversight of financial and non-financial reporting and disclosure, internal control system, risk management, internal and external audit functions and combined assurance, including information technology governance.

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

The Audit and Risk Committee comprised three independent non-executive directors. The Audit and Risk Committee functioned only up to 3 September 2019 when the Board retired. Subsequent to the retirement of the Board, the administrator took the role of the Board until the end of February 2020.

The Minister subsequently appointed Mr Pitsoe to be accounting authority of Alexkor and to fulfil all responsibilities that would have been fulfilled by the Board and its committees. Alexkor applies a combined assurance model to ensure coordinated assurance activities. The committee oversees the assurance activities and the establishment of effective systems of internal control to provide reasonable assurance that Alexkor's financial and non-financial objectives are achieved and that the preparation of financial statements for external purposes is in accordance with IFRS.

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

GOING CONCERN ASSUMPTION

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assume that the company will realise its assets and discharge its liabilities in the normal course of business. There are however material uncertainties that cast significant doubt upon the group and company's ability to continue as a going concern, which are discussed below. The company has a history of losses with no operating revenue other than interest income and rental income.

The company is currently evaluating various opportunities and restructuring the business. These conditions indicate the existence of material uncertainties which cast significant doubt about the company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the financial statements.

We draw attention to the fact that at 31 March 2020, the company had accumulated losses of (R305 985 453) and that the company's total assets exceed its liabilities by R94 014 547.

OVERSIGHT OF FINANCIAL AND NON-FINANCIAL REPORTING AND DISCLOSURE

The accounting authority considered the following:

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

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

The following were considered:

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

The accounting authority considered the following:

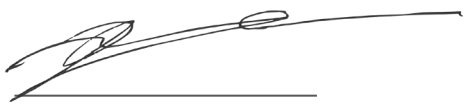
- charter, annual audit plan, independence, effectiveness, coordination with external auditors and performance of the internal auditors
- appointment of the external auditors in terms of the Companies Act and other applicable requirements
- external audit plan, audit budget, actual fee and terms of engagement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

OPINION

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

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

The accounting authority considered the irregular and fruitless and wasteful expenditure reported in terms of the PFMA. Notwithstanding these aspects, the committee is satisfied that nothing significant has come to the attention of the committee to indicate any material breakdown in the functioning of the controls, procedures and systems during the year under review and that the controls are still appropriate to ensure compliance with the requirements of the Companies Act, the PFMA and IFRS, save for matters raised by external auditors. The accounting authority has evaluated the financial statements of Alexkor for the year ended 31 March 2020 and based on the information provided to it, considers that they comply in all material respects with the requirements of the Companies Act, the PFMA and IFRS.



Mr Lemogang Pitsoe
CEO and Chairperson

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT AND THE SHAREHOLDERS OF ALEXKOR SOC LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

DISCLAIMER OF OPINION

1. We were engaged to audit the consolidated and separate financial statements of Alexkor SOC Limited and its subsidiaries (the Group) set out on pages 74 to 115, which comprise consolidated and separate statement of financial position as at 31 March 2020, consolidated and separate statement of profit and loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. We do not express an opinion on the consolidated and separate financial statements of Alexkor SOC Limited. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

BASIS FOR DISCLAIMER OF OPINION

Going concern

3. As indicated in note 32 to the consolidated and separate financial statements, there are material uncertainties that cast significant doubt on the group's ability to continue as a going concern. The group and company have a history of significant losses. The group incurred a loss of R109 383 536 (2019: R149 591 276) and the Company incurred a loss of R109 383 535 (2019: R193 799 412). The accounting authority has not provided us with complete cash flow forecasts and related documentation for the assumptions used to support the appropriateness of the consolidated and separate financial statements being prepared using the going concern basis of accounting. We were unable to confirm by alternate means, whether it is appropriate to prepare the financial statements using the going concern assumption.

Environmental Rehabilitation Liability

4. The Environmental Rehabilitation Liability did not include rehabilitation of all infrastructure, but only historical infrastructure. The baseline rates used to calculate the environmental rehabilitation liability of historic infrastructure are the 2015 rates. We were unable to confirm the Environmental Rehabilitation Liability by alternative means. Consequently, we could not determine the adjustment necessary to the Environmental Rehabilitation Liability stated at R204 890 428 in note 14 to the consolidated and separate financial statements, respectively.

Property, plant and equipment

5. The group also did not review the residual values and useful lives of property, plant and equipment at each reporting date in accordance with IAS 16, Property, plant, and equipment. Furthermore, due to Covid-19 travel and work restrictions that were effective from 26 March 2020, we could not physically verify property, plant, and equipment at the Alexkor RMC Joint Venture. We were unable to confirm the adjustments necessary to the amount disclosed as property, plant and equipment stated at R36 748 072 in note 4 to the consolidated and separate financial statements, respectively. In addition, Alexkor RMC Joint Venture did not have adequate systems to maintain records of property, plant and equipment. This resulted in the property, plant and equipment general ledger not agreeing to the carrying value per the fixed asset register by R24 602 547, resulting in a proportionate misstatement of R14 103 805 in the group and separate financial statements.

Inventories

6. Due to Covid-19 travel and work restrictions that were effective from 26 March 2020, we could not physically verify the inventories at Alexkor RMC Joint Venture. We were unable to confirm the physical quantities of inventories by alternative means. The entity did not maintain a proper record of inventory at year end. Fuel stock retail valued

at R793 530 was recorded but could not be located. Furthermore, diamond inventory is not valued in line with IAS 2, Inventory, in that conversion costs are excluded from the valuation and hence the inventory is not measured at the lower of cost or net realisable value. Consequently, we were unable to determine whether any adjustments were necessary to inventory stated at R8 009 149 in note 8 to the consolidated and separate financial statements, respectively.

Cash and cash equivalents

7. We were unable to obtain sufficient appropriate audit evidence as to whether cash and cash equivalents were correctly classified in terms of IFRS 9, Financial instruments, as we did not have access to the investment mandates. We were unable to confirm the balance of cash and cash equivalents by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to the cash and cash equivalents stated at R305 177 842 and R119 727 504 in note 10 to the consolidated and separate financial statements, respectively.

Prior period error

8. The entity did not adequately disclose prior period errors in note 34 to the consolidated and separate financial statements, as required by IAS 8, Accounting policies, estimates and errors. The nature and the amount of the correction for each consolidated and separate financial statement item affected, and the amount of the correction at the beginning of the earliest previous period were not adequately disclosed. In addition, we were unable to obtain sufficient appropriate audit evidence for the prior period errors disclosed, as the supporting information was not provided. There was also a variance of R5 682 364 between the general ledger and financial statements which could not be explained. We were unable to confirm these disclosures by alternative means. Consequently, we were unable to determine whether any adjustments were necessary to the prior period errors disclosed in the consolidated and separate financial statements.

Trade and other payables

9. We could not obtain sufficient appropriate evidence for trade and other payables due to a lack of proper recordkeeping and reconciliation. There were unreconciled differences noted on the intercompany accounts of R1 846 839. The amount disclosed in the consolidated and separate financial statements did not agree to the general ledger by R5 634 400, which could not be explained. We were unable to confirm the trade and other payables by alternative means. Consequently, we were unable to determine whether any adjustment relating to the trade and other payables stated at R74 462 003 in note 16 to the consolidated and separate financial statements was necessary.

Contingencies

10. IAS 37, Provisions, contingent liabilities and contingent assets requires disclosure of contingencies in the notes to the consolidated and separate financial statements. External confirmations from the lawyers could not be obtained to confirm whether there was any omission to the contingent liabilities disclosed in note 29 to the consolidated and separate financial statements

Net cash flows from operating activities

11. The group did not correctly prepare and disclose the net cash flows from operating activities as required by IAS 7, Statement of cash flows. This was due to multiple errors in determining cash flows from operating activities. We were not able to determine the full extent of the errors in the net cash flows from operating activities as it was impracticable to do so. Consequently, we were unable to determine whether any adjustments to cash flows from operating activities as stated at R22 385 410 and R19 990 334 in the consolidated and separate financial statements respectively, were necessary.

Net cash flows from financing activities

12. The group's cashflows from financing activities were incorrectly disclosed as they did not include the lease payments, which constitutes a departure from IAS 7. Some of these leases did not have valid contracts. Consequently, cash flows from investing activities were overstated by R1 125 319 in the consolidated and separate financial statements, respectively. In addition, the related future commitments on these leases have not been disclosed in financial statements.

Cost of sales

13. We could not obtain sufficient appropriate evidence for cost of sales due to a lack of proper recordkeeping and reconciliation. There was a lack of relevant supporting documentation by the entity relative to the inventory management system and trade and other payables, which has a direct impact on cost of sales. We were unable to confirm cost of sales by alternative means. Consequently, we were unable to determine whether any adjustment relating to the cost of sales stated at R104 528 576 in note 19 to the consolidated and separate financial statements was necessary.

EMPHASIS OF MATTERS

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

Material impairment

15. As disclosed in note 5 to the consolidated and separate financial statements, a material loss of R94 698 036 was incurred because of the impairment of the exploration asset.

16. As disclosed in Statement of Profit and Loss and Other Comprehensive Income a material loss of R10 204 381 was incurred because of impairment of the irrecoverable trade and other receivables.

Prior period error

17. As disclosed in note 34 to the consolidated and separate financial statements, the corresponding figures for 31 March 2019 were restated as a result of errors in the consolidated and separate financial statements of the group. The prior year financial statements have been restated to reflect company figures that exclude the Rehabilitation Trust.

Events after the reporting date

18. We draw attention to note 33 to the consolidated and separate financial statements, which deals with subsequent events and specifically the possible effects of the future implications of Covid-19 on the entity's future prospects, performance and cash flows.

RESPONSIBILITIES OF ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

22. We are independent of the group in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of professional conduct for Registered auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board

for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

23. In accordance with the Public Audit Act of South Africa of 2004 (PAA) and the general notice issued in terms thereof, we have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify material findings but not to gather evidence to express assurance.

24. Our procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the public entity. We have not evaluated the completeness and appropriateness of the performance indicators or measures included in the planning documents. Our procedures do not examine whether the actions taken by the public company enabled service delivery. Our procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, our findings do not extend to these matters.

25. We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the Performance Objectives related to Alexkor and the Performance Objective related to the PSJV sections of the directors' report of the public company for the year ended 31 March 2020:

Objectives	Pages in the Directors' report
Objective 2 - Operational Excellence - Alexcor SOC Limited	70
Objective 2 - Operational Excellence - Alexcor RMC Joint Venture	71

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

27. We did not identify any material findings on the usefulness and reliability of the reported performance information for objective 2 of Alexkor SOC Limited.

28. We did raise material findings on the usefulness and reliability of the reported performance information for strategic objective 2 Operational Excellence of Alexkor RMC Joint Venture.

OBJECTIVE 2 – OPERATIONAL EXCELLENCY

Land and mine production

29. We were unable to obtain sufficient appropriate audit evidence for the achievement of 28 896 carats produced reported against target of 52 000 carats in the performance objective related to the PSJV sections of the directors' report, due to the lack of accurate and complete records. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement.

ACHIEVEMENT OF PLANNED TARGETS

30. Refer to the Performance Objectives related to Alexkor and the Performance Objective related to the PSJV sections of the directors' report on page 71 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information related to the PSJV in paragraph 28 of this report.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

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

32. The material findings on compliance with specific matters in key legislations are as follows:

Annual financial statements

33. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55 (1) (a) and (b) of the PFMA.

34. Material misstatements of non-current assets, liabilities, expenditure, and disclosure items identified by the auditors in the submitted consolidated and separate financial statements were corrected and the supporting records were provided subsequently but the uncorrected material misstatements resulted in the financial statements receiving a disclaimer opinion.

35. The financial statements were not submitted for auditing on or before 31 Junly 2020 as required in terms of Government notice on Gazette number 431888 dated 31 March 2020.

Consequence Management

36. We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular expenditure.

Reportable Irregularity

37. In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified the following reportable irregularity in terms of the Auditing Profession Act. We have reported such matter to the Independent Regulatory Board for Auditors:

38. These non-compliances comprised of the following:

- The entity did not submit an Income Tax return for assessment, within twelve months after the end of its financial year as contemplated in section 66 of the Income Tax Act of South Africa read together with section 25 of the Tax Administration Act No. 28 of 2011 of the Income Tax Act of South Africa;
- The entity did not remit certain PAYE amounts to the Receiver of Revenue (SARS) within due dates as prescribed by Section 89 bis (2) of the Income Tax Act No. 58 of 1962;

- The entity did not, throughout the financial year, calculate and submit returns to revenue authorities as required by section 28 (1) of the Value Added Tax Act of South Africa; and
- The entity did not submit a Royalty Tax return for assessment as contemplated in section 6 of the Mineral and Petroleum Royalty Tax Act No 29 of 2008.

OTHER INFORMATION

39. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

40. As a result of the disclaimer of opinion expressed on the financial statements, we do not conclude on material misstatements of the other information relating to the financial statements. If, based on the work we have performed relating to the audit of performance information and compliance with legislation, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

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

42. Management did not exercise oversight responsibility over the preparation of the annual financial statements, performance reporting, compliance with laws and regulations and internal control.

43. Management did not implement proper recordkeeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

44. Management did not implement controls over daily and monthly processing and reconciling of transactions.

45. Management did not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.

46. The group does not have a functional audit and risk committee.

47. The accounting authority did not adequately review and monitor controls over compliance with laws and regulations resulting in non-compliance with various laws and regulations.

48. Management did not design and implement formal controls to address the systems of collecting, verifying and storing the information as well as to plan, manage and report on the financial information of the controlled entities. This is evidenced by the lack of the records at Alexkor RMC Joint Venture which is an unincorporated entity.

49. The internal audit was not effective and efficient, and this is evidenced by the numerous material misstatements in the consolidated and separate financial statements.

OTHER REPORTS

50. We draw attention to the following engagements conducted by an external firm which had, or could have, an impact on the matters reported in the consolidated and separate financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of our opinion on the consolidated and separate financial statements or our findings on the reported performance information or compliance with legislation.

51. As requested by the Minister of Public Enterprises, an engagement was conducted by Gobodo Forensic and Investigative Accounting on the relationship between Alexkor, Alexkor RMC PSJV and its Marine Mining Contractors with allegations of fraud. At the date of this report, the forensic investigation is still in progress and we have not received a final report.

AUDITOR TENURE

52. In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane & Company (Johannesburg) Incorporated has been the auditor of Alexkor SOC Limited for 2 years.

Ngubane & Co.

Ngubane & Co. (Jhb) Inc.
M Naidoo
Director
Registered Auditor
4 February 2021

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DIRECTOR'S APPROVAL OF FINANCIAL STATEMENTS

The Accounting Authority is responsible for the maintenance of adequate accounting records and appropriate systems of internal control as well as the preparation, integrity and fair presentation of the annual financial statements which includes financial results, performance against predetermined objectives and the financial position at the end of the year of Alexkor SOC Ltd (Alexkor) and the joint venture.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the Public Finance Management Act (PFMA), and the South African Companies Act (Companies Act). In preparing the annual financial statements, the Accounting Authority is required to consistently apply appropriate accounting policies, make reasonable and prudent judgments and estimates, state whether applicable accounting standards have been followed and whether the annual financial statements for Alexkor will continue to be prepared on the going-concern basis in the foreseeable future.

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

Alexkor's Audit and Risk Committee (ARC) played an integral role in risk management as well as in overseeing Alexkor's internal audit function. It should be noted that the ARC played this role only until 3 September 2019, when the Board was retired. The company's internal audit function, which operated unimpeded and independently from operational management, and had unrestricted access to the company's ARC, assesses and, when necessary, recommends improvements to the system of internal control and accounting policies, based on audit plans and outcomes that take cognisance of the relative degrees of risk of each function or aspect of the business.

Alexkor's Accounting Authority has reviewed the going-concern basis and the effectiveness of Alexkor's internal controls. It further evaluated Alexkor's annual financial statements and has approved these. Based on the information and explanations given by management, the internal audit function and discussions held with the independent external auditors, the directors are of the opinion that the internal accounting controls of Alexkor are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities is maintained. The external auditors have raised some weaknesses in the control environment. An improvement plan is being put in place to correct and improve. The Accounting Authority has made an assessment of the ability of Alexkor to continue as a going concern in the foreseeable future.

The directors reviewed Alexkor's performance for the year ended 31 March 2020 and the cash flow forecast for the 12 months ending 31 March 2021. The Accounting Authority is pursuing strategic options to implement the company's future strategy. Based on the above, the directors are satisfied that Alexkor is able to continue its operations for the foreseeable future. Accordingly, the company continued to adopt the going-concern basis in preparing the financial statements. These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates and are prepared on the going-concern basis. In the opinion of the Accounting Authority based on the information available to date, the annual financial statements fairly present the financial position of Alexkor at 31 March 2020 and the results of its operations and cash flow information for the year then ended.

The independent external auditors are responsible for independently auditing the financial statements in accordance with International Standards of Auditing (ISA) and the Public Audit Act (PAA). Alexkor's annual financial statements for the year ended 31 March 2020 were approved by the CEO and signed on 20 November 2020:

Mr Lemogang Pitsoe
Chief Executive Officer

STATEMENT BY THE COMPANY SECRETARY

I, the undersigned, in my capacity as Company Secretary, do hereby confirm that for the financial year ended 31 March 2020, 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.

Mr Lopang Peacock
Company Secretary

DIRECTORS' REPORT

1. BOARD OF DIRECTORS

For the year under review, a full complement of Alexkor's Board of Directors discharged its duties to 3 September 2019 when all four non-executive directors retired. From the 3 September, the Minister of Public Enterprises appointed an administrator, Mr Lloyd McPattie for a period of six months. Mr McPattie's term expired end of February 2020. The year ended without any non-executive directors.

Sections 49(2)(b) of the Public Finance Management Act (PFMA) provides that the Chief Executive Officer (CEO) of the company is the Accounting Authority in the absence of a Board. The Minister of Public Enterprises appointed Mr Lemogang Pitsoe as the Accounting Authority of Alexkor SOC Ltd empowered with the duties and responsibilities that the Board of Directors is empowered to do in terms of the PFMA, other applicable legislation and the company's MoI.

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

Name	Appointed	Resigned/Term expired
Ms Z Ntlangula	September 2012	September 2019
Mr J S Danana	August 2015	September 2019
Mr T Haasbroek	August 2015	September 2019
Mr T Matona	August 2015	September 2019
Mr L McPattie (Administrator)	September 2019	February 2020

2. OVERVIEW OF FINANCIAL PERFORMANCE

Performance for the year	2020	2019	% Change
Revenue (in Rands)	170 572 426	209 900 962	(19) %
Profit/(Loss) for the year (in Rands)	(109 383 536)	(149 591 275)	(27) %
Carats produced (in units)	28 896	48 127	(40) %
Capital expenditure (in Rands)	-	13 308 912	(100) %

3. DIVIDENDS

No dividends were paid, proposed or declared during the year under review (2019: R nil).

4. 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.

5. 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 (KPI's), 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 2020 financial year targets is outlined in section 9 of the Director's Report.

6. LITIGATION STATEMENT

Isaac Barrow Celeste Elmarita Moot

The legal action against Alexkor by the family of a minor child who allegedly drowned in a sewerage dam situated on Alexkor's property in the mining area in Alexander Bay is finalised and the two parties have reached an amicable agreement.

7. GOING CONCERN

The annual financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the company will realise its assets and discharge its liabilities in the normal course of business. There are however, material uncertainties that cast significant doubt upon the company's ability to continue as a going concern which are discussed below. The company has a history of losses with no operating revenue other than interest income and rental income. The company is currently evaluating various opportunities and reviewing its business and operational strategies. These annual financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the financial statements.

8. SHARE CAPITAL

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

9. PERFORMANCE OBJECTIVES RELATED TO ALEXKOR

As part of the Shareholder's agreement with the Honourable Minister, Alexkor agreed on the following key performance areas:

Strategic Pillar	Key Performance Area	Key Performance Indicator	Unit of Measure	2019/20 Targets	2019/20 Actual	Notes
Financial Sustainability 20%	Liquidity	Cash buffer	Rand	>0	R6 million	Achieved, but the excess funds are not sufficient to cover going concern.
		Rental income collected	%	80%	49%	All efforts are made to recover rental due. However, certain tenants are reluctant to pay rentals. Included in the debtors balance is the rental charged to the PSJV for houses given to its employees. Rental recovery has also slowed due to contractors not generating enough revenue.
Operational Excellence 60%	Operational Efficiency	Determination of optimal warehousing structure of marine assets	Report	Completed report on the corporatisation of the PSJV by 31 December 2019	N/A	Not achieved – restructuring will be done as part of 2020/21 financial year targets as per mandate of the current PSJV (RMC) Board members.
Socio-economic Impact 20%	Environmental impact – conclude historical environmental rehabilitation	Execution of rehabilitation plan	Report	100% of mining trenches at Arris/ Witvoorkop rehabilitated by 31 March 2020	N/A	The scope for Phase 2, which included mostly earthworks and profiling of the areas, was not done as the tender and deviations were not approved. This work will be undertaken in the coming financial year.
	Procurement	Black owned	%	75%	47%	
		Black woman owned	%	3%	39%	Achieved due to awarding of insurance tender to a company with black women ownership.
		Black youth owned	%	1%	0%	Not achieved. More effort will be made to procure from black-youth-owned businesses. However, new procurement is likely to be minimal due to cash flow constraints.
		People with disabilities	%	0.50%	0%	Not achieved. More effort will be made to procure from businesses owned by people with disabilities. However, new procurement is likely to be minimal due to cash flow constraints.

10. PERFORMANCE OBJECTIVES RELATED TO THE PSJV

As part of the Shareholder's agreement with the Honourable Minister, the PSJV agreed on the following key performance areas:

Strategic Pillar	Key Performance Area	Key Performance Indicator	Unit of Measure	2019/20 Targets	2019/20 Actual	Notes
Financial Sustainability 20%	Financial performance	Earnings before interest, taxes, depreciation and amortisation (EBITDA) margin	%	10.50%	4.29%	Not achieved, due to carat production targets not achieved
Operational Excellence 50%	Diamond production (productivity)	Land and mine production	Carats produced	52 000	28 896	Not achieved. Carat production targets not achieved due to unfavourable sea conditions and poor visibility when workable sea days become available.
		Deep-sea production	Carats produced	5 000	-	IMDSA production not yet begun due to insufficient data obtained to draft a mine plan.
		Mid-waters production	Carats produced	7 500	-	Not yet begun
	Safety	Fatalities	Number	0	0	Achieved
Socio-economic Impact 30%	Skills Development	Artisan trainees	Number	3	3	Achieved
		Technical trainees (diamond beneficiation)	Number	3	0	Not achieved due to financial constraints.
		Engineering trainees	Number	4	0	Not achieved due to financial constraints.
		Training spend (including 1% leviable amount)	Number	5%	2%	Achieved
		CSI interventions as agreed in the CSI forum	Amount of 1% of net profit after tax	1%	-0.77	Achieved
		CSI spend	Rand	R6.5 million	R0.19 million	Not achieved due to financial constraints
		Spend on black economic empowerment-compliant companies	%	70%	54%	Not achieved due to financial constraints

Strategic Pillar	Key Performance Area	Key Performance Indicator	Unit of Measure	2019/20 Targets	2019/20 Actual	Notes
Socio-economic Impact 30%		Total black-owned as a % of local spend	%	70%	54%	Not achieved due to financial constraints
		Total black women owned as a % of local spend	%	7%	9%	Achieved
		Total black youth owned as a % of local spend	%	2%	0%	Not achieved due to financial constraints
		People with disabilities as a % of local spend	%	1%	0%	Not achieved due to financial constraints
		Quantifying small enterprise exempted micro enterprise	% per designated group	30%	23%	Achieved

11. AUDITORS

Ngubane & Co continued in office as auditors for the company and its subsidiaries for 2020.

At the annual general meeting, the shareholder will be requested to reappoint Ngubane & Co as the independent external auditors of the group and to confirm Magen Naidoo as the designated lead audit partner for the 2021 financial year.

12. SECRETARY

The group secretary is Mr Lopang Peacock.

13. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

No irregular expenditure was identified in the current financial year.

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

Summary of irregular, fruitless and wasteful expenditure:

	2020	2019
Fruitless and wasteful expenditure – current year	1 444 129	644
Fruitless and wasteful expenditure – prior year	644	-
Fruitless and wasteful expenditure written off	-	-
Fruitless and wasteful expenditure recovered		
Total fruitless and wasteful expenditure	1 444 773	644
Irregular expenditure spent in the current year	-	-
Irregular expenditure spent in the prior year	26 018 876	26 018 876
Less: irregular expenditure condoned	-	-
Remaining irregular expenditure awaiting condonation	26 018 876	26 018 876

14. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

For Covid-19 impact refer to note 34.

On 27 May 2020, the South African Diamond and Precious Metals Regulator issued Alexkor with two licences valid for a period of 27 May 2020 to 26 May 2025:

- Diamond beneficiation licence
- Diamond dealer's licence

These licences will allow the company to carry on business as a buyer, seller, importer and exporter of unpolished and polished diamonds and will play an important role in the future of Alexkor as a diamond trading company.

Alexkor SOC Limited's Board approved the Section 189 consultation process in May 2020. The consultation process was completed in October 2020. This is part of the township handover process as envisaged in the deeds of settlement.

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

Figures in Rand	Notes	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Assets					
Non-Current Assets					
Property, plant and equipment and right-of-use assets	4	36 748 072	44 815 922	36 748 072	44 815 922
Intangible assets	5	404 752	95 277 586	404 752	95 277 586
Investment property	6	4 259 997	4 259 997	4 259 997	4 259 997
Investments in trust	35			185 450 338	166 202 587
		41 412 821	**144 353 505**	**226 863 159**	**310 556 192**
Current Assets					
Inventories	8	8 009 149	6 013 907	8 009 149	6 013 907
Trade and other receivables	9	20 905 434	23 960 203	20 905 434	23 960 203
Cash and cash equivalents	10	305 117 842	301 969 500	119 727 504	133 958 736
		334 032 425	331 943 610	148 642 087	163 932 846
Total Assets		**375 505 246**	**476 297 115**	**375 505 246**	**474 489 038**
Equity and Liabilities					
Equity					
Share capital	11	400 000 000	400 000 000	400 000 000	400 000 000
Accumulated loss		(305 985 453)	(196 601 920)	(305 985 453)	(196 601 920)
		94 014 547	**203 398 080**	**94 014 547**	**203 398 080**
Liabilities					
Non-current liabilities					
Lease liabilities	12&13	862 058	1 871 327	862 058	1 871 327
Environmental rehabilitation liability	14	204 890 428	203 853 789	204 890 428	203 853 789
		205 752 486	**205 725 116**	**205 752 486**	**205 725 116**
Current Liabilities					
Trade and other payables	16	74 462 003	65 897 709	74 462 003	64 089 632
Lease liabilities	12&13	**1 276 210**	**1 276 210**	**1 276 210**	**1 276 210**
		75 738 213	**67 173 919**	**75 738 213**	**65 365 842**
Total Liabilities		**281 490 699**	**272 899 035**	**281 490 699**	**271 090 958**
Total Equity and Liabilities		**375 505 246**	**476 297 115**	**375 505 246**	**474 489 038**

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2020

		GROUP		COMPANY	
Figures in Rand	Notes	2020	2019	2020	2019
Revenue	18	170 572 426	209 900 962	170 572 426	209 900 962
Cost of sales	19	(104 528 576)	(161 566 316)	(104 528 576)	(161 566 316)
Gross profit		**66 043 850**	**48 334 646**	**66 043 850**	**48 334 646**
Other operating income	20	5 983 159	16 373 567	5 983 159	16 373 567
Fair value adjustment		-	-	19 247 651	12 972 212
Movement in credit loss allowances		(10 204 381)	(92 752 030)	(10 204 381)	(92 752 030)
Other operating expenses	21	(195 824 834)	(145 583 180)	(195 237 836)	(189 791 316)
Operating loss		**(134 002 207)**	**(173 626 997)**	**(114 167 557)**	**(204 862 921)**
Investment income	22	27 548 562	26 826 068	7 713 913	13 853 856
Finance costs		(2 929 891)	(2 790 347)	(2 929 891)	(2 790 347)
(Loss) before taxation		**(109 383 536)**	**(149 591 276)**	**(109 383 535)**	**(193 799 412)**
Taxation	24	-	-	-	-
(Loss) for the year		(109 383 536)	(149 591 276)	(109 383 535)	(193 799 412)
Other comprehensive income		-	-	-	-
Total comprehensive (loss) for the year		**(109 383 536)**	**(149 591 276)**	**(109 383 535)**	**(193 799 412)**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2020

Figures in Rand	Share capital	Accumulated loss	Total equity
Balance at 01 April 2018	**400 000 000**	**(47 010 644)**	**352 989 276**
Loss for the year	-	(149 591 276)	(149 591 276)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**(149 591 276)**	**(149 591 276)**
Balance at 01 April 2019	**400 000 000**	**(196 601 917)**	**203 398 083**
Loss for the year	-	(109 383 536)	(109 383 536)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**(109 383 536)**	**(109 383 536)**
Balance at 31 March 2020	**400 000 000**	**(305 985 453)**	**94 014 547**
Note(s)	11		
Balance at 01 April 2018	**400 000 000**	**(2 802 508)**	**397 197 492**
Loss for the year	-	(193 799 412)	(193 799 412)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**(193 799 412)**	**(193 799 412)**
Balance at 01 April 2019	**400 000 000**	**(196 601 918)**	**203 398 082**
Loss for the year	-	(109 383 535)	(109 383 535)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	**-**	**(109 383 535)**	**(109 383 535)**
Balance at 31 March 2020	**400 000 000**	**(305 985 453)**	**(94 014 547)**
Note(s)	11		

STATEMENT OF CASH FLOWS

for the year ended 31 March 2020

Figures in Rand	Notes	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Cash flows from operating activities					
Cash (used in) operations	25	(22 385 410)	(77 980 127)	(19 990 334)	(123 996 340)
Finance income		27 548 562	26 826 068	7 713 913	13 853 856
Finance costs		(2 929 891)	(2 790 347)	(2 929 891)	(2 790 347)
Net cash from operating activities		**2 233 262**	**(53 944 406)**	**(15 206 312)**	**(112 932 831)**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	-	(208 387)	-	(208 387)
Sale of property, plant and equipment	4	155 400	71 400	155 400	71 400
Purchase of other intangible assets	5	-	(13 100 525)	-	(13 100 525)
Net cash from investing activities		**155 400**	**(13 237 512)**	**155 400**	**(13 237 512)**
Cash flows from financing activities					
Interest received on Government-funded obligations		819 680	907 251		907 251
Loans advanced to group companies		**819 680**	(142 030)	**819 680**	(142 030)
Net cash from financing activities		**819 680**	**765 221**	**819 680**	**765 221**
Total cash movement for the year		**3 208 341**	**(66 416 697)**	**(14 231 232)**	**(125 405 122)**
Cash at the beginning of the year		301 969 500	368 386 197	133 958 736	259 363 858
Total cash at end of the year	10	**305 177 841**	**301 969 500**	**119 727 504**	**133 958 736**
The cash and cash equivalents balance are reconciled as follows:					
Cash on hand		15 472 918	17 192 158	15 472 918	17 192 158
Bank		104 254 585	116 766 570	104 254 585	116 766 578
Short-term investment		185 450 338	168 010 764	-	-
Total cash and cash equivalents	10	**305 177 841**	**301 969 500**	**119 727 504**	**133 958 736**

ACCOUNTING POLICIES

for the year ended 31 March 2020

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 STATEMENT OF COMPLIANCE

The financial statements for the year ended 31 March 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations of those standards issued by the International Financial Reporting Interpretations Committee (IFRIC), the Companies Act No. 71 of 2008 and the Public Finance Management Act No. 1 of 1999.

1.2 BASIS OF PREPARATION

The financial statements are prepared in South African Rands and all amounts have been rounded to the nearest rand. The financial statements are prepared on the historical cost basis, except where stated otherwise.

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

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 GRAP (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 the financial statements in accordance with IFRS.

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

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

These accounting policies are consistent with the previous period, except for the changes set out in note 34.

1.3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Judgments in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in the financial statements involve the use of judgment and/or estimation. These judgments 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 for expected future cash flows of the relevant cash-generating unit). The best evidence of an asset's fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best information available to reflect the amount the group could receive for the asset or cash-generating unit in an arm's-length transaction.

Impairment of financial assets

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

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

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

Fair value estimation

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

The carrying value less impairment provision of trade receivables and payables is 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 group for similar financial instruments.

Environmental rehabilitation liability

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

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

ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 March 2020

Provisions and contingent liabilities

The company exercises judgment 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. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the financial settlement. Because of the inherent uncertainty in this evaluation process, actual losses may be different from the original estimated provision.

Taxation

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

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

Allowance for slow moving, damaged and obsolete stock

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

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

Property, plant and equipment are depreciated over their 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.

1.4 JOINT OPERATIONS

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

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

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

1.5 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

Depreciation on right of use of buildings is calculated over the lease term, which is five years.

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

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.6 INVESTMENT PROPERTY

Investment properties are properties held to earn rentals and/or for capital appreciation.
Investment property excludes:

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

ACCOUNTING POLICIES (CONTINUED)

for the year ended 31 March 2020

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

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

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

1.7 INTANGIBLE ASSETS

Computer software

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

Amortisation is charged to profit or loss on a reducing-balance basis over the estimated useful lives of the intangible assets. The estimated useful lives of the intangible assets for computer software are 2 – 20 years. The amortisation period and the amortisation method for intangible assets are reviewed at the statement of financial position date.

Capitalised exploration and evaluation expenditure

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

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

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

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

1.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

1.9 FINANCIAL INSTRUMENTS

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can be applied only when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the group are presented below:

TRADE AND OTHER RECEIVABLES

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 9).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the group's business model, is to collect the contractual cash flows on trade and other receivables.

ACCOUNTING POLICIES CONTINUED...

for the year ended 31 March 2020

Recognition and measurement

Trade and other receivables are recognised when the group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 22).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

TRADE AND OTHER PAYABLES

Classification

Trade and other payables (note 16), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the group becomes a party to the contractual provisions, and are measured at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in interest income (note 23).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 3 for details of risk exposure and management thereof.

DERECOGNITION

Financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The group derecognises financial liabilities when, and only when, the group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Cash and cash equivalents

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

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

Loans to joint venture

These include loans to and from joint operations and are recognised initially at fair value plus direct transaction costs. Loans to related parties are classified as loans and receivables.

ACCOUNTING POLICIES CONTINUED...

for the year ended 31 March 2020

1.10 INVENTORIES

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

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

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

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

1.11 SHARE CAPITAL

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

1.12 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

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

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

All irregular, fruitless and wasteful expenditure is accounted for in profit or loss in the period in which it is identified (see notes 30 and 31).

1.13 EMPLOYEE BENEFITS

Pension fund

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

The company operates one pension fund for its employees. The scheme is generally funded through payment to pension fund trust administrators.

Termination benefits

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

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

Leave accrual

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

1.14 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 enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to tax authorities.

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

Deferred income tax

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

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

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

ACCOUNTING POLICIES CONTINUED...

for the year ended 31 March 2020

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

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

1.15 PROVISIONS AND CONTINGENCIES

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

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

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

1.16 LEASES

The IFRS 16 statement was early adopted in the 2019 financial year.

Leases - lessor

The group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the group's net investment in the finance lease.

Leases – lessee

Leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is 10.25%.

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

1.17 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for services provided in the normal course of business, net of discounts and value added tax. Revenue comprises sale of diamonds.

Sale of diamonds

Revenue from diamond production is recognised when the goods and/or services are transferred to the customer at the transaction price and recognised using five steps as per IFRS 15.

1.18 INTEREST INCOME

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

Interest income on impaired loans and receivables is 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 write-down of inventories arising from the increase in net realisable value is recognised as a reduction in the amount of inventories recognised in the period in which the reversal occurs.

1.20 GOVERNMENT GRANTS

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

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

Unutilised Government grants received for specific purposes are recognised as other liabilities at the end of each financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2020

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the company adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/interpretation:	Effective date: Years beginning on or after	Expected impact:
• Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019	The impact of the amendments is not material.
• Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 – 2017 cycle	01 January 2019	The impact of the amendments is not material.
• Uncertainty over Income Tax Treatments	01 January 2019	The impact of the amendments is not material.

2.2 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2020 or later periods:

Standard/interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date is still to be determined by the IASB	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current – Amendment to IAS 1	01 January 2022	Unlikely there will be a material impact
• Definition of a business – Amendments to IFRS 3	01 January 2020	Unlikely there will be a material impact
• Presentation of Financial Statements: Disclosure initiative	01 January 2020	Unlikely there will be a material impact
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	01 January 2020	Unlikely there will be a material impact

3. RISK MANAGEMENT

Liquidity risk

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

Market risk

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

The analysis of the company's sensitivity to the exchange rate is based on an average foreign currency exchange rate for the year seeing as the sales price in Rand is determined on the date of the sale and the currency fluctuates throughout the year. The average foreign currency for the year used in the analysis is that which the company considered reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular the interest rate, remain constant. The analysis is performed on the same basis for 2020, albeit that the reasonable possible foreign exchange rate variances were different, as indicated below.

As at 31 March 2020 a strengthening of the USD against all other currencies of 12% would have, on average, increased the net profit before tax with R20.5million (2019: R25.19 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2020 a strengthening of the USD against all other currencies of 9% would have, on average, increased the net profit before tax with R13.4 million (2019: R18.9 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Commodity risk

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

As at 31 March 2020 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 R13.4 million (2019: R16.8 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2020 a strengthening of the carat price of 10%, with all other variables remaining constant would have, on average, increased the net profit before tax with R21 million (2019: R39.5 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Cash flow and fair value interest rate risk

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

As at 31 March 2020, if interest rates on deposits had been 70 basis points higher with all other variables remaining constant, the pre-tax profit of the year would have been R2.07 million higher (2019: R2.1 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2020, if interest rates on deposits had been 50 basis points higher with all other variables remaining constant, the pre-tax profit of the year would have been R1.48 million higher (2019: R1.5 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

Credit risk

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

- Trade and other receivables

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

An amount of R12.5 million (2019: R9 million) was determined to be impaired. The company considered these receivables to be irrecoverable as the defaulting debtors have not reacted to follow-up payment requests and were handed over to the company's lawyers. Included in the company's provision for doubtful debt is debt owed by companies.

- Cash and cash equivalents

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

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

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Cash held at financial institutions				
Momentum	48 858 581	44 615 563	48 858 581	44 615 563
Investec Bank Limited	70 027 267	78 046 992	70 027 267	78 046 992
Rand Merchant Bank Limited	175 725 657	167 916 672		
First National Bank Limited	10 566 337	11 390 273	841 656	11 296 181
	305 177 842	**301 969 500**	**119 727 504**	**133 958 736**
The credit ratings of these institutions can be summarised as follows:				
Credit ratings				
AA-	70 027 267	78 046 992	70 027 267	78 046 992
Aaa	48 858 581	44 615 563	48 858 581	44 615 563
BBB+	186 291 994	179 306 945	841 656	11 296 181
	305 177 842	**301 969 500**	**119 727 504**	**133 958 736**

The above ratings were based on Standard and Poor's long-term and short-term national scale rating of the banks used by the company:

- First Rand Bank Ltd (AA/A-1)
- Investec Bank Ltd (AA/A-1)

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

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for 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 less cash and cash equivalents.

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

4. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	2020			2019		
GROUP	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings – right-of-use assets	5 299 828	(3 798 210)	1 501 618	5 299 828	(2 738 245)	2 561 583
Plant and machinery	80 655 704	(50 197 653)	30 458 051	84 571 746	(48 998 106)	35 573 640
Furniture and fixtures	2 431 534	(1 338 827)	1 092 707	2 427 863	(1 062 726)	1 365 137
Motor vehicles	17 168 281	(14 751 523)	2 416 758	18 356 667	(14 664 369)	3 692 298
IT equipment	2 756 965	(2 344 639)	412 326	3 166 983	(2 488 716)	678 267
Leasehold improvements	1 171 627	(305 015)	866 612	1 171 627	(248 740)	922 887
Capital – work in progress	-	-	-	22 110	-	22 110
Total	**109 483 939**	**(72 735 867)**	**36 748 072**	**115 016 824**	**(70 200 902)**	**44 815 922**

	2020			2019		
COMPANY	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Buildings – right-of-use assets	5 299 828	(3 798 210)	1 501 618	5 299 828	(2 738 245)	2 561 583
Plant and machinery	80 655 704	(50 197 653)	30 458 051	84 571 746	(48 998 106)	35 573 640
Furniture and fixtures	2 431 534	(1 338 827)	1 092 707	2 427 863	(1 062 726)	1 365 137
Motor vehicles	17 168 281	(14 751 523)	2 416 758	18 356 667	(14 664 369)	3 692 298
IT equipment	2 756 965	(2 344 639)	412 326	3 166 983	(2 488 716)	678 267
Leasehold improvements	1 171 627	(305 015)	866 612	1 171 627	(248 740)	922 887
Capital – work in progress	-	-	-	22 110	-	22 110
Total	**109 483 939**	**(72 735 867)**	**36 748 072**	**115 016 824**	**(70 200 902)**	**44 815 922**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

4. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

Reconciliation of property, plant and equipment – group

	2020						
GROUP	Carrying value at beginning of the year	Additions	Disposals	Other changes, movements	Deprecia-tion	Impairment loss	Carrying value at end of the year
Buildings – right-of-use assets	2 561 583	-	-	-	(1 059 965)	-	1 501 618
Plant and machinery	35 573 640	-	-	(81 136)	(4 979 326)	(55 127)	30 458 051
Furniture and fixtures	1 365 137	3 671	(107 770)	(13 124)	(150 494)	(4 713)	1 092 707
Motor vehicles	3 692 298	-	(47 630)	(37 625)	(1 148 530)	(41 755)	2 416 758
IT equipment	678 267	18 259	-	27 735	(311 935)	-	412 326
Leasehold improvements	922 887	-	-	-	(56 275)	-	866 612
Capital – work in progress	22 110	-	-	(22 110)	-	-	-
Total	**44 815 922**	**21 930**	**(155 400)**	**(126 260)**	**(7 706 525)**	**(101 595)**	**36 748 072**

	2019							
GROUP	Carrying value at beginning of the year	Additions	Disposals	Recog-nised through finance lease	Transfers	Depreciation	Impair-ment loss	Carrying value at end of the year
Buildings – right-of-use assets	-	-	-	3 621 550	-	(1 059 967)	-	2 561 583
Plant and machinery	44 594 530	145 153	(1 623 504)	-	-	(7 521 165)	(21 374)	35 573 640
Furniture and fixtures	1 329 749	4 624	(8 441)	-	-	(105 381)	144 58	1 365 137
Motor vehicles	5 683 763	-	(337 248)	-	-	(1 654 217)	-	3 692 298
IT equipment	1 117 955	36 500	(91 906)	-	-	(404 350)	20 068	678 267
Leasehold improvements	979 161	-	-	-	-	(56 274)	-	922 887
Capital –work in progress	781 229	22 110	-	-	(781 229)	-	-	22 110
Total	**54 486 387**	**208 387**	**(2 061 099)**	**3 621 550**	**(781 229)**	**(10 801 354)**	**143 280**	**44 815 922**

Reconciliation of property, plant and equipment – company

COMPANY	2020						
	Carrying value at beginning of the year	Additions	Disposals	Other changes, movements	Deprecia-tion	Impair-ment loss	Carrying value at end of the year
Buildings – right-of-use assets	2 561 583	-	-	-	(1 059 965)	-	1 501 618
Plant and machinery	35 573 640	-	-	(81 136)	(4 979 326)	(55 127)	30 458 051
Furniture and fixtures	1 365 137	3 671	(107 770)	(13 124)	(150 494)	(4 713)	1 092 707
Motor vehicles	3 692 298	-	(47 630)	(37 625)	(1 148 530)	(41 755)	2 416 758
IT equipment	678 267	18 259	-	27 735	(311 935)	-	412 326
Leasehold improvements	922 887	-	-	-	(56 275)	-	866 612
Capital – work in progress	22 110	-	-	(22 110)	-	-	-
Total	**44 815 922**	**21 930**	**(155 400)**	**(126 260)**	**(7 706 525)**	**(101 595)**	**36 748 072**

COMPANY	2019							
	Carrying value at beginning of the year	Additions	Disposals	Recog-nised through finance lease	Transfers	Deprecia-tion	Impair-ment loss	Carrying value at end of the year
Buildings – right-of-use assets	-	-	-	3 621 550	-	(1 059 967)	-	2 561 583
Plant and machinery	44 594 530	145 153	(1 623 504)	-	-	(7 521 165)	(21 374)	35 573 640
Furniture and fixtures	1 329 749	4 624	(8 441)	-	-	(105 381)	144 58	1 365 137
Motor vehicles	5 683 763	-	(337 248)	-	-	(1 654 217)	-	3 692 298
IT equipment	1 117 955	36 500	(91 906)	-	-	(404 350)	20 068	678 267
Leasehold improvements	979 161	-	-	-	-	(56 274)	-	922 887
Capital – work in progress	781 229	22 110	-	-	(781 229)	-	-	22 110
Total	**54 486 387**	**208 387**	**(2 061 099)**	**3 621 550**	**(781 229)**	**(10 801 354)**	**143 280**	**44 815 922**

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

5. INTANGIBLE ASSETS

GROUP	2020			2019		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	3 127 819	(2 723 067)	404 752	3 475 050	(2 895 500)	579 550
Capitalised exploration and evaluation expenditure	94 698 036	(94 698 036)	-	94 698 036	-	94 698 036
Total	**97 825 855**	**(97 421 103)**	**404 752**	**98 173 086**	**(2 895 500)**	**95 277 586**

COMPANY	2020			2019		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	3 127 819	(2 723 067)	404 752	3 475 050	(2 895 500)	579 550
Exploration	94 698 036	(94 698 036)	-	94 698 036	-	94 698 036
Total	**97 825 855**	**(97 421 103)**	**404 752**	**98 173 086**	**(2 895 500)**	**95 277 586**

Reconciliation of intangible assets – group

GROUP	2020			
	Carrying value at beginning of the year	Amortisation	Impairment loss	Carrying value at end of the year
Computer software	579 550	(174 798)	-	404 752
Capitalised exploration and evaluation expenditure	94 698 036	-	(94 698 036)	-
Total	**95 277 586**	**(174 798)**	**(94 698 036)**	**404 752**

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

5. INTANGIBLE ASSETS (CONTINUED)

Reconciliation of intangible assets – comapny

COMPANY	2020			
	Carrying value at beginning of the year	Amortisation	Impairment loss	Carrying value at end of the year
Computer software	579 550	(174 798)	-	404 752
Capitalised exploration and evaluation expenditure	94 698 036	-	(94 698 036)	-
Total	**95 277 586**	**(174 798)**	**(94 698 036)**	**404 752**

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

6. INVESTMENT PROPERTY

GROUP	2020			2019		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Investment property	**4 259 997**	**-**	**4 259 997**	**4 259 997**	**-**	**4 259 997**

COMPANY	2020			2019		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Investment property	**4 259 997**	**-**	**4 259 997**	**4 259 997**	**-**	**4 259 997**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

Reconciliation of investment property – group

GROUP	2020	
	Carrying value at beginning of the year	Carrying value at end of the year
Investment property	4 259 997	4 259 997

GROUP	2019		
	Carrying value at beginning of the year	Disposals	Carrying value at end of the year
Investment property	12 360 000	(8 100 003)	4 259 997

Reconciliation of investment property – company

COMPANY	2020	
	Carrying value at beginning of the year	Carrying value at end of the year
Investment property	4 259 997	4 259 997

COMPANY	2019		
	Carrying value at beginning of the year	Disposals	Carrying value at end of the year
Investment property	12 360 000	(8 100 003)	4 259 997

There were no investment property additions or disposal for the period 01 April 2019 to 31 March 2020.

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

7. JOINT OPERATION

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

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

2020	Alexkor excluding PSJV	51% share PSJV	Alexkor including PSJV
Revenue	-	170 572 426	170 572 426
Cost of sales	-	(104 528 576)	(104 528 576)
Gross profit/(loss)	-	66 043 850	66 043 850
Operating cost	(1 259 591)	(206 444 178)	(207 703 769)
Other income	4 212 687	3 445 026	7 657 712
Operating profit/(loss)	(2 953 096	136 955 302	(134 002 207)
Net finance income	26 922 487	(2 303 816)	24 618 671
(Loss)/profit for the year	(29 875 583)	(139 259 119)	(109 383 536)
Total comprehensive income /(loss) for the year	**(29 875 583)**	**(139 259 119)**	**(109 383 536)**

2019	Alexkor excluding PSJV	51% share PSJV	Alexkor including PSJV
Revenue	-	209 900 962	209 900 962
Cost of sales	-	(161 566 316)	(161 566 316)
Gross profit/(loss)	-	48 334 646	48 334 646
Operating cost	(135 917 157)	(92 027 645)	(227 944 802)
Other income	3 120 510	2 862 649	5 983 159
Operating profit/(loss)	(132 796 647)	(40 830 350)	(173 626 996)
Net finance income	24 380 724	(345 003)	24 035 721
(Loss)/profit for the year	(108 415 923)	(41 175 353)	(149 591 276)
Total comprehensive income /(loss) for the year	**(108 415 923)**	**(41 175 353)**	**(149 591 276)**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

8. INVENTORIES

		GROUP		COMPANY	
Figures in Rand	Notes	2020	2019	2020	2019
Diamonds – contractors		4 655 246	1 816 594	4 655 246	1 816 594
Parts and consumables stores		2 949 202	3 792 612	2 949 202	3 792 612
Fuel stock		404 701	404 701	404 701	404 701
		8 009 149	**6 013 907**	**8 009 149**	**6 013 907**

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

9. TRADE AND OTHER RECEIVABLES

		GROUP		COMPANY	
Figures in Rand	Notes	2020	2019	2020	2019
Financial instruments:					
Trade receivables		40 274 300	24 814 841	40 274 300	24 814 841
Loss allowance		(22 698 943)	(9 068 953)	(22 698 943)	(9 068 953)
Trade receivables at amortised cost		17 575 357	15 745 888	17 575 357	15 745 888
Other receivable		2 993 388	7 391 864	2 993 388	7 391 864
Non-financial instruments:					
VAT		336 689	112 973	336 689	112 973
Prepayments (if material)		-	709 478	-	709 478
Total trade and other receivables		**20 905 434**	**23 960 203**	**20 905 434**	**23 960 203**
Opening balance		**(9 068 953)**	**(3 213 939)**	**(9 068 953)**	**(3 213 939)**
Impairment losses recognised		-(13 629 990)	(6 965 425)	-(13 629 990	-
Amounts written off as unrecoverable		-	1 110 411	-	-
Closing balance		**(22 698 943)**	**(9 068 953)**	**(22 698 943)**	**(3 213 939)**

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime ECL, which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

9. TRADE AND OTHER RECEIVABLES (CONTINUED)

2020	Gross amount	Impairment	Net carrying amount
Current/fully performing	15 918 812	-	15 918 812
30 - 60 days	677 441	-	677 441
60+ days	23 678 047	(22 698 943)	979 104
	40 274 300	**(12 494 562)**	**17 575 357**

2019	Gross amount	Impairment	Net carrying amount
Current/fully performing	1 101 591	-	1 101 591
30 - 60 days	9 295 866	-	9 295 866
60+ days	14 417 384	(9 068 953)	5 348 431
	24 814 841	**(9 068 953)**	**15 745 888**

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 will be written off.

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

10. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Restricted cash and cash equivalents				
Cash held in call accounts – Government-related funds*	12 402 347	11 581 897	12 402 347	11 581 897
Recapitalisation funds (MTEF)**	91 852 239	105 184 681	91 852 239	105 184 681
Cash held in Rehabilitation Trust ***	185 450 338	168 010 794		
Unrestricted cash and cash equivalents				
Cash held in call accounts	15 472 918	17 192 158	15 472 918	17 192 158
	305 177 842	**301 969 500**	**119 727 504**	**133 958 736**

* *The Government funds received are ringfenced to be utilised in township establishment and implementation of the deeds of settlement.*

** *Cash received for Medium-term Expenditure Framework (MTEF) allocation will be utilised as approved by the Board in conjunction with the Shareholder.*

The R45 million allocated to the community on transfer of the properties in terms of the deeds of settlement towards a 10-year lease is ringfenced in a trust by the company's lawyers and is under the control of the company's lawyers. Alexkor's liability per the deeds of settlement is limited to R45 million.

*** *Cash Held in Rehabilitation Trust*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Opening balance	168 010 764		-	-
Contributions	-	69 228 275	-	-
Utilised for rehabilitation	(2 395 075)	(23 212 062	-	-
Interest received	185 450 338	168 010 794	-	-
	185 450 338	**168 010 764**	-	-

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Cash on hand	27 067.62	62 252.93	27 067.62	62 252.93
Bank	3 345 680.93	9 767 473.34	3 345 680.93	9 767 473.34
Short-term investments	301 805 092.69	292 139 773.95	116 354 754.69	124 129 010.24
Totals	**305 177 841.24**	**301 969 500.21**	**119 727 503.24**	**133 958 736.50**

11. SHARE CAPITAL

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
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 through its MTEF allocation on 31 December 2012. This was a recapitalisation from the Shareholder and the shares were issued in this regard. Par value shares were converted to no par value shares to be aligned with Alexkor's amended MoI.

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

(a) R200 million to attend to the rehabilitation liability

(b) R50 million to settle the post- retirement medical ad liability

(c) R55 million to settle all the statutory tax obligations that arose from the stipulations in the deeds of settlement

(d) R45 million to transfer to the CPA (property holding company) to comply with the deeds of settlement with regards to the 10-year lease.

12. LEASES (COMPANY AS LESSEE)

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

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Depreciation recognised on right-of-use assets				
Buildings	1 059 966	1 059 966	1 059 966	1 059 966
Other disclosures				
Interest expense on lease liabilities	266 941	360 773	266 941	360 773

13. FINANCE LEASE LIABILITIES

Figures in Rand	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Minimum lease payments due				
- within one year (current liabilities)	1 276 210	1 276 210	1 276 210	1 276 210
- in second to fifth year inclusive	862 058	1 871 327	862 058	1 871 327
Present value of minimum lease payments	**2 138 268**	**3 147 537**	**2 138 268**	**3 147 537**

It is the company policy to lease head office premises under finance leases.

The average lease term was five years and the average effective borrowing rate was 10% (2019: 10%)

14. ENVIRONMENTAL REHABILITATION LIABILITY

Reconciliation of environmental rehabilitation liability – group

2020	Opening balance	Additions	Reassessment of liability	Total
Environmental rehabilitation	203 853 789	878 979	157 660	204 890 428

2019	Opening balance	Rehabilitation costs incurred	Reassessment of liability	Total
Environmental rehabilitation	216 870 898	(14 461 077)	1 443 968	203 853 789

Reconciliation of environmental rehabilitation liability – company

2020	Opening balance	Reassessment of liability	Total
Environmental rehabilitation	203 853 789	1 036 639	204 890 428

2019	Opening balance	Rehabilitation costs incurred	Reassessment of liability	Total
Environmental rehabilitation	216 870 898	(14 461 077)	1 443 968	203 853 789

A study was conducted by an independent environmental management consultant during the 2020 financial year which estimated Alexkor's legacy rehabilitation liability at R200 million as at 31 March 2020 (2019: R200 million). During the current year, Alexkor expended R14 million on the removal of asbestos and demolition of asbestos-affected buildings in the Richtersveld area. At year end the project was fully completed.

All new environmental disturbances resulting in the Alexander Bay region after the implementation of the PSJV is the responsibility of the PSJV. The PSJV environmental liability as at year-end amounted to R8.6 million (2019: R6.5 million). Alexkor included its 51% share at R4.3 million (2019: R3.3 million).

The company's total rehabilitation liability amounts to R204 million as at 31 March 2020 (2019: R204 million), resulting in a reduction of R12 million.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

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

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

15. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities – group

2020	Opening balance	IFRS 16 adjustment	Total non-cash movements	Closing balance
Finance lease liabilities	3 147 537	(1 009 269)	(1 009 269)	2 138 268
Total liabilities from financing activities	3 147 537	(1 009 269)	(1 009 269)	2 138 268
	3 147 537	**(1 009 269)**	**(1 009 269)**	**2 138 268**

2019	Opening balance	New leases	Total non-cash movements	Closing balance
Finance lease liabilities	-	3 147 537	3 147 537	3 147 537
Total liabilities from financing activities	-	3 147 537	3 147 537	3 147 537
	-	**3 147 537**	**3 147 537**	**3 147 537**

Reconciliation of liabilities arising from financing activities -– company

2020	Opening balance	IFRS 16 adjustment	Total non-cash movements	Closing balance
Finance lease liabilities	3 147 537	(1 009 269)	(1 009 269)	2 138 268
Total liabilities from financing activities	3 147 537	(1 009 269)	(1 009 269)	2 138 268
	3 147 537	**(1 009 269)**	**(1 009 269)**	**2 138 268**

2019	Opening balance	New leases	Total non-cash movements	Closing balance
Finance lease liabilities	-	3 147 537	3 147 537	3 147 537
Total liabilities from financing activities	-	3 147 537	3 147 537	3 147 537
	-	**3 147 537**	**3 147 537**	**3 147 537**

16. TRADE AND OTHER PAYABLES

Figures in Rand	Notes	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Financial instruments:					
Trade payables		45 717 197	36 908 211	45 717 197	35 100 135
Government-funded obligations		12 403 055	11 582 667	12 403 055	11 582 667
Accrued leave pay		4 414 198	4 364 153	4 414 198	4 364 153
Accrued bonus		811 258	662 164	811 258	662 164
Other payables		5 907 575	8 881 755	5 907 575	8 881 755
Non-financial instruments:					
Amounts received in advance		960 666	102 000	960 666	102 000
VAT payable		4 248 054	3 396 758	4 248 054	3 396 758
		74 462 003	**65 897 708**	**74 462 003**	**64 089 632**
Provisions					
Legal matter settlement		100 000	-	100 000	-

17. GOVERNMENT FUNDED OBLIGATIONS

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

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

2020	Opening balance	Utilised in the period	Interest on investment funds	Closing balance
Township establishment	4 267 432	-	211 028	4 478 460
Cost related to deeds of settlement	7 315 235	-	609 360	7 924 595
Total	**11 582 667**	**-**	**820 388**	**12 403 055**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

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

Township establishment

Funding was granted for the establishment of a township for the Alexander Bay town as part of the implementation of the deeds 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 road infrastructure and other related activities.

The project consisted of four phases as discussed below.

- Phase 1: The project included the upgrade of the water network, sewer network, storm-water control network, solid waste disposal and roadworks, it was completed in December 2011.
- Phase 2: The project included the electrical reticulation upgrade project and the contractors established the site in March 2011. The project was completed in June 2012 after all outstanding prepaid meters were installed.
- Phase 3: The tender for mechanical and electrical pumping was awarded in February 2011. This phase was completed in February 2012.
- Phase 4: The wastewater treatment works was completed in March 2013.

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

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

Cost related to deeds of settlement

Funding was received from the Department of Public Enterprises to assist Alexkor and the Richtersveldcommunity with the cost to implement the deeds of settlement. The funds received were allocated as follows:

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

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

18. REVENUE

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Diamond sales	170 572 426	209 900 962	170 572 426	209 900 962

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

19. COST OF SALES

Figures in Rand	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Sale of goods	104 528 576	161 566 316	104 528 576	161 566 316

20. OTHER OPERATING INCOME

Figures in Rand	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Other income	5 843 158	16 373 567	5 843 159	16 373 567
Government grants	140 000	-	140 000	-
	5 983 159	**16 373 567**	**5 983 159**	**16 373 567**

The company's other income comprises R4.2 million earned from rental and profit on the supply of consumables to contractors operating in Alexander Bay. Detailed information regarding this is disclosed under note 16. R4.1 million of the company's other income comprises rental income earned from letting of properties.

21. OTHER OPERATING EXPENSES

Figures in Rand	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Depreciation, amortisation and impairments	102 766 761	11 295 528	102 766 761	11 295 528
Employee costs	61 851 080	68 644 451	61 264 082	66 836 374
General	31 206 993	65 643 201	31 206 993	111 659 414
	195 824 834	**145 583 180**	**195 237 836**	**189 791 316**

22. INVESTMENT INCOME

Figures in Rand	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Interest received from cash in bank	7 713 913	12 908 862	7 713 913	12 908 862
Interest received from cash held in Rehabilitation Trust	19 834 649	12 972 212	-	-
Interest received on Government funds	-	907 252	-	907 252
Interest received on loan to joint venture	-	37 742	-	37 742
Total	**27 548 562**	**26 826 068**	**7 713 913**	**13 853 856**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

23. FINANCE COSTS

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Finance leases	266 941	360 773	266 941	360 773
Unwinding of discount on provisions and other liabilities	969 000	1 443 968	969 000	1 443 968
Interest paid on Government funds	-	907 252	-	907 252
Other interest paid	1 693 950	78 354	1 693 950	78 354
Total	**2 929 891**	**2 790 347**	**2 929 891**	**2 790 347**

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

24. TAXATION

MAJOR COMPONENTS OF THE TAX EXPENSE

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Current				
Estimated tax losses	109 383 535	149 599 082	109 383 535	193 799 411
Estimated unutilised capital allowances	-	1 410 310	-	
	109 383 535	**151 009 392**	**109 383 535**	**193 799 411**

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

RECONCILIATION OF THE TAX EXPENSE

Reconciliation between accounting profit (loss) and tax expense.

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Accounting profit (loss)	(109 383 536)	(149 591 275)	(109 383 535)	(193 799 411)
Tax at the applicable tax rate of 28% (2019: 28%)	(30 627 390)	(41 885 557)	(30 367 390)	(54 263 835)
Tax effect of adjustments on taxable income				
Income not subject to tax	(5 389 342)		(5 389 342)	(3 632 219)
Expenses not deductible for tax purposes		896 681	-	896 681
Tax losses brought forward	(2 091 906)	54 907 468	(2 091 906)	54 907 468
Capital expenditure brought forward	(58 457 292)	(45 148 380)	(58 457 292)	(45 148 380)
Capital expenditure for the year	-	(13 308 912)	-	(13 308 912)
Tax losses for which no deferred tax asset was recognised	38 108 638	(13 918 592)	38 108 638	2 091 906
Capital expenditure for which no deferred tax asset was recognised	58 457 292	58 457 292	58 457 292	58 457 292
	-	-	-	-

25. CASH USED IN OPERATIONS

Figures in Rand	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
(Loss) profit before taxation	(109 383 536)	(149 591 275)	(109 383 536)	(193 799 411)
Adjustments for:				
Depreciation and amortisation	8 068 725	11 295 528	8 068 725	11 295 528
Losses on disposals of assets	-	1 989 699		1 989 699
Losses on write-off of investment properties	-	8 100 003	-	8 100 003
Impairment of assets	-	(11 129)	-	(11 129)
Investment income	(27 548 562)	(26 826 068)	(7 713 913)	(13 853 856)
Interest income	2 929 891	2 790 347	2 929 891	2 790 347
Net impairments and movements in credit loss allowances	104 902 417	92 752 030	104 902 417	92 752 030
Movement in environmental rehabilitation liability	-	(13 017 109)	-	(13 017 109)
Provision for doubtful debt adjustment	-	(5 855 014)	-	(5 855 014)
Loss on disposal of intangible assets	-	52 385	-	52 385
Transfer from capital work in progress to property, pland and equipment	-	781 229	-	781 229
Fair value adjustment	-	-	(6 275 439)	(12 972 212)
Changes in working capital:				
Inventories	(1 995 242)	15 218 742	(1 995 242)	15 218 742
Trade and other receivables	(4 086 650)	4 231 216	(4 086 650)	4 231 216
Trade and other payables	4 727 547	(19 138 458)	(6 436 588)	(20 946 535)
Recognition of finance lease liability	-	3 147 537	-	3 147 537
IFRS 16 adjustment		**(278 240)**	**-**	**(278 240)**
Recognition of leased building		**(3 621 550)**	**-**	**(3 621 550)**
	(22 385 410)	**(77 980 127)**	**(19 990 334)**	**(123 996 340)**

26. GUARANTEES

The company has the following guarantees with the First Rand Group:

Figures in Rand	GROUP 2020	GROUP 2019	COMPANY 2020	COMPANY 2019
Eskom	18 900	18 900	18 900	18 900
Department of Mineral Resources (rehabilitation)	13 913 934	13 913 934	13 913 934	13 913 934
	13 932 834	**13 932 834**	**13 932 834**	**13 932 834**

The guarantees issued by the bank for Eskom, relates to the electricity supplied to the town and is issued as security for default.

The guarantees issued by First Rand Bank relate to rehabilitation of land associated with the various mining rights held by the company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

27. RELATED PARTIES

Related party relationships

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

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

The company has a 51% interest in the Alexcor RMC JV (PSJV), the assets and liabilities of which are consolidated at company level.

Related party transactions

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

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Eskom	7 479 457	11 849 851	7 479 457	11 849 851
Sentech	8 623	50 209	8 623	50 209
South African Airways	-	371 074	-	371 074
State Diamond Trader	17 159 295	15 128 128	17 159 295	15 128 128
Telkom SOC Limited	874 074	1 012 805	874 074	1 012 805
	25 521 449	**28 412 067**	**25 521 449**	**28 412 067**
Balances included in trade and other payables				
Eskom	-	822 746	-	822 746
Sentech	-	12 552	-	12 552
Telkom SOC Limited	-	92 264	-	92 264
	-	**927 562**	**-**	**927 562**

Related party transactions – PSJV Board

NON-EXECUTIVE

2020	CAPACITY	SERVICE FEES (R')	2019	CAPACITY	SERVICE FEES (R')
T Matona**	Chairperson	298 954	T Matona*	Chairperson	199 303
B Grobbelaar***	Director	50 400	HB Mayeza	Chairperson	368 780
AJD Ranape***	Director	50 400	AI Maarman	Director	297 200
R Maboe***	Director	50 400	G Oliphant	Director	277 200
AI Maarman**	Director	201 400	P Mokhali	Director	287 200
G Oliphant**	Director	176 400	JS Danana	Director	338 657
P Mokhali**	Director	151 200	T Haasbroek	Director	423 773
JS Danana**	Director	149 299			
T Haasbroek**	Director	182 160			
Totals		**1 310 612**			**2 192 112**

* Appointed 23 October 2018
** Retired 3 September 2019
*** Appointed December 2019

28. DIRECTORS' EMOLUMENTS AND EXECUTIVE MANAGEMENT REMUNERATION

EXECUTIVE

2020	Capacity	Basic salary	Other benefits/ allowances	Total
Mr L Pitsoe	CEO	2 270 434.	598 395	2 868 829
Ms A Chowan*	CFO	1 105 000	939 191	2 044 191
	-	**3 375 434**	**1 537 586**	**4 913 020**

* *Resigned end of December 2019*

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

NON-EXECUTIVE

2020	Capacity	Service fees	Total
Mr T Matona**	Chairperson	363 977	363 977
Ms Z Ntlangula**	Member	153 370	153 370
Mr J Danana**	Member	133 307	133 307
Mr T Haasbroek**	Member	141 144	141 144
	-	**791 798**	**791 798**

** *Resigned end of September 2019*

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

29. CONTINGENT LIABILITIES

Isaac Barrow Celeste Elmarita Moot

The legal action against Alexkor by the family of a minor child who allegedly drowned in a sewerage dam situated on Alexkor's property in the mining area in Alexander Bay is finalised and the two parties have reached an amicable agreement.

Restructuring

The poor economic conditions combined with smaller and inferior quality of diamonds further exacerbated by adverse sea conditions, contributed to the poor performance of the company. This has had a negative impact on the liquidity and solvency of the company. Subsequent to year end a Board decision was taken to restructure the company. The employees of both Alexkor SOC Limited and the PSJV are adversely impacted by the restructuring. The Board and management have taken steps to mitigate the severe impact of restructuring. The restructuring has led to retrenchment processes at both Alexkor and the PSJV.

30. IRREGULAR EXPENDITURE

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

(a) Public Finance Management Act, No. 1 of 1999 (PFMA); or
(b) the State Tender Board Act, 1968 or any regulations made in terms of that Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government

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

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

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Irregular expenditure				
Opening balance	26 018 876	26 018 876	26 018 876	26 018 876
Irregular expenditure identified in the current year	-	-	-	-
Add: Irregular expenditure – current year spend	-	-	-	-
Add: Irregular expenditure – prior year spend	-	-	-	-
Less: amounts condoned	-	-	-	-
Irregular expenditure awaiting condonation	**26 018 876**	**26 018 876**	**26 018 876**	**26 018 876**

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

31. FRUITLESS AND WASTEFUL EXPENDITURE

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

	GROUP		COMPANY	
Figures in Rand	2020	2019	2020	2019
Fruitless and wasteful expenditure – current year	1 444 129	644	-	644
Fruitless and wasteful expenditure– prior year	-	5 481	-	5 481
Less: amounts written off	-	(5 481)	-	(5 481)
Less: amounts recovered	-	(644)	-	(644)
	-	-	-	-
Details of fruitless and wasteful expenditure Incident				
Interest paid on late supplier payment	1 444 129	644	-	644

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

There were no losses incurred through criminal conduct.

32. GOING CONCERN

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes that the company will realise its assets and discharge its liabilities in the normal course of business. There are, however, material uncertainties that cast significant doubt upon the group and company's ability to continue as a going concern which are discussed below. The company has a history of losses with no operating revenue other than interest income and rental income.

The company is currently evaluating various opportunities and restructuring the business. These consolidated financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the company be unable to continue as a going concern and, therefore, be required to realise its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the consolidated financial statements.

33. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Board is aware of the Covid-19 pandemic as well as the country's downgrade to sub-investment grade. The pandemic is considered to be a non-adjusting event and there is no immediate concern around going concern. Management has established high-level task teams that are continually assessing and monitoring developments with regard to the disease and at the time of finalising the report, the Board is confident that our responses are adequate and the crisis is being continuously monitored to assess the impact on the company. The financial estimate cannot be determined reliably as the extent of Covid-19 is unknown. An analysis has been prepared by the Board, regarding the potential long-term effect of the disease, based on information available at approval date. This analysis is continuously updated.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2020

On 27 May 2020, the South African Diamond and Precious Metals Regulator issued Alexkor with two licences valid for a period of 27 May 2020 to 26 May 2025:

- Diamond beneficiation licence
- Diamond dealer's licence

These licences will allow the company to carry on business as buyer, seller, importer and exporter of unpolished diamonds and will play an important role in the future of Alexkor as a diamond trading company.

34. RESTATEMENT OF ANNUAL FINANCIAL STATEMENTS

The prior year financial statements are restated to allow for appropriate comparison between current year and prior year. In particular, the followiong were actioned:

- The presentation is changed to reflect company numbers that exclude the Rehabiltation Trust as it is a separate entity.
- Investment property is adjusted with R2 300 000 million to correct prior year error
- The lease disclosure now account for both current and non-current obligations
- Prior year adjustment to correct cost of sales error

The effect of the restatement and reclassification is as follows:

Statement of Financial Position	RESTATED 2019	GROUP AS PREVIOUSLY REPORTED	IMPACT
Investment in property	4 259 997	6 559 997	(2 300 000)
Cash held in Rehabliltation Trust	-	168 010 764	(168 010 764)
Cash and cash equivalents	30 969 500	133 958 736	168 010 764
Accumulated loss	(109 601 919)	(194 301 919)	2 300 000
Lease liabillities – non-current liabilities	1 871 327	3 147 537	(1 276 210)
Lease liabilities – current liabilities	1 276 210	-	1 276 210
	112 775 115	**117 375 115**	**-**

Statement ofprofit and loss and other comprehensive income	RESTATED 2019	GROUP AS PREVIOUSLY REPORTED	IMPACT
Cost of sales	(161 566 316)-	152 927 135	(8 639 181)
Other income	16 373 567	7 019 873	9 353 694
Movement in credit loss allowances	(92 752 030)	-	(92 752 030)
Other operating expenses	(145 583 181)	(237 620 696)	92 037 517
	(383 527 960)	**(383 527 958)**	**-**

35. INVESTMENT TRUST

	2020	2019
Investment in trust	**185 450 338**	**166 202 687**

Funds invested in a trust account to cover legacy rehabilitation liability and valued using fair value method.

GENERAL INFORMATION

Country of incorporation and domicile:	South Africa
Registered office:	The Woodlands Office Park Block 15, 2nd Floor 20 Woodlands Drive Woodmead 2191
External Auditors:	Ngubane and Co. Chartered Accountants (SA) 1 Registered Auditor 1 Superior Road 16th Road Midrand 1685
Secretary:	Mr Lopang Peacock
Internal Auditors:	Outsourced Risk and Compliance Assessment (ORCA) 257 Oxford Road Block/Building 2 Illovo Sandton 2196

ALEXKOR

www.alexkor.co.za