ALEXKOR

INTEGRATED REPORT

for the year ended 31 March 2018

SUSTAINABLE DEVELOPMENT
UPLIFTING OUR COMMUNITIES

OUR APPROACH TO REPORTING

REPORTING PHILOSOPHY AND APPROACH

Our adherence to integrated reporting standards provides a transparent and comprehensive report, reflecting the financial, operating, social and sustainability performance of Alexkor for the year ended 31 March 2018.

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

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

REPORTING BOUNDARY

This report covers the activities and initiatives of Alexkor SOC Ltd and the Pooling and Sharing Joint Venture (PSJV) 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 has been primarily guided by the principles and requirements contained in the International Financial Reporting Standards (IFRS), the Report on Corporate Governance for South Africa 2016 (King IV), the South African Companies Act No 71 of 2008, as amended ("the Act"), and the Public Finance Management Act, as 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

COVER IMAGE: Johannesburg, Gauteng province: Magauta Phutsisi (front right) from QwaQwa in the Free State is a trainee diamond polisher at the Harry Oppenheimer Diamond Training School. *Photo: Chris Kirchhoff, MediaClubSouthAfrica.com*

Municipality and community. The report will be of interest to any stakeholders that wish to make an informed assessment of Alexkor's ability to create value over time.

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

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

COMBINED ASSURANCE

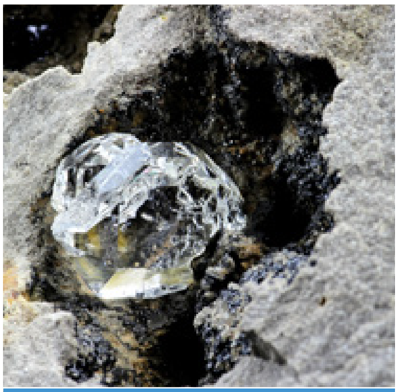
We have followed a combined assurance model. Assurance has been obtained through a combination of internal and external sources, being management, the Audit and Risk Committee, the board, the internal auditors and external auditors.

BOARD APPROVAL

The Board is responsible for ensuring the integrity of the Integrated Report. The Board believes that this report addresses all material issues and presents a balanced and fair account of Alexkor's performance. On the recommendation of the Audit and Risk Committee, the Board approved Alexkor's annual financial statements and Integrated Report on Tuesday, 24 July 2018.

Ms Hantsi Matseke
Chairperson

Contents



04

GOVERNANCE AND COMPLIANCE REPORT

05

ANNUAL FINANCIAL STATEMENTS

01 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

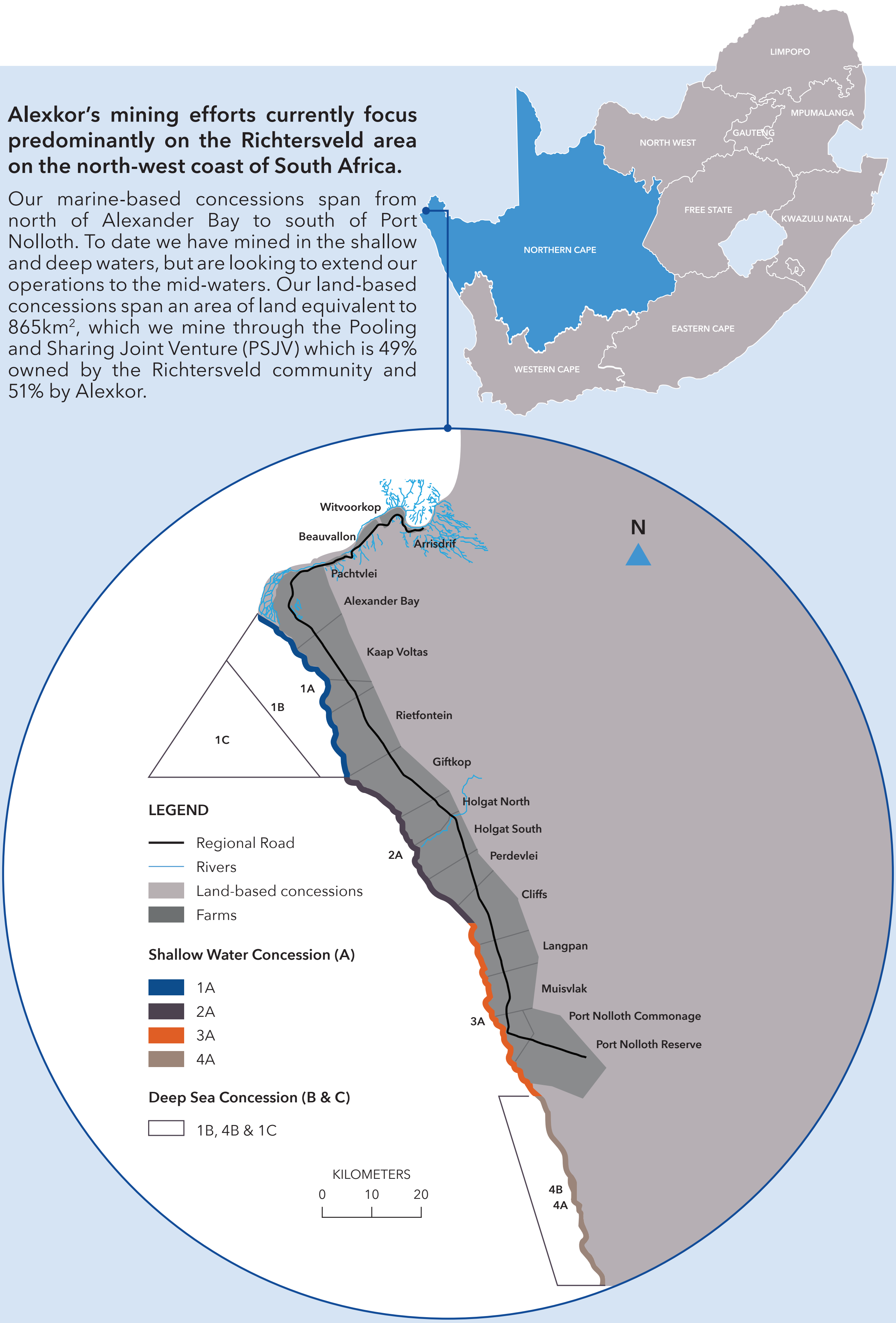
Dedication – we will be focused, goal-orientated and not side-tracked

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. Our land-based concessions span an area of land equivalent to 865km^2, which we mine through the Pooling and Sharing Joint Venture (PSJV) which is 49% owned by the Richtersveld community and 51% by Alexkor.



OUR BUSINESS MODEL

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

INPUTS

SOURCES OF CAPITAL

The resources used by our operations to create value are:

INTELLECTUAL CAPITAL

Mining expertise and experience

- Innovation (geological modelling, new mining technologies, exploration programmes)
- Safety systems
- Training programmes
- Environmental management plan

SOCIAL AND RELATIONSHIP CAPITAL

Stakeholder relationships

- Department of Public Enterprises (DPE)
- Department of Mineral Resources (DMR)
- National Treasury
- Northern Cape Provincial Government

MANUFACTURED CAPITAL

Mining assets

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

HUMAN CAPITAL

Our workforce

- Good governance through an experienced executive team and Board
- Our team
- Our suppliers

NATURAL CAPITAL

Water, energy, land to enable mining operations

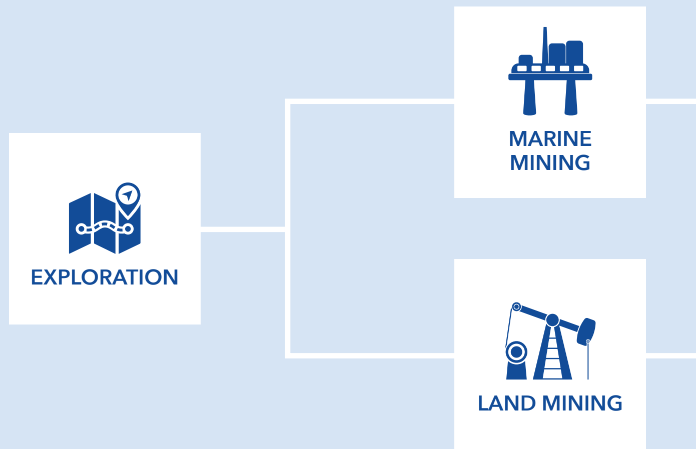
- Land diamond reserves resources
- Marine diamond reserves

FINANCIAL CAPITAL

Our financial model

- Government investment

PROCESS FLOW

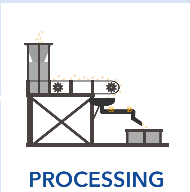


DIAMOND MINING

- Exploration
- Mining
  - Land
  - Marine
- Diamond cutting and polishing
- Rehabilitation

EXPLORING NEW OPPORTUNITIES

- Coal Toll processing
- Diamond beneficiation



OUTPUT

WHAT WE PRODUCE

The products and services we deliver to our stakeholders are:

41 941 carats

produced FY 2017/2018
generating R409 million in revenue

OUTCOMES

WHAT WE CREATE

As a result of our operations we create:

EMPLOYMENT OPPORTUNITIES

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

SOCIO-ECONOMIC DEVELOPMENT

- R4.0 million spent on social investment interventions
- R1.6 million invested in our education transformation programmes
- R431 259 spent on bursary programme for disadvantaged students
- R1.3 million invested in community upliftment through the SLP plan
- R341 million paid to local businesses and suppliers

BETTER TRAINED AND TRANSFORMED WORKFORCE

- R1.3 million spent on training in 2018
- Employment equity programme delivering transformation objectives
- Employment equity plan

SHARED CAPITAL

- PSJV (49% RMC, 51% Alexkor)

OUR STRATEGY

In November 2017 the Alexkor Board prioritised the following strategic objectives:

DIAMOND MINING REMAINS OUR PRIORITY

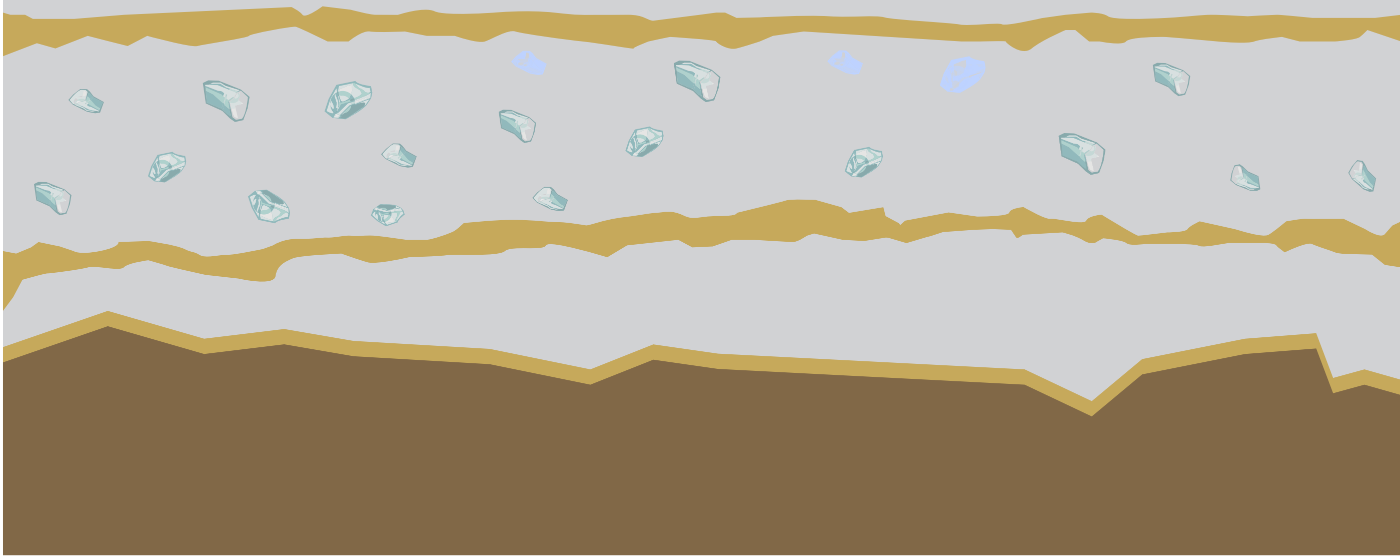
To increase carat production our strategic focus is on:

INCREASING LAND CARATS

- Maximise and expand the exploration programme continuously
- Rework the tailings dump
- Increase diamond mining footprint in the country

MARINE MINING

- Better management oversight of marine contractors
- Increase the number of service providers to be allocated mining contracts



DIVERSIFYING OUR BUSINESS MODEL

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

A MINERAL DIVERSIFICATION STRATEGY

- Due to the moratorium placed on all SOCs by the Shareholder representative, the Minister of Public Enterprises, all acquisitions and disposals have been placed on hold

DIAMOND BENEFICIATION

- Visited KIDJA in Kimberley. Alexkor is looking at using the facilities for beneficiation and training
- Expansion of operation outside Richtersveld

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

OUR PRE-DETERMINED OBJECTIVES

PERFORMANCE OBJECTIVES RELATING TO ALEXKOR

Section	Weight	Key Performance Area	Key Performance Indicator	Unit of Measure
FINANCIAL SUSTAINABILITY	30%	Financial position	Cash buffer	Rand
		Financial performance	Rental income collected	%
OPERATIONAL EXCELLENCE	20%	Commodity diversification	Implement Coal Strategy	Date
STRATEGIC INITIATIVES/ INDUSTRIALISATION	20%	Mineral beneficiation	Establish a diamond beneficiation facility	Complete Report
SUSTAINABLE DEVELOPMENT SOCIO ECONOMIC IMPACT AND ENVIRONMENTAL)	30%	Conclude historical environmental rehabilitation	Execution of the plan	Date
		Procurement	Black owned	%
			Black woman owned	%
			Black youth owned	%
			People with disabilities	%

2017/18 Target	YTD Actual	Notes
R65 million	R59 million	Alexkor achieved 91% of the target under difficult constraints. Management continues to explore short and long-term strategies to overcome cash flow challenges. This includes MTEF application to the National Treasury.
85%	145%	Achieved
Completion of due diligence study by 31 March 2018	Due diligence study has been completed and submitted to the Honourable Minister	Achieved
Completed Strategy for establishment of a diamond beneficiation facility	Diamond beneficiation strategy has been completed and submitted to DPE.	Diamond beneficiation strategy has been completed and submitted to DPE. A working group has been formed with key stakeholders to improve diamond beneficiation
Removal of Asbestos material to Visserhoek Landfill (Cpt) by 31 March 2018	100% complete	Achieved
70%	86%	Achieved
3%	78%	Achieved
0.5%	0%	Not achieved. With the implementation of the Central Supplier Database by National Treasury, going forward we will endeavour to source suppliers that are from black youth-owned entities
0.1%	0%	Not achieved. With the implementation of the Central Supplier Database by National Treasury, going forward we will endeavour to source suppliers that are owned by people with disabilities.

OUR PRE-DETERMINED OBJECTIVES (CONTINUED)

PERFORMANCE OBJECTIVES RELATING TO THE PSJV

Section	Weight	Key Performance Area	Key Performance Indicator	Unit of Measure
FINANCIAL SUSTAINABILITY	20%	Financial performance	EBITDA margin	%
OPERATIONAL EXCELLENCE	30%	Diamond production	Total mine production excluding deep waters	Carats produced
			Deep water mining (IMDSA)	Carats produced
			Exploration and mining of shallow water channels	Carats produced
			Expansion of exploration programme	Exploration report on targeted areas
		Safety	Fatalities	Number
SUSTAINABLE DEVELOPMENT SOCIO-ECONOMIC IMPACT AND ENVIRONMENTAL		Skills development	Artisan trainees	Number
			Technician trainees	Number
			Engineering trainees	Number
			Internship and Learnerships Development Programme	Number
			Training spend (including 1% leviable amount)	% of personnel spent
			CSI Spend	Rand

2017/18 Target	YTD Actual	Notes
10.5%	1.23%	Not achieved
52 000	41 941	Not achieved
–	–	Ya Toivo not yet available for production
5 000	6 493	Achieved
Complete exploration at Muisvlak, Langpan, Zeemanrus and Oubeeb		In progress
Zero	1	Not achieved
12	21	Achieved
2	–	Not achieved
8	2	Not achieved
12	2	Not achieved
4.5%	2.55%	Not achieved
R5.6 million	R4.0 million	Not achieved

OUR PRE-DETERMINED OBJECTIVES (CONTINUED)

PERFORMANCE OBJECTIVES RELATING TO THE PSJV

Section	Weight	Key Performance Area	Key Performance Indicator	Unit of Measure
SUSTAINABLE DEVELOPMENT SOCIO-ECONOMIC IMPACT AND ENVIRONMENTAL) (CONTINUED)		Employment creation	Direct Jobs Created	Number
			Indirect jobs: Created through enterprise and/ or supplier networks including technology transfer, CSI and other	Number
			Spend on BEE compliant companies (of recognised spend)	%
			Total black-owned as a % of local spend	%
			Total black women-owned as a % of local spend	%
			Total black youth-owned as a % of local spend	%
			People with disabilities as a % of local spend	%
			QSE	Rand
			QSE	% per designated group (BYO, BWO, BPWD)
			EME	Rand
			EME	% per designated group (BYO, BWO, BPWD)
			B-BBEE Level	Number

2017/18 Target	YTD Actual	Notes
2	2	Achieved year to date
6	–	Not achieved
90%	73%	Not achieved
70%	50%	Not achieved
3%	9%	Achieved
0.5%	–	Not achieved
0.1%	–	Not achieved
R1.5 million	R3.9 million	Achieved
10%	0%	Not achieved
R1.5 million	R120 million	Achieved
10%	23%	Achieved
5		In progress

MATERIAL ISSUES AND RISKS

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

The risk management process is embedded in Alexkor's strategy process, the execution of significant transactions, as well as the mining operations. It includes the gathering and analysis of global and local trends in order to anticipate, respond to, and align emerging risks and opportunities to inform strategic and operational decisions. The executive management develops the risk register, and the necessary mitigating factors, through a risk assessment process.

The Board is ultimately responsible for risk governance and has put in place an effective system of internal control to detect and prevent losses. The delegation of authority is in place to ensure effective decision-making and transparency within the organisation. Please see page 60 (Managing Risk in an Integrated Way) for more information.

Risk	Risk category	Risk mitigation measures	Action plan
1. **Insufficient operational cash** which could impact on Alexkor's ability to fulfil its short-term and long-term obligations, eg operations, Deed of Settlement (DOS) and strategies	Board	• Cash flow strategies to address both the short, medium- and long-term requirements • Strict monitoring and control of all expenditure of funds in the MTEF • Making financial provision for the mid-waters strategy	• Approval of cash flow strategies, dividends and cash sweep, including the release of surplus expenditure funds in the MTEF • Approved by the board for utilisation in the operations • Raise between R50 million to R100 million to fund the strategy • Report on a quarterly basis on progress • Strategic sessions with the Board to identify alternative business ventures

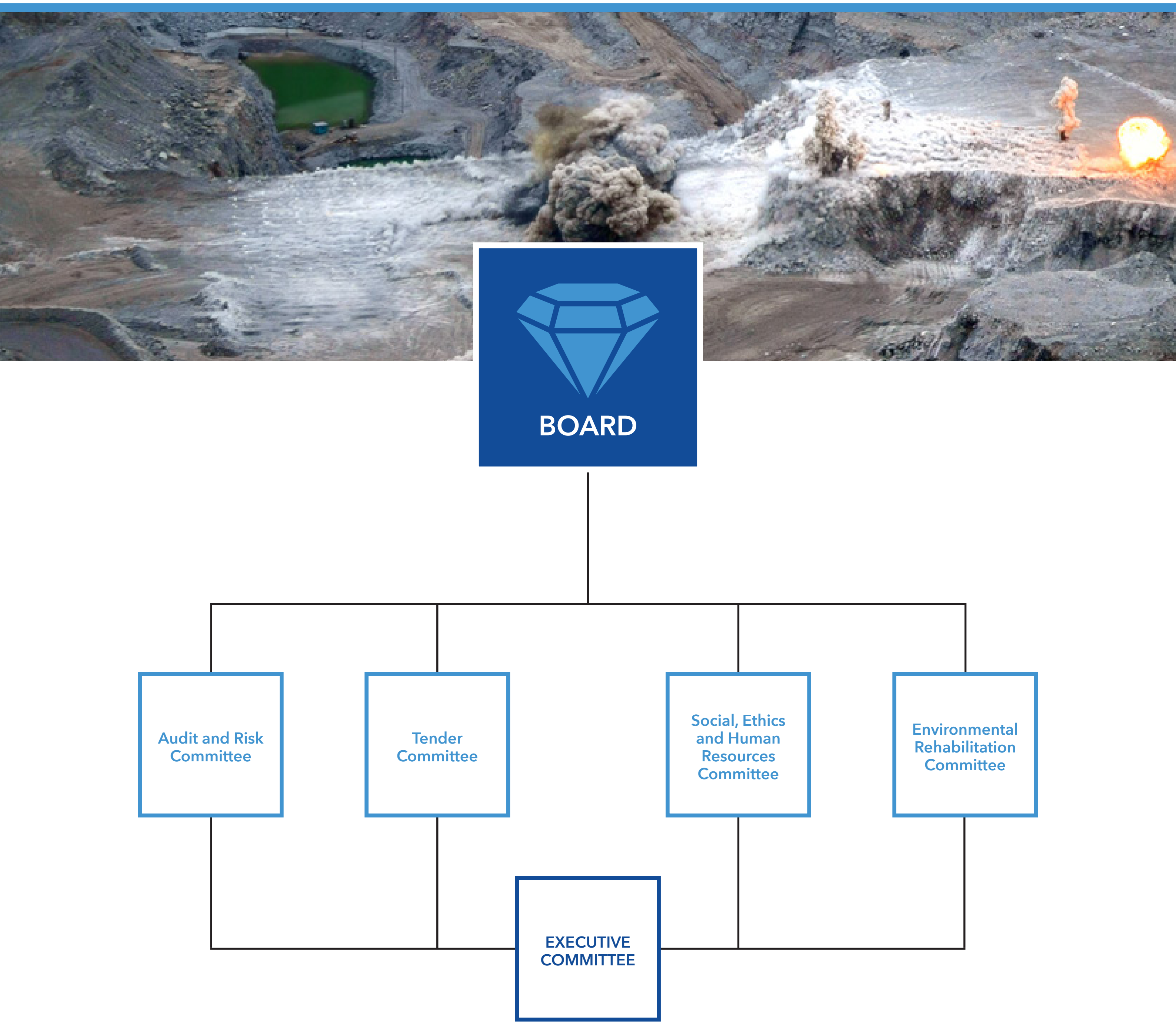
Risk	Risk category	Risk mitigation measures	Action plan
2. **Failure to acquire new business ventures** and funding thereof, e.g. coal and diamond opportunities, thereby not becoming sustainable	Board	• Acquire equity stake in coal beneficiation plant • Collaborate with emerging miners to supply coal to the beneficiation plant • Build relationship with state-owned companies like Eskom, Transnet and mining companies • Interrogate due diligence and viability of investment opportunity	• Strategic sessions with the Board to identify alternative business ventures • Report on a quarterly basis on the progress. • Continuous engagement with the Shareholder and National Treasury on funding for new business ventures
3. **Compliance with the Deed of Settlement** is a risk because the settlement is outside the control of Alexkor and lies with third parties, and failure to work together may have repercussions	Legal	• Engagement with various third-party elements to ensure compliance with the Deed of Settlement • Properly constituted CPA to normalise their structures, in particular the Property Holding Company • Capacity building and continued support to the CPA • Liaise with DRDLR and DPE to advance compliance	• Engagement with various third parties to ensure compliance with the Deed of Settlement • DRDLR to assist community with elections to regularise all structures • Identify relevant training opportunities for CPA members
4. **Misalignment between Alexkor SOC and PSJV operations** and the effect on operations that could possibly cause inefficiencies	Corporate governance	• Collaboration strategy on reporting • Monthly reports • Strong communication between the Board and management and monitor the relationships	• PSJV Board to ensure the effective alignment on Corporate Governance • Report monthly and quarterly on the turnaround strategy

MATERIAL ISSUES AND RISKS (CONTINUED)

Risk	Risk category	Risk mitigation measures	Action plan
5. **Inadequate funding for new business ventures**	Financial	• Strong relationships with the Executive Authority (the Shareholder) to ensure alignment • Develop a strong business case and ensure buy-in from the Executive Authority • Approach DPE and NT for reclassification of Alexkor from a PFMA perspective, permitting borrowing	• Implement a cost-saving strategy • Strategic sessions with the Board to identify alternative funding options • Continuous engagement with the Shareholder to discuss new business ventures
6. **Performance management** lack of incentives linked performance, which could ultimately lead to high staff turnover and inappropriate strategies to attract, retain, reward and motivate personnel	Human Resources	• Performance management system • Quarterly performance appraisals • Performance incentives linked with performance appraisals • Improved work ethics • Determine and include performance matrix and peer organisations for comparative purposes to motivate comprehensive and competitive remuneration structure	• Incentive policy to be approved by the Board • Finalise incentive linked performance contracts
7. **Inability to convert diamond resources** from inferred to indicated level of confidence	Technical	• Based on the Z-Star results, the long- and short-term mining plan will be formulated to focus on economical mineable grade • Z-Star formally appointed to upgrade the resource from inferred to indicated level • Intensive exploration programme to test and confirm resources	• PSJV management appointed an independent exploration team to develop and implement an exploration programme • Mobile exploration plant has been procured

Risk	Risk category	Risk mitigation measures	Action plan
8. **Management of marine and land contractors** the risk is that this lies with the PSJV management	Legal and compliance	• Weekly review of production • Monthly review of production • Spend and debtor management • Regular interaction with contractors • Contractor assistance	• Assistance to contractors by the PSJV. This assistance includes the supply of diesel and stores items in advance and also monetary advances to assist with production • Close review of production by the PSJV and Alexkor teams
9. **Absence of technical and operational information** (e.g. geological model information, life of mine information) and the limitations which this causes in terms of informed decision-making	Technical	• PSJV appointed a GIS consultant to report monthly • Reporting system on a daily, weekly, monthly and quarterly basis	• The work that Z-Star performed and the exploration results is being evaluated by the GIS Consultant and the MRM • IMDSA does exploration in the deep-sea areas
10. **Ongoing litigation** around the Nabera Mining	Legal and compliance	The Government has a greater financial risk in the action and decided not to proceed with an application for dismissal, as a result the matter remains dormant (potential exposure is R5 million)	The matter remains dormant

OUR BOARD


BOARD
Audit and Risk Committee
Tender Committee
Social, Ethics and Human Resources Committee
Environmental Rehabilitation Committee
EXECUTIVE COMMITTEE

MS H MATSEKE

INDEPENDENT NON-EXECUTIVE DIRECTOR AND CHAIRPERSON

Appointed August 2015

New Managers Programme, University of the Witwatersrand

Expertise: Banking, property development, building and civil construction

Ms Hantsi Matseke is the Chief Executive Officer of the Maono Holdings (Pty) Ltd. She has over 29 years' experience in various industries, having managed multi-million-rand projects. Ms Matseke started her career in the Health Workers Congress before moving to Total S.A., where she worked in the distribution department. Following this, she held various positions at Absa and African Bank. Ms Matseke is passionate about business development and facilitation and brings financial, business administration and stakeholder relations experience to the Company. Ms Matseke is also an independent non-executive Chairperson at the Free State Development Corporation.

MR L PITSOE

CHIEF EXECUTIVE OFFICER

Appointed December 2017

BSc,(Min.Eng.); Pr.Eng. (ECSA); MBL

Expertise: Strategic leadership, executive management oversight, extensive technical knowledge on mining projects

Mr Lemogang Pitsoe is a qualified Mining Engineer. Prior to joining Alexkor SOC Ltd as the Chief Executive Officer, he was the GM: Mining for Hernic Ferrochrome.

He has extensive experience at an executive level in mining operations. Mr Pitsoe started his career in the Northern Cape at Finsch Mine. He also worked for AEL Pty (Ltd) before joining Royal Bafokeng Resources. He was later appointed COO of a listed company called AFGEM, and subsequently moved to CoAL as the Operations Manager.

MS A CHOWAN

CHIEF FINANCIAL OFFICER

Appointed January 2018

B.Accounting; Dip.Accounting (Hons.); CA(SA)

Expertise: Finance, auditing, management, strategic leadership and supply chain management

Ms Adila Chowan is a qualified Chartered Accountant. Prior to joining Alexkor SOC Ltd as the Chief Financial Officer she was the DDG: Supply Chain Management at the Department of Public Works. During her career she worked for Central Energy Fund (SOC) Ltd and Associated Motor Holdings. She has extensive experience at an executive level in both public and private sector.

OUR BOARD (CONTINUED)

MR T M HAASBROEK

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed August 2015

Electronic Engineer Diploma

Expertise: Turnaround specialist

Mr Trevern Haasbroek is a turnaround specialist with exceptional management skills. He serves on the Board of SWT Holdings Proprietary Limited.

MR J S DANANA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed August 2015

Bachelor of Journalism, BA. Hons, MBA

Expertise: Strategy development and implementation

Mr John Sembie Danana has extensive experience in the construction industry.

During his career he has worked for Harmony Gold Mining Company and was the co-founder of First Uranium Corporation. He is currently involved in property development. His previous roles include Chairman of the Pretoria Technikon, SABC board member, director of Ubunye Cement Distribution and Mbambushe Investment Enterprises Proprietary Limited.

MR T J MATONA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed August 2015

BSc Hons (U.C.T); M.A Development Economics (University of East Anglia, United Kingdom)

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

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

He was previously the Chief Executive Officer of Eskom, Director-General of Public Enterprises and of Trade and Industry departments between 2005 and 2014. An economist by training and an experienced public administrator, he served on the boards of a number of public policy bodies and is a member of Chartered Secretaries South Africa (CSSA) since 2011. He has 23 years of senior management experience and skills in the fields of international trade and diplomacy, export promotion, investment promotion, industrial development, enterprise development, economic regulation and corporate governance.

MS Z NTLANGULA

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed September 2012

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

Expertise: Legal and property development

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

During her career she held various strategic positions at Ntsebeza Inc. Attorneys and Bowman Gilfillan Inc. Attorneys. She worked for Deloitte Consulting South Africa as a change management specialist and was previously the Group Company Secretary at Thebe Investment Corporation. Ms Ntlangula serves in various leadership roles for a number of organisations; namely Black Business Council (Vice President – Professionals), the Social Housing Regulatory Authority (independent non-executive director – Audit Committee and Investment Committee Member), National Empowerment Fund (independent non-executive trustee – Audit Committee and Investment Committee member), Glencore South Africa (independent non-executive director – Social and Ethics Committee), Department of Home Affairs (independent non-executive director – Audit Committee member), Black Conveyancers Association (Stalwart).

CHANGES DURING THE YEAR

MR V K BANSI

ACTING CHIEF EXECUTIVE OFFICER

Appointed March 2016 and resigned 6 November 2017

BSc PriScNat, MSAIMM

MR H I MOKWENA

ACTING CHIEF EXECUTIVE OFFICER AND CHIEF OPERATING OFFICER

Appointed Acting Chief Executive Officer 7 November 2017 – 30 November 2017 but continued as Chief Operating Officer

MBA, B-Tech Mining Engineering

MR J BONNET

ACTING CHIEF FINANCIAL OFFICER

Appointed Acting Chief Financial Officer from 1 May 2017 – 31 October 2017

B.Com, Hons, AGA, Natal Intermediate Dip. Acc, CTA

MS A V SMALL

ACTING CHIEF FINANCIAL OFFICER

Appointed Acting Chief Financial Officer from 1 November 2017 – 7 January 2018

CA(SA)

CHANGES SUBSEQUENT TO YEAR-END

Ms Mamoroke Lehobye resigned as an Independent non-executive director with effect from 31 May 2018.

OUR EXECUTIVE COMMITTEE

CHIEF EXECUTIVE OFFICER

Mr Lemogang Pitsoe

A brief biography appears on page 19

CHIEF OPERATING OFFICER

Mr Humphrey Mokwena

A brief biography appears opposite

CHIEF FINANCIAL OFFICER

Ms Adila Chowan

A brief biography appears on page 23

MR H MOKWENA

CHIEF OPERATING OFFICER

Appointed October 2013

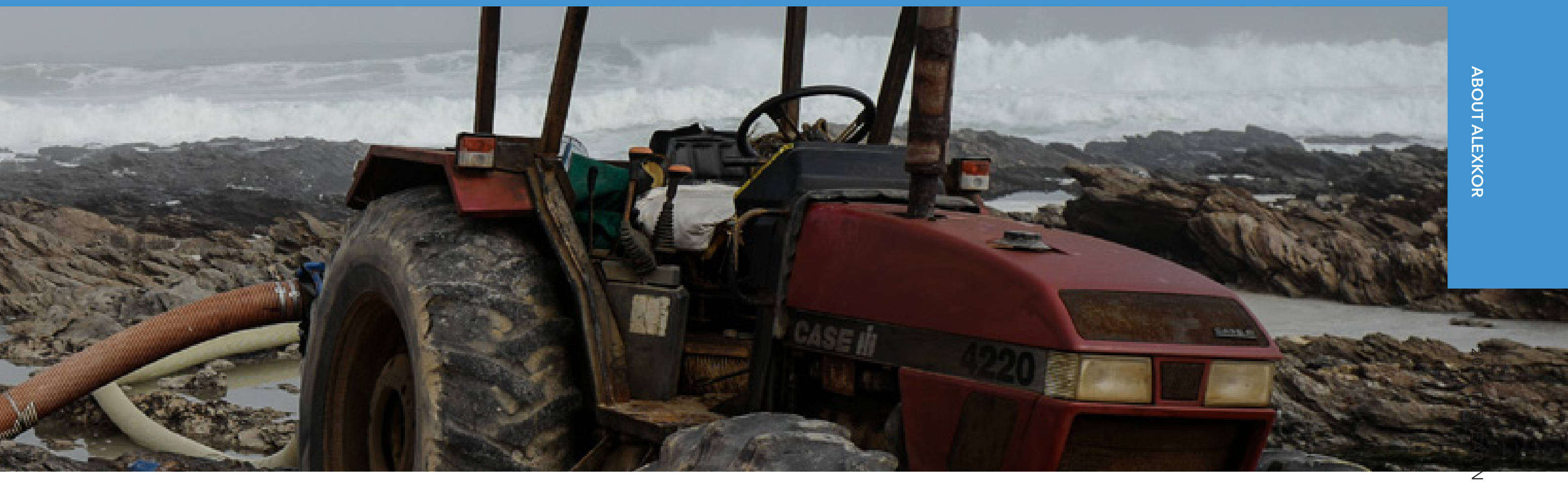
MBA, B.Tech Mining Engineering
Expertise: Mining specialist

Mr Humphrey Mokwena is a mining engineer who gained significant experience in the mining industry over the past twenty years. Mr Mokwena started his career as an underground miner and became the general manager of a mine.

During the course of his career he has spent the majority of his time at the senior managerial level, gaining strategic business experience in the process. Mr Mokwena has managed mining operations with exceptional safety records, and believes that a safe operation will be a productive operation. Mr Mokwena then joined Eskom's Primary Energy division as a senior manager of Coal Supply where he managed coal supply contracts.

He subsequently joined Alexkor as the Chief Operating Officer.

ALEXKOR'S LEADERSHIP STRUCTURE



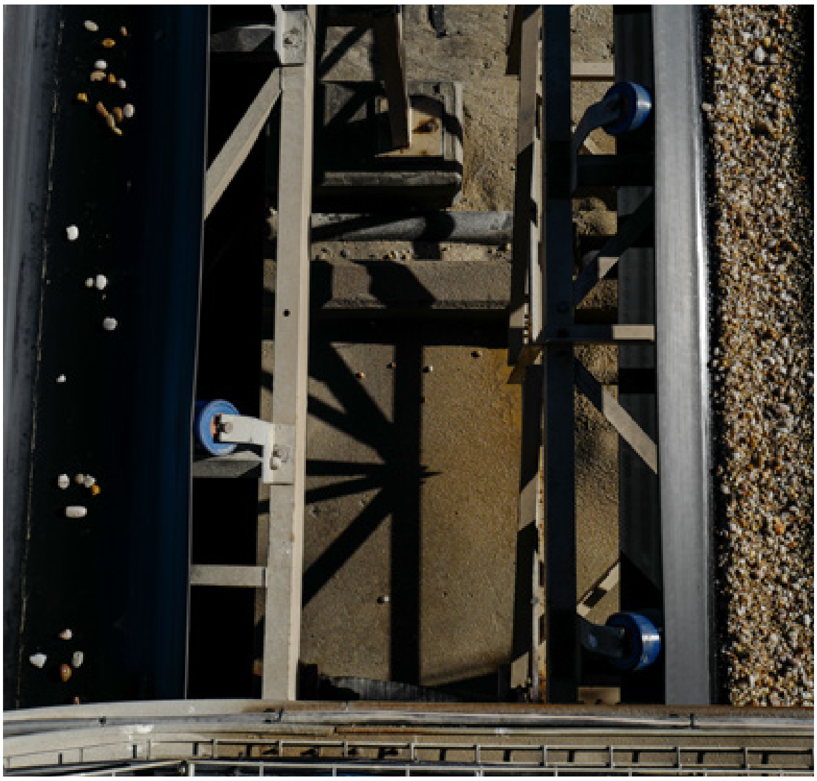
CEO
MR LEMOGANG PITSOE

CFO
MS ADILA CHOWAN

COO
MR HUMPHREY MOKWENA

CORPORATE SERVICES MANAGER
MS PATEKA MOMOZA

COMPANY SECRETARY
MS JOANNE MATISONN



02

2018 THE YEAR IN REVIEW

2018 THE YEAR IN REVIEW

OUR PERFORMANCE HIGHLIGHTS

- Carat production at the Alexander Bay operations decreased significantly due to poor weather conditions that led to lower boat days and lack of production from a vessel that caught fire during 2017FY. 41 941 gemstone quality diamonds recovered (2017: 162 000)
- Annual turnover declined significantly, R409 million was achieved in the year under review (compared to R786 million in the previous year), 51% of the revenue has been included in the consolidated financial statements.
- A comprehensive profit of R34 million was achieved, a significant improvement to the R6 million profit in 2017 by the group.

DELIVERING ON OUR STRATEGY

- Mid-waters tender evaluation and adjudication was completed. Four companies have been identified to mine the mid-waters
- Systems implemented to ensure marine and land contractors are better managed. This has already yielded increases in carat production
- As part of Alexkor's mineral diversification strategy, the coal business case received approval in May 2016 and the business case was completed in February 2017 with encouraging results. However, the current Honourable Minister has subsequently placed a moratorium on all acquisitions and disposals
- A forum consisting of key stakeholders was constituted to progress the local diamond beneficiation strategy

SUSTAINABLE DEVELOPMENT UPLIFTING OUR COMMUNITIES

- Provided employment to approximately 2 500 people directly and indirectly through our operations in Alexander Bay
- Invested almost R5.6million in CSI projects aimed at community projects and improving education
- A total of R1.3 million was spent on various Social and Labour Plan ("SLP") projects including the upgrade of the sewerage pipeline and maths and science interventions
- Alexkor invested R0.4 million in skills development including bursaries and training initiatives
- Progress has been made in the township handover and is expected to take place in a phased approach commencing during the next financial year.

CHAIRPERSON'S OVERVIEW 2018

> **"THE DEVELOPMENT OF OUR HUMAN CAPITAL AND THE SOCIAL UPLIFTMENT OF THE ALEXANDER BAY AND SURROUNDING RICHTERSVELD COMMUNITIES REMAINS A PRIORITY FOR ALEXKOR AND THE PSJV"**
>
> **MS HANTSI MATSEKE**

MS HANTSI MATSEKE

Despite substantial swings, in world stock markets, the dollar prices achieved for Alexkor's diamonds, have held up relatively well. The weakness of the Rand for the first three quarters of the financial year has worked in Alexkor's favour, but was offset by a marked strengthening of the Rand in the last quarter of the year. With these swings being outside of Alexkor's control, lasting value can best be created by focussing on the necessary actions that will create a sustainable and competitive business for all our stakeholders.

The Board undertakes a comprehensive review of the business at its annual strategic planning session. This review is conducted across the entire value chain of the business, to address structural challenges that have impacted performance over time. Building on the varied and effective steps taken to contain operational costs in recent years, the primary objective of the proposed action was to focus on exploiting previously unmined marine resources in order to create a safe, sustainable, competitive and profitable business for the long-term benefit of all our stakeholders.

In order to achieve the above, contracts were awarded to four successful bidders for the mid-water concessions, and the first ship has recently commenced mining operations which will boost diamond production in the coming year. Overheads have been reviewed and reduced while a new organisational design is in the process of being developed to ensure that operations are appropriately supported.

ALEXKOR'S HEAD OFFICE

Two critical appointments were made during the year, and the Board welcomes Mr Lemogang Pitsoe, the Chief Executive Officer, and Ms Adila Chowan, the Chief Financial Officer, as executive members of the Board.

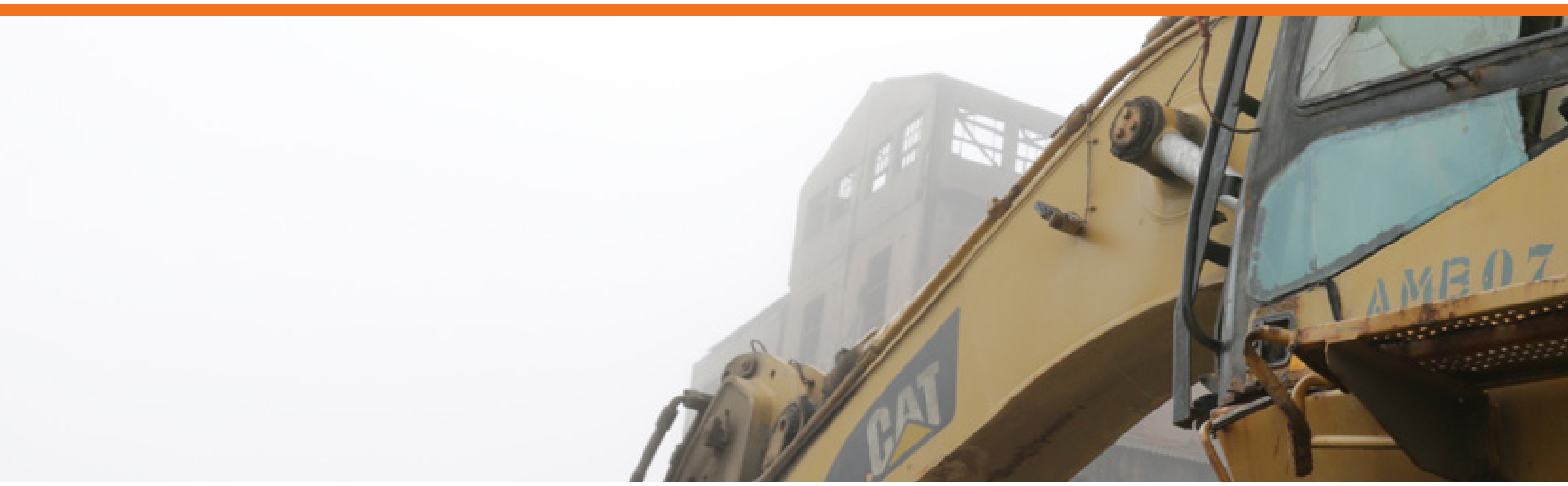
SRK Consulting, which has extensive experience in the mining space, was appointed to evaluate the financial liability of the legacy rehabilitation, which is a specific requirement of the Deed of Settlement. Due to the demolition of redundant buildings in the Alexander Bay operations and the safe disposal of a considerable amount of asbestos roofing, we are delighted to report that the assessed liability has reduced from R258 million in the previous financial year to R214 million in the 2017/18 financial year.

POOLING AND SHARING JOINT VENTURE

Alexkor continues to ensure that the PSJV is operated within a sound governance framework and on commercial terms, through both oversight by management of its activities and Alexkor Board representation in the PSJV Board. Alexkor has fulfilled most of the Deed of Settlement conditions and the remaining conditions will be addressed during the new financial year with the support of all the relevant stakeholders. These include the transfer of properties, mainly houses, and the transfer of the Alexander Bay Town to the Richtersveld Municipality.

Diamond production in 2018 was 41 941 carats generating a total revenue of R409 million against budgeted figures of 58 000 carats and R472 million

CHAIRPERSON'S OVERVIEW 2018 (CONTINUED)



respectively (the production and revenue figures for 2017 were 162 172 carats and R758 million). Carat production by International Mining and Dredging South Africa (IMDSA) from our deep water 1C concession was impacted severely by a fire on their ship, the Ya Toivo, which reduced production from 112 047 (2017) to zero carats in the year under review. Recommissioning the Ya Toivo has taken almost a year, but we anticipate the ship to be on site towards the middle of 2018. Net profit for the financial year was R34 million (2018) compared to R6 million (2017).

SOCIO-ECONOMIC DEVELOPMENT

The development of our human capital and the social upliftment of the Alexander Bay and surrounding Richtersveld communities remains a priority for Alexkor and the PSJV. One of our bursary students, Ms Baratang Mathobi graduated with a degree in Environmental Management from the Cape Peninsula University of Technology. We are also delighted that our four remaining bursary students from the various provinces are progressing well with their studies. During the year under review, an amount of R2 204 million was invested on training and skills development initiatives of our employees in line with our skills development plans.

We are particularly proud that one of our flagship youth-enterprise initiatives, aimed at developing commercial diving skills locally, was completed successfully. This resulted in our four sponsored candidates completing their Class III diving course at a reputable diving school in Saldanha Bay. These individuals now have the opportunity to gain expert diver and business skills, in an on-site workplace exposure programme under the supervision of experienced marine contractors.

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

Other initiatives aimed at uplifting the Alexander Bay and surrounding Richtersveld communities included partnerships with community organisations, stipends to community officials and organisers, food hampers for senior citizens in the four towns of Kuboes, Sanddrift, Lekkersing and Eksteenfontein, sports development, assistance to churches, health support, study assistance, and funeral assistance. Total spend on all of the above community programmes amounted to R5.6 million.

COMMERCIAL PROPOSITION

Our commercial strategy has been revised to ensure guaranteed value and stability of the supply of diamonds to all our customers. With the encouragement of the Board and management, the mining contractors who have Richtersveld Community Members as majority Shareholders have established the "Richtersveld Kontrakteurs Forum". The Forum is a non-profit organisation aimed at creating a formal channel for the interaction between forum members and the mine management to pursue opportunities, especially with regards to financing and contractual issues. The Forum is chaired by a Richtersveld community member and its activities overseen by a member of the PSJV Board.

Mining of our deep-water 1C concession will recommence mid-2018, with the recommissioning of the Ya Toivo. One marine contractor, Alma Marine, has just positioned its boat in the mid-waters.

As a primary producer of gem quality diamonds, Alexkor is in a very favourable position to enter and become a serious player in diamond beneficiation. Scarlet Sky Investments, PSJV's diamond marketers, has recently commissioned a mini-factory where Alexkor's rough stone production is cut and polished for local and offshore markets. Production through the mini-factory is expanding towards the agreed 5% target. This has given an opportunity for employment to at least two female artisans-in-training from the Richtersveld. Alexkor's intention is to increase production so that its own facility can be located in the Northern Cape, thereby creating more job opportunities for Northern Cape.

Our participation in other mineral exploration and supply, including thermal coal, are being closely considered in order to develop a diversified portfolio. A due diligence study on an existing coal wash plant situated in the Witbank-Middelburg coal mining hub has been completed, and Alexkor received the approval from the Shareholder to proceed with the necessary PFMA approval processes. Coal beneficiation has long been an opportunity for Alexkor in order to leverage SOC to SOC relationships between Alexkor and Eskom.

Subsequent to year-end, the Minister of Public Enterprises placed a moratorium on all acquisitions and disposals. We await an audience with the Minister to chart the way forward.

Alexkor will continue to optimise its current assets and ensure expenditure is managed prudently as we embark on the execution of the new strategy.

APPRECIATION

On behalf of the Board, I take this opportunity to extend my gratitude to all parties who have worked closely with Alexkor and have assisted us in our quest to fulfil our mandate. Our success as an organisation, would not have been possible had it not been for the constant engagement, feedback and support of all our stakeholders.

I am grateful to our Shareholder representative, the former Minister of Public Enterprises, the Honourable Ms Lynne Brown (MP), for her unconditional support and wise counsel at all times. We look forward to our interaction with our new Shareholder representative, the Honourable Mr Pravin Gordhan (MP).

I am especially grateful to my fellow Board members for the dedication they have displayed in guiding Alexkor. Their collective support and wisdom have contributed greatly in steering this ship in the right direction.

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

As Alexkor Chairperson, I am hugely grateful for the excellent support and contribution of the management team, and of every employee in Alexander Bay for their excellent support and contribution.

I look forward to a fulfilling 2018/19 financial year as we continue to strive towards realising Alexkor's vision and mission.

CHIEF EXECUTIVE OFFICER'S OVERVIEW

" I AM PLEASED TO REPORT THAT ALEXKOR IS NOW ON THE PATH TO FINANCIAL RECOVERY AND FUTURE SUSTAINABILITY "

MR LEMOGANG PITSOE

MR LEMOGANG PITSOE

This has been a challenging year, where executive management roles were filled late in the financial year. A promising path has been decided on and we are all hopeful that our challenges will be easier to navigate with the current team and the Board.

A significant decrease in carat production in operations has been a matter of concern at Board level. Furthermore, the cost-saving measures introduced in the previous financial year have enabled us to realise a better sense of fiscal responsibility and maturity.

Alexkor's core purpose is to support the national development goals by optimising our natural resources for economic development. We recognise that no matter what we are able to achieve at Alexander Bay, we always need to be cognisant that our resources are finite and, as such, all our decisions need to create a lasting legacy for the Richtersveld community.

SAFETY IS OUR FIRST PRIORITY

To all employees at site much appreciation for upholding the safety culture of Alexkor. Creating an enabling and safe working environment for all our employees is a symbol of our commitment to sustainability. At the mine, safety systems and standards are constantly monitored, tested and upgraded to ensure that the mine is fully compliant with the Mine Health and Safety Act (MHSA).

We were saddened by the fatal incident that occurred in March 2018 and we extend our sincere condolences to the family of the deceased.

We continue to engage and manage our stakeholder relationships with DMR and the unions. Over the past few years, we have implemented many initiatives to build a safer business environment and we will maintain our relentless efforts to focus on ensuring a safe workplace for all our employees.

OUR OPERATING ENVIRONMENT

One of the key trends in the diamond market has been miners offloading excess and lower-quality inventory accumulated post-demonetisation in India a year ago.

Leading diamond producer Alrosa has received approval from its board to move ahead with the acquisition of Russian polishing firm Kristall. If a deal is reached, Alrosa would become the top competitor to the world's number one diamond producer, De Beers.

The move, which brings together Russia's largest diamond producer with the country's biggest cutter and polisher, could ease some of the tension experienced by the industry following Moscow's removal of a 6.5 percent export duty on rough diamonds in 2016.

OPERATIONAL AND FINANCIAL PERFORMANCE

Diamonds sales revenue was R386 million for the financial year ending 31 March 2018 representing a decrease from the previous year (R758 million) mainly due to the operational inactivity of the deep-sea mining contractor, which accounted for R357 million of last year's revenue.

Our marine concessions remain the largest contributor of carat production and revenue. Attributable income to the PSJV was R162.6 million whilst R246.5 million was paid to contractors.

DELIVERING ON OUR STRATEGY

Ensuring the sustainability of Alexkor and our operations is of utmost importance to all our stakeholders. In November 2017, we refined and prioritised our strategic objectives to focus on the following priorities: increasing land carat production by sweating current assets; progressing and finalising the mid-waters mining project; monitoring and co-managing the deep-water mining; finalising the coal toll processing and exploring the diamond beneficiation opportunity.

This corporate strategy has been fully embraced by the business and there is enthusiasm for the implementation.

In order to increase land carat production, we embarked on a land exploration programme to improve the level of resource confidence from an inferred to an indicated and measured category. Further, we remain focused on the optimisation of our mining processes and have systems in place to ensure that our marine contractors are better managed. These efforts have already yielded a significant increase in carat production.

The mid-water concessions have the potential to be lucrative targets based on current shallow-water mining results where stones of exceptional quality and value continue to be mined, however, the number of suppliers reduced due to less sea days. Alexkor is endeavouring to procure and employ additional contractors to improve production.

The fire incident on the Ya Toivo in April 2017 led to no production from the deep-sea sections (C). However, we are confident that the backlog in production can be made up as other marine operators are contracted to fill the gap left by Ya Toivo to start by the second quarter of the next financial year.

As part of our mineral diversification strategy, pursuit of the coal business case received approval from the Shareholder in May 2016. Our intention is to invest in an existing coal washing plant situated in the Witbank – Middelburg coal-mining hub. The Coal toll processing has long been an opportunity for Alexkor where it is envisaged to leverage a relationship with Eskom, to enter into a coal supply agreement. The due diligence and follow-up business case were duly completed in February 2017. However, DPE has subsequently placed a moratorium on acquisitions and disposals for SOCs.

Diamond beneficiation activities dropped from 87% (2011) to 32% (2017) in RSA. This area is viewed as an opportunity to make a positive impact in our communities. The sustainability of Alexkor is dependent on the execution of this project. This is also in line with Alexkor's mandate to improve diamond beneficiation locally and increasing participation in the diamond industry, both locally and internationally. Alexkor is in a favourable position to enter and become a serious player in this space in conjunction with other state-owned entities.

During the year we continued with our efforts to improve business efficiencies and ensure good corporate governance. To this end, we further developed our risk register, updated current policies and took part in training sessions with our Board members, and at our operation. Our efforts to ensure good corporate governance is detailed and adhered to.

DEVELOPING POSITIVE STAKEHOLDER RELATIONSHIPS

The National Development Plan (NDP) promotes economic transformation as one of the key dimensions of social-economic development. More than 90% of management positions are filled by HDSA and our B-BBEE procurement exceeds 60%, which clearly demonstrates our commitment to transformation. Our direct employment number has increased from 106 in 2014 to over 400 for the year under review with the direct salary bill increasing from R18 million to R87 million per annum over the same period. All new appointments originate from the Richtersveld and more than 60% of mining contracts were awarded to historically disadvantaged individuals. Our Corporate Social

Investment (CSI) spend exceeded R5.6 million for the financial year ended 31 March 2018. We remain motivated to continuously improve the lives of the Richtersveld communities through the provision of employment and our Corporate Social Investment initiatives, despite tough financial times.

Fostering sound and positive engagement with all our stakeholders is important to Alexkor. We are proud that our operations provide support to approximately 2 500 people directly and indirectly in the region. Through our CSI initiatives we play a vital role in the wellbeing of the various communities in which we operate. Please refer to the corporate social responsibility section on page 44 for more information.

THE YEAR AHEAD

Looking to the immediate future, I am confident that our mid-waters mining operations will yield positive results in the 2018/2019 financial year and that deep sea sections will be operational.

We also look forward to a positive working relationship with the Northern Cape Economic Development Department, the Kimberley International Diamond and Jewellery Academy (KIDJA) and the cutting and polishing companies of previously disadvantaged people, and to develop local talent for the future beneficiation programmes. We will also continue to sweat our terrestrial diamond assets.

The finalisation of the key elements of the DoS, such as the township handover will remain of utmost importance to all stakeholders.

APPRECIATION

In conclusion, I wish to extend my sincere thanks to the Minister and the team from the Department of Public Enterprises (DPE), the Premier of the Northern Cape and Provincial Government officials, The Department of Minerals and Resources (DMR) and The State Diamond Trader (SDT) for their continued support and guidance.

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

Alexkor’s continued success is a direct result of a strong operational team. I would like to extend my profound thanks to both the corporate and operations teams. It takes dedication from all of us to build a robust, profitable and sustainable business.

CHIEF FINANCIAL OFFICER'S OVERVIEW

> "INTEREST INCOME INCREASED BY 34% FROM R35.1 MILLION (2017) TO R51 MILLION. INVESTMENT YIELDS ACHIEVED IN 2018 COMPARED FAVOURABLY TO THE YIELDS ACHIEVED IN 2017."
>
> **MS ADILA CHOWAN**

MS ADILA CHOWAN

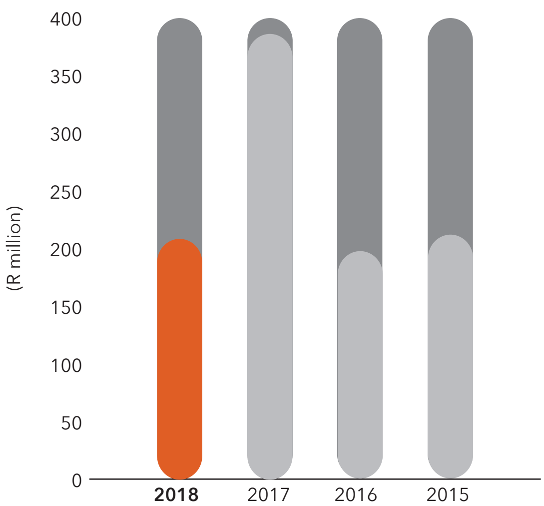
For the year ended 31 March 2018, Alexkor SOC Ltd reported a 46% decrease in revenue of R208.6 million (2017: R386 million). The carat sales decreased from 151 812 to 48 166, due to IMDSA not producing any diamonds during the period under review. Land, Beach and Marine diamonds achieved an average of $718.86 (2017: $548.27) per carat, the IMDSA diamonds only achieved an average price of $187.56 per carat (2017: $248.03)

OPERATING COST

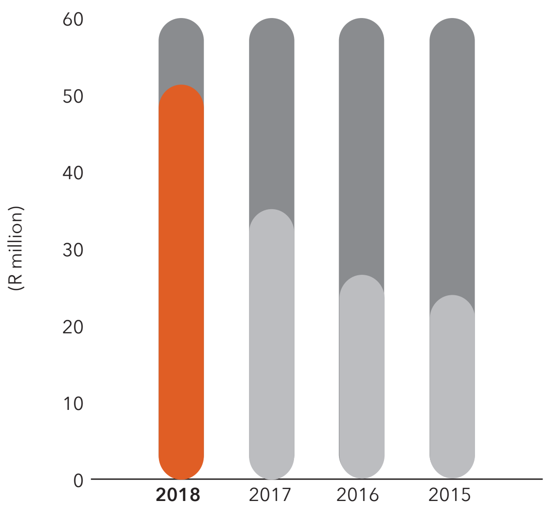
Operating expenditure decreased by 10% to R131m due to total mining and production volumes decreasing, a reduction in overhead costs and less input from mining contractors. Cost savings were achieved through continued strict management of overheads and on-mine costs.

INVESTMENT INCOME

Interest income increased by 34% from R35.1 million (2017) to R51 million. Investment yields achieved in 2018 compared favourably to the yields achieved in 2017.



REVENUE



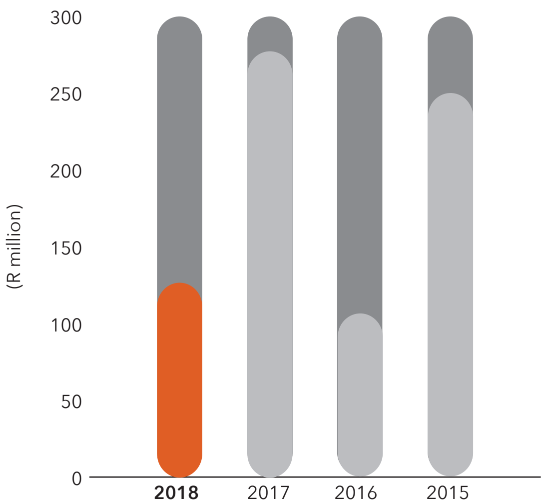
INVESTMENT INCOME

COST OF SALES

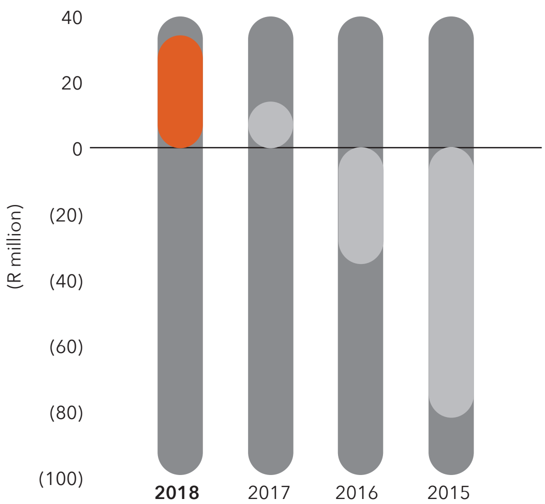
The decrease in cost of sales from R277 million (2017) to R126 million is driven by the decrease in production in carats produced from 162 172 (2017) to 41 941.

COMPREHENSIVE INCOME

For the year ended 31 March 2018, Alexkor SOC Ltd reported a R34 million profit (Company: R41 million) and the Pooling and Sharing Joint Venture (PSJV) reported a R12 million loss. The PSJV poor performance was underpinned by adverse sea conditions and the delay in commissioning of the mid-water operations and no production by IMDSA which contributed to reduced product volumes.



COST OF SALES



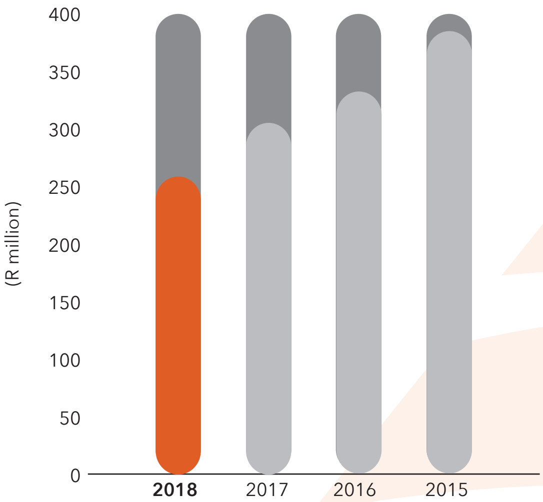
COMPREHENSIVE INCOME

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

CASH GENERATION AND LIQUIDITY

The company ended 2018 with net cash of R259 million, compared to a net cash position of R305 million in 2017. Decreased profitability due to decreased production and decreased sales volumes contributed to the company's cash generating ability. Cash utilised amounted to R26.2 million against R46.7 million in 2017. The cash was used to pay among others government funded obligations of R28 million (2017: R25 million), legacy rehabilitation cost R30 million (2017: R6.9 million) and capex (including intangible assets) of R43 million (2017: R28 million). Financial guarantees issued in favour of the DMR in respect of environmental closure liabilities were R129 million.



CASH AND CASH EQUIVALENTS

CONCLUSION

Alexkor continues to operate under challenging conditions. Management, together with the Board of Alexkor, are continuously engaging with the Shareholder in developing long term strategies to ensure the sustainability of Alexkor.

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

Thank you to our Shareholder for your continued support and confidence in Alexkor.

03

ALEXKOR'S COMMITMENTS

STAKEHOLDER ENGAGEMENT

Our stakeholders are defined as any individual or group that has a material interest in, or is affected by the way Alexkor conducts its business.

Our main stakeholder interactions are with: Government, through our Shareholder department i.e. the Department of Public Enterprises (DPE); the Department of Mineral Resources (DMR); the Richtersveld Mining Company (RMC), National and Provincial departments and municipalities of the Northern Cape; communities; investors; suppliers; contractors; management, employees; organised labour; business groups; civil society and Non-Governmental Organisations (NGOs); as well as industry experts and the media.

Regular engagement and effective management of communication with all our stakeholders continues to be a strategic priority for the Company. Our stakeholder engagements are carefully planned with a clear scope, intended outcomes and the engagement approach.

Stakeholder engagement interactions occur in the form of one-on-one meetings, Board and committee meetings with the RMC, presentations to parliamentary Portfolio Committees; Alexkor's annual general meeting; industry associations and task teams; site visits and public hearings; community and executive forums; teleconferences; contracts and service agreements.

STAKEHOLDER COMMUNICATION PRINCIPLES

Alexkor ensures effective stakeholder engagement, and the Company's external communications are guided by the following principles:

- Give meaningful information in a format and language that is easily understandable
- Allow for inclusiveness in the representation of views, including women, youth, vulnerable and/or minority groups
- Provide information in advance of consultation activities
- Ensure engagement processes are free of intimidation or coercion
- Respect local traditions, culture and decision-making processes
- Establish clear mechanisms for responding to people's concerns, suggestions and grievances
- Ensure two-way dialogue and be listened to
- Incorporating feedback into project or programme design, and reporting back to stakeholders

THE MAIN STAKEHOLDER INTERACTIONS DURING THE YEAR UNDER REVIEW WERE:

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

OUR COMMITMENT TO OUR COMMUNITY

The transfer of Alexkor's mineral rights for the land-based diamond resources to the Richtersveld community was a critical aspect of the Deed of Settlement.

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

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

Total expenditure in terms of the PSJV's corporate social responsibility and social labour plan was R5.6 million (R5.6 million in 2017) against our planned target of R5.6 million. The under expenditure is a reflection of the challenging trading conditions in the financial year.

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

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

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

- Supporting local entrepreneurs by offering diver training.
- Stipends to community officials and organisers.
- Food hampers for senior citizens, assistance to churches, and bereavement/funeral support.
- Focussing on sports and health development.
- Wellness training and awareness.

We are particularly proud that one of our flagship youth-enterprise initiatives, aimed at developing commercial diving skills locally, was completed successfully. This resulted in our four sponsored candidates completing their Class III diving course at a reputable diving school in Saldanha Bay. These individuals now have the opportunity to gain experience to become expert divers and business skills, in an on-site workplace exposure programme under the supervision of experienced marine contractors.

OUR COMMITMENT TO OUR PEOPLE

HUMAN RESOURCES REPORT

The 2016/17 financial year ended with four critical vacancies: Chief Executive Officer, Chief Financial Officer, Corporate Services Manager, and Supply Chain Manager. Three of these positions were filled in the year under review, and the Board welcomes Mr Lemogang Pitsoe, the Chief Executive Officer, and Ms Adila Chowan, the Chief Financial Officer, as executive members of the Board, and Mr Khwezi Finini as the Supply Chain Officer.

A temporary appointment of Corporate Services Manager was made while the recruitment process was ongoing, and Ms Pateka Momoza has been appointed to the position, and assumed her duties on 2 May 2018.

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

STAFF COMPLEMENT

As of 31 March 2018 the staff complement was:

	March 2017	March 2018
Alexkor SOC		
Permanent employees	36	**33**
Temporary employees	1	**1**
Total	**37**	**34**
Alexkor RMC JV		
Permanent employees	312	**324**
Temporary and casual employees	51	**58**
Total	**363**	**382**
Contractors		
Marine contractors – shallow water	499	**498**
Beach and land mining	218	**254**
Other	109	**107**
Total	**826**	**859**

EMPLOYMENT EQUITY

Transformation remains a fundamental strategic business imperative for Alexkor. We believe that for our organisation to be truly competitive we must continue to strive to create an environment that enables the development of all our employees, especially previously disadvantaged individuals. We apply this philosophy in all our recruitment and selection processes and decisions. Our Social, Ethics and Human Resources Committee (SE&HR) Committee assists in creating a workplace that is free from any form of discrimination and ensures that our organisation upholds the principles stipulated in our Employment Equity policy and other HR policies.

OUR COMMITMENT TO OUR PEOPLE (CONTINUED)

The table below depicts the employment equity status for Alexkor Head Office and the PSJV as 31 March 2018.

HEAD OFFICE Occupational Level	**Number of Incumbents**	**MALE**				**FEMALE**				**% of designated group**
		AM	**IM**	**CM**	**WM**	**AF**	**IF**	**CF**	**WF**	
Top management	3	2	–	–	–	–	1	–	–	100
Professionally qualified	1	–	–	–	–	–	1	–	–	100
Skilled	2	1	–	–	–	–	–	–	–	100
Semi-skilled	1	–	–	–	–	1	–	–	–	100
Unskilled	2	–	–	–	–	2	–	–	–	100
Total	**9**	**3**	**-**	**-**	**-**	**3**	**1**	**-**	**-**	**100**

PSJV Occupational Level	**Number of Incumbents**	**MALE**				**FEMALE**				**% of designated group**
		AM	**IM**	**CM**	**WM**	**AF**	**IF**	**CF**	**WF**	
Top management	8	2	–	3	1	–	–	2	–	88
Professionally qualified	23	1	–	9		2	–	11	–	100
Skilled	77	1	–	57	4	–	–	12	3	95
Semi-skilled	170	7	–	109	3	1	–	50	–	98
Unskilled	46	1	–	14	–	1	–	30	–	100
Total	**324**	**12**	**-**	**192**	**8**	**4**	**-**	**105**	**3**	**97**

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

SKILLS DEVELOPMENT OBJECTIVES

The main objectives of our skills development initiatives are to create a competent and capable workforce, one that contributes to the sustainability of Alexkor. We endeavour to achieve this through enhancing employees' existing skills, and through providing a solid skills development framework aligned to both the DMR and standard mining requirements. Through this we aim to:

- Ensure the sustainable development of our workforce
- Enable the efficient assessment of talent, in order to provide future mobility opportunities; and create a high-performance culture, through the application of the accepted performance management system and effective leadership.

Our skills development initiatives are also aimed at developing and mobilising existing skills in support of our operational requirements. Investment in skills development in Alexkor and the PSJV amounted to R2.75 million during the year under review.

BURSARIES

During the year under review, we invested R0.41 million (R0.51 million in 2017) in our bursary programme. One of our bursary students, Ms Baratang Mathobi graduated with a degree in Environmental Management from the Cape Peninsula University of Technology. We are also delighted to acknowledge that our three remaining bursary students from the various provinces are progressing well with their studies.

REMUNERATION

Salaries are benchmarked against industry and market trends and are paid based on the total package concept. Our remuneration policy is based on the principle of equal rates of pay for male and female employees of equal qualifications and experience. The salary or wage bill for Alexkor and the PSJV for the current year amounted to R66,1 million (R66,5 million in the previous year).

INDUSTRIAL RELATIONS

We continue to have a harmonious relationship with our main union – the National Union of Mineworkers (NUM) – with whom we engage on a regular basis in an endeavour to maintain a sound working relationship. During the 2017/8 period wage negotiations were successfully concluded. Employee relations remain stable and engaging, with active union membership representation as follows: NUM 70%, UASA 3% and non-affiliates 27%.

OUR COMMITMENT TO HEALTH AND SAFETY AND THE ENVIRONMENT

HEALTH AND SAFETY

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

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

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

Injury statistics	Land	Marine	2017/18
Minor injuries	2	1	3
Disabling injuries	1	1	2
Lost time injuries	1	1	2
Reportable injuries	–	–	–
Fatalities	1	0	1

Despite all of the above interventions, it is with great sadness that we must report that a contractor employee, Mr Daniël Hayes, was fatally injured on 19 March 2018. He was the foreman of West Coast Beach Mining and was driving a light vehicle on the mine main gravel road towards the Voltas workshop when his vehicle left the road and overturned. The deceased, was thrown out of the vehicle and was declared dead on the scene. Our thoughts are with his family and friends.

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

REHABILITATION UPDATE

LEGACY REHABILITATION PROGRAMME

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

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

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

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

This process of removing asbestos-contaminated material from Alexander Bay and the demolition of buildings started in the second quarter of the financial year under review. An external service provider that specialises in asbestos handling, was appointed through an open tender process and is currently busy with the legacy rehabilitation process. The project is progressing well and as at 31 March 2018, the remaining cost of undertaking this legacy rehabilitation programme was evaluated and calculated by a competent firm (SRK Consulting), to be R214 million, down from R258 million in 2017.

The following are the pictures from the rehabilitation work of asbestos removal and demolition of structures:

AIRPORT AND WEATHER STATION

Before

After

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

OHMS PUMP AND SECURITY STATION


Before


After

DOG/HORSE COMPLEX


Before


After

NORTH EAST HOSTEL


Before


After

NORTH WEST HOSTEL


Before


After

OHMS AND MARINE RECOVERY

Before

After

OLD 68 PLANT

Before

After

OLD BOEGOEBERG PLANT

Before

After

MERENSKY PLANT

Before

After

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

CONCURRENT REHABILITATION

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

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

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


Contractor is employing a concurrent rehabilitation method in the MV 44 mining block. Furthermore the contractor is compliant with soil handling as per ECOP instruction.


Contractor conducting concurrent rehabilitation methods in the block situated at Cliffs LCA. The stripped overburden is backfilled in current mined-out areas. Please see image below.


Contractor employs concurrent rehabilitation in its Mining Work Programme in PNR 424. The stripped overburden is backfilled in mined-out portions of PNR 424. The backfilled overburden is profiled to fit the general landform (ECOP instruction). A historic mined out area is backfilled with screened waste and stripped overburden by GDM.

04 GOVERNANCE AND COMPLIANCE REPORT

HOW WE ARE GOVERNED

ALEXKOR'S COMMITMENT TO CORPORATE GOVERNANCE

The Board is committed to the principles of fairness, accountability, responsibility and transparency as encapsulated in the Report on Corporate Governance for South Africa 2016 (King IV). This commitment to integrity and good governance is formalised in the Board charter, the terms of reference of the various committees, and in the financial and sustainability policies and processes, all of which have been approved by the Board and are reviewed annually.

The Board is comfortable that it has adhered to the guidance in King IV to the extent that it is applicable to a state-owned company. During the year under review, extensive progress was made in updating policies, processes and disciplines to comply with King IV, to the extent to which it is applicable to Alexkor.

The Board acknowledges its responsibility for the integrity of the Integrated Report and is of the view that the 2018 Integrated Report provides a balanced view of the Company's integrated performance and addresses all key material matters.

OUR BOARD

BOARD COMPOSITION

As a state-owned entity, it is the prerogative of the Shareholder, represented by the Minister of Public Enterprises (DPE), to appoint the directors of the Board.

The composition of the independent non-executive directors has remained stable during the year under review. Dr Paul continued to act as Advisor to the Board.

Mr Vimal K Bansi, the Acting Chief Executive Officer, resigned from the Board on 6 November 2017 and Mr Humphrey Mokwena was appointed as Acting Chief Executive Officer for the period 7 November 2017 to 30 November 2017 in addition to his responsibilities as Chief Operating Officer. On 1 December 2017, Mr Lemogang Pitsoe was appointed as Chief Executive Officer.

Following the resignation of Ms Tsundzukani Mhlanga as Acting Chief Financial Officer on 30 April 2017, Mr Jacques Bonnet was appointed Acting Chief Financial Officer on 1 May 2017. Mr Bonnet resigned as Acting Chief Financial Officer on 31 October 2017 and Ms Adele Small was appointed as Acting Chief Financial Officer in his place from 1 November 2017 to 7 January 2018. On 8 January 2018, Ms Adila Chowan was appointed as Chief Financial Officer.

The appointments of a permanent Chief Executive Officer and a Chief Financial Officer have stabilised the executive leadership, but the Board is still concerned about the two vacancies for independent non-executive directors at year-end and the additional vacancy that will arise on 1 June 2018 due to the resignation of Ms Mamoroke Lehobye. The Shareholder representative has been advised of the urgency to fill the vacancies on the Board.

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

ETHICAL CULTURE

The Board leadership assumes responsibility for the governance of ethics by setting the direction for how ethics should be approached and addressed throughout the group. Its ethical foundation is characterised by the values of responsibility, accountability, fairness and transparency. The social, ethics and human resources committee assists the Board in its oversight role of monitoring the Company's ethical conduct.

Further details of the activities of the social, ethics and human resources committee are detailed on page 45 of this integrated report.

CONFLICTS OF INTERESTS

The Board and employees are given guidance on how conflicts of interests may arise and how they should be addressed in its Code of Business Conduct and Conflicts of Interest policy.

All material and potential conflicts of interests between a director and the Company are declared and recorded at every Board and committee meeting. Where a material or potential conflict arises, the matter is addressed according to the provisions of the Companies Act and the Code of Business Conduct and Conflict of Interest policy. These matters are also reported to the Shareholder at the annual general meeting. For the period under review, all directors declared that they had no interests regarding any of the agenda items at either Board or committee meetings. In one instance, Mr Haasbroek, made a full disclosure on a matter and thereafter recused himself for the duration of the Board discussions and decision.

REGULATORY ENVIRONMENT

The Board performs the roles and functions of an accounting authority as prescribed by its MOI, the PFMA, National Treasury regulations and guidelines, the Companies Act 2008, industry regulations and other applicable legislation, regulations and guidelines.

HOW WE ARE GOVERNED (CONTINUED)

BOARD STRUCTURE

Board of directors

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms M Lehobye (Chairperson)
Mr T Haasbroek
Mr T Matona

BY INVITATION:

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

Internal auditors
External auditors
Representatives from the AGSA

MANDATE:

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

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr T Haasbroek (Chairperson)
Mr S Danana
Ms Z Ntlangula

BY INVITATION:

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

MANDATE:

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

Committees

AUDIT AND RISK COMMITTEE

TENDER COMMITTEE

Executive committee

MEMBERS:

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

BY INVITATION:

Corporate Services Manager
Acting Financial Manager
Supply Chain Management Officer
Company Secretary

MANDATE:

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

THREE INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr T Haasbroek (Chairperson)
Mr T Matona
Ms H Matseke

BY INVITATION:

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

MANDATE:

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

ENVIRONMENTAL REHABILITATION COMMITTEE

FOUR INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr T Matona (Chairperson)
Mr S Danana
Ms H Matseke
Ms Z Ntlangula

EX OFFICIO MEMBERS

CEO: Mr L Pitsoe
Company Secretary: Ms J Matisonn
Corporate Services Manager: Ms P Momoza

BY INVITATION:

CFO: Ms A Chowan
COO: Mr H Mokwena

MANDATE:

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

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

DECISION-MAKING PROCESSES OF THE BOARD

BOARD CHARTER

The Board is responsible for managing the Company and ensuring its long-term economic, social and environmental sustainability. The Board delegates responsibility to the committees detailed above, whose members are specialists in their respective fields. This enables the committees to meet their objectives as defined in their terms of reference. The Board ensures that it meets its compliance obligations in relation to policy and regulation to support government's commitment to economic transformation, beneficiation, job creation and B-BBEE criteria. The Board oversees the implementation of global best practices regarding safety, skills development and procurement to support the growth of the economy and empower local communities.

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

MANAGING RISK IN AN INTEGRATED WAY

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

Alexkor implements and maintains effective, efficient and transparent systems of risk management and internal controls. Risk management processes are embedded into Alexkor's systems and processes, ensuring that responses to risks remain current and dynamic. All risk management efforts are focused on supporting the Company's objectives. They ensure compliance with relevant legislation and fulfil the expectations of employees, local communities and other stakeholders in terms of good corporate governance. The risk management framework allows Alexkor to anticipate and respond to unpredicted events or conditions that may give rise to business risks that, individually or collectively, may have a significant impact on the Company's ability to fulfil its obligations set out in the strategic plan.

Alexkor has an information and communication technology change management policy which establishes high level objectives for change management and control. The implementation contributes to mitigating associates risks. There are several other ICT policies that have been reviewed and amended for approval by the Board in the new financial year.

Further details appear in the Material Issues and Risks Report on page 18.

PERFORMANCE EVALUATION

The Board outsources an independent Board evaluation annually which evaluates the Chairperson, the Board of directors collectively and individually, the Board committees and their chairpersons and the Company Secretary. This process took place during April to May 2018 for the year under review. The overall evaluation was that the majority of the Board was comfortable that the Board and its committees are well governed, and that they are directing the Company and its affairs in a manner that is expected by the Shareholder. The Board also concluded that it was satisfactorily fulfilling its fiduciary duties and the mandates to which it had been assigned.

The outcomes of the Board evaluation process that require attention in the new financial year are the following:

Item identified	Agreed action plan	Timeline
Filling vacant Board positions, including reviewing the skills requirements relative to the new strategic direction of the business and the inclusion of a Shareholder representative on the Board	The Minister has advised that he is reviewing the future role of Alexkor and no Board appointments will be made until this process has been completed.	Ongoing
Reviewing the continuous professional development programme, particularly in light the new strategic direction of the business	ENS Africa provided training to the board on Environmental Law	Completed

Item identified	Agreed action plan	Timeline
Re-evaluating the risk management framework in light of the new strategic direction of the business	Once the board receives direction from the Minister on the future direction of Alexkor, it will undertake an in-depth risk management workshop to identify key risks	Ongoing
Enhancing the governance of the Company's information and technology	Various IT policies were reviewed and approved by the Board on 22 May 2018	Ongoing
Conducting regular internal ethics assessments and lifestyle audits	Lifestyle audits will be implemented. A policy to give effect thereto will be drafted, subject to employee consent and available funds	December 2018
Reviewing the quality and adequacy of meeting packs prior to submission to the Board Members	Timeous submission of documentation will be implemented	Implemented
Conducting a stakeholder mapping exercise to determine who the material stakeholders of the business are	A stakeholder review will be undertaken once the new Board has been appointed	December 2018
Developing and implementing a Corporate Governance Framework	A corporate governance framework has been reviewed and approved by the Board	Completed

As part of the Board's commitment to ensuring a highly effective Board, a high-level training seminar was held for both the Board and senior management which focused on compliance with the PFMA and National Treasury Regulations. In addition, the Executive Committee attended a half-day seminar to improve their understanding and implementation of supply chain management.

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

KEY STRATEGIC FOCUS AREAS

The Board and its committees collectively take responsibility for its strategic focus areas. Timelines have been agreed to and the status of each key strategic focus area is detailed in the CEO's overview on pages 34 to 36.

COMPANY SECRETARY

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

The Board is satisfied that the Company Secretary, Ms Joanne Matisonn, FCIS; H.Dip.Co.Law (Wits); MA in applied ethics for professionals (Wits), is suitably qualified to perform her duties in accordance with the applicable legislation and is considered by the Board to be a fit and proper person for the position. She does not fulfil an executive management function and is not a director. The Company Secretary reports directly to the Chairperson of the Board. Accordingly, the Board is satisfied that she maintains an arm's-length relationship with the executive team, the Board and the individual directors.

The Board members have unrestricted access to the advice and guidance of the Company Secretary.

THE PSJV

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

Alexkor remains hopeful that the final phases of the implementation of the DoS will move to a conclusion in the foreseeable future. Alexkor will retain marine diamond mining as its core business but has also embarked on new initiatives to provide for its ongoing sustainability and to ensure that it remains relevant and supports the State's development objectives. Further details of the future strategy of the Company appear in the CEO's Overview on pages 34 to 36.

OUR GOVERNANCE FRAMEWORK

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

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

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

Alexkor has adopted a zero-tolerance policy of ethical breaches and is committed to ensuring that consequential management is implemented for all ethical breaches and legal transgressions.

A whistle-blowers' hotline is in place at all operations and staff are encouraged to report ethical breaches. Regular staff awareness campaigns are conducted to ensure that integrity is embedded into the culture of the Company. No material unethical or incidences of fraud were reported in the year under review.

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

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

The Board has both a commercial and a social mandate and is extensively involved, primarily through the PSJV, in meeting the needs of the Richtersveld community as well as other social objectives as detailed on page 44. As a good corporate citizen, Alexkor ensures that it protects the environment (see pages 49 to 52) and responds to the legitimate interests, needs and expectations of other key stakeholders, balancing short- and long-term strategic objectives (see page 10).

KEY MATTERS DISCUSSED/APPROVED BY THE BOARD

APR 2017

- Approved the 31 March 2017 Quarterly Report
- Approved contractor for removal of contaminated asbestos material and demolition of buildings

MAY 2017

- Approved 2017 unaudited annual financial statements
- Approved S54(2) pre-notification application to progress coal strategy

JUN 2017

- Approved short list of candidates for positions of CEO and CFO

JUL 2017

- Approved ARC to finalise 2017 audited AFS and Integrated Report
- Approved 30 June 2017 Quarterly Report
- Reviewed going concern assumptions
- Approved Board evaluation report
- Condoned irregular expenditure

OCT 2017

- Approved 30 September 2017 Quarterly Report
- Extended Board Advisor's contract to include Corporate Services Manager's duties

NOV 2017

- Approved strategy

JAN 2018

- Approved 31 December 2017 Quarterly Report

FEB 2018

- Approved 2018/2019 Corporate Plan
- Reviewed risk register, irregular expenditure, fruitless and wasteful expenditure and contracts register
- Approved exploration of new diamond mining opportunities

KEY GOVERNANCE OBJECTIVES

Governance objective	Status
Ensure that the Board and its committees understand their roles and responsibilities	The Board charter and terms of reference of the various committees have been reviewed and updated as appropriate
Ensure that the delegation of authority meets the needs of the Company	The delegation of authority was updated to meet the Company's current requirements
Review of Fraud Prevention Plan and Policy	Approved without amendments
Formalise Dividend policy	Drafted for approval in new financial year
Formalise Tax policy	Drafted for approval in new financial year
Formalise Risk Appetite and Tolerance policy	Drafted for approval in new financial year

Governance objective	Status
Review Disciplinary Code and procedure	Approved with amendments to disciplinary procedures
Review Subsistence and Travel policy	Updated for approval in new financial year
Annual review of internal audit charter	Approved without amendments
Review Code of Ethics	Updated and aligned to include Prevention and Combating of Corruption Act amendments
Review conditions of Services policy	Approved without amendments
Review Industrial Relations policy	Approved with amendments to bursary conditions, acknowledgement of debt and executive leadership development programme
Review Human Resources Development policy	Approved without amendments
Review HIV-AIDS policy	Approved without amendments
Review Employment Equity policy	Approved without amendments
Review Remuneration policy	Approved with amendments to the acting capacity
Review Corporate Social Investment policy	Approved with amendments to the management of the programme
Review Substance Abuse policy	Approved without amendments as appropriate
Review the annual work plans for the Board and its committees	Approved with amendments to working on public holidays

COMPLIANCE WITH KING IV

The Company complies with the principles of King IV, as detailed in the King IV application register, which is available on the Company's website. The following exceptions are noted:

- The Board does not elect the Chairperson. This is the prerogative of the Shareholder.
- The Board does not appoint the CEO. The Board makes a recommendation to the Shareholder who makes the appointment.
- The Audit and Risk Committee does not evaluate the expertise of the CFO and the finance function.
- Some governance policies are still undergoing finalisation and approval.

ENSURING A COMMON UNDERSTANDING ON MEETING ALEXKOR'S OBJECTIVES

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

The Board is committed to improving the lives of the Richtersveld community. The Company has regular interaction with the Richtersveld community in an endeavour to resolve legacy issues and create a more positive relationship going forward.

DIRECTORS' REMUNERATION

The SE&HR reviewed the executive and non-executive remuneration based on industry and market-related benchmarks and made proposals to the Shareholder. Considering cost containment principles, the Shareholder approved increases within the parameters of the guidelines of state-owned entities at the 2017 annual general meeting.

Details of the remuneration structure of the independent non-executive directors and of the executive directors appear in the notes of the annual financial statements (note 28).

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Name	Board	Audit and Risk Committee	SE&HR	Environmental Rehabilitation Committee	Tender Committee
Ms H B Matseke	8/8	n/a	6/7	3/3	n/a
Mr S J Danana	8/8	n/a	7/7	n/a	3/4
Mr T Haasbroek	8/8	6/6	n/a	3/3	4/4
Ms M Lehobye	5/8	6/6	n/a	n/a	n/a
Mr T J Matona	8/8	3 /6	6/7	0/3	n/a
Ms Z Ntlangula	6/8	n/a	6/7	n/a	4/4
By invitation					
Mr V Bansi[1]	4/8	3/6	3/7	2/3	3/4
Mr J Bonnet[2]	4/8	3/6	1/7	2/3	3/4
Ms A Chowan[6]	1/8	2/6	1/7	1/3	1/4
Ms J Matisonn	7/8	5/6	6/7	3/3	4/4
Ms T Mhlanga	1/8	1/6	n/a	n/a	n/a
Mr H Mokwena[4]	5/8	6/6	4/7	3/3	4/4
Mr L Pitsoe[5]	3/8	2/6	n/a	1/3	1/4
Dr R Paul	8/8	n/a	3/7	n/a	n/a
Ms A Small[3]	n/a	1/6	n/a	n/a	n/a

Notes:

1. *Mr V Bansi resigned as Acting CEO on 6 November 2017 and was recused from a special board meeting.*
2. *Mr Bonnet resigned as Acting CFO on 31 October 2017.*
3. *Ms A Small was appointed as Acting CFO from 1 November 2017 to 7 January 2018.*
4. *Mr H Mokwena was appointed Acting CEO from 7 November 2017 to 30 November 2017.*
5. *Mr L Pitsoe was appointed CEO on 1 December 2017.*
6. *Ms A Chowan was appointed CFO on 8 January 2018.*

ATTENDANCE AT PSJV BOARD AND COMMITTEE MEETINGS

Name	Board	Audit and Risk Committee	Technical Committee	Remuneration Committee	Tender Committee
Ms H B Matseke[1]	7/7				
Mr S J Danana[1]	5/7	4/4	4/4		3/3
Mr T Haasbroek[1]	6/7	4/4	4/4	2/2	3/3
Ms P Mokhali[2]	7/7	2/4	1/4	2/2	
Mr G Oliphant[2]	4/7			1/2	1/3
Mr A Maarman[2]	6/7		3/4		2/3
By invitation (Alexkor Management)					
Mr V Bansi	3/7		1/4		1/3
Mr L Pitsoe	2/7		1/4		
Dr R Paul	2/7				
By invitation (PSJV Management)					
Mr M Carstens	7/7	4/4	4/4	2/2	3/3
Ms R Phillips	7/7	4/4	4/4	2/2	3/3
Mr F Strauss	5/7	4/4			2/3
Mr G Cloete	1/7		4/4		2/3
Mr M Zibani			3/4		
Ms N Zwane			2/4		
Ms L Swartbooi			2/4		1/3
Mr J Matsetela					1/3
Ms N Welman				2/2	

Notes:

1. *Alexkor representatives*
2. *RMC representatives*


BELL

05

ANNUAL FINANCIAL STATEMENTS

Index

DIRECTORS' APPROVAL OF FINANCIAL STATEMENTS

for the year ended 31 March 2018

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

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

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

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

Alexkor's Audit and Risk Committee has reviewed the going concern basis and the effectiveness of Alexkor and the Group's internal controls. The committee has evaluated Alexkor and the Group's annual financial statements and has recommended their approval to the Board. The Audit and Risk Committee's approval is set out on pages 72 to 73. 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 and the Group are adequate to ensure that the financial records may be relied upon for preparing the annual financial statements, and that accountability for assets and liabilities is maintained. The directors have made an assessment of the ability of Alexkor and the Group to continue as a going concern in the foreseeable future.

The directors reviewed Alexkor's and the Group's performance for the year ended 31 March 2018 and the cash flow forecast for the 12 months ending 31 March 2019. The Board is pursuing funding options to implement the Group's investment strategy. In assessing the ability to raise funds, both loans and capital funding, the current economic climate has been considered and Alexkor continues to engage the Department of Public Enterprise. Based on the above, the directors are satisfied that Alexkor and the Group have access to adequate resources and facilities to be able to continue its operations for the foreseeable future. Accordingly the Board 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 judgements and estimates and are prepared on the going concern basis. In the opinion of the directors, based on the information available to date, the annual financial statements fairly present the financial position of Alexkor and the Group at 31 March 2018 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). The independent external auditors audited the Alexkor and Group annual financial statements in accordance with ISA and the PAA and their unqualified audit report is presented on page 74. The independent external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of directors and committees of the Board. The directors believe that all representations made to the independent external auditors during their audit are valid and appropriate.

The Alexkor and Group annual financial statements for the year ended 31 March 2018 have been prepared under the supervision of the Chief Financial Officer, Ms A Chowan CA(SA), and approved by the Board of directors and signed on its behalf on 24 July 2018 by:

Ms H Matseke
Chairperson

Mr L Pitsoe
Chief Executive Officer

STATEMENT BY THE COMPANY SECRETARY

for the year ended 31 March 2018

I, the undersigned, in my capacity as Company Secretary do hereby confirm that for the financial year ended 31 March 2018, Alexkor SOC Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of the Companies Act, No. 71 of 2008, as amended, and that to the best of my knowledge such returns are true, correct and up to date.

Ms J Matisonn
Company Secretary

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 March 2018

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 2018.

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. Information on the membership and the composition of the committee is set out in the 2018 integrated report and related information on the Alexkor SOC Limited website.

The committee fulfilled all its statutory duties as required by section 94(7)(f) of the Companies Act. The committee reports that it has adopted an appropriate formal 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 comprises three independent non-executive directors. The Audit and Risk Committee held six scheduled meetings during the year ended 31 March 2018.

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

EXECUTION OF FUNCTIONS

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

GOING CONCERN ASSUMPTION

The committee considered the following:

- robustness of budgets and business results;
- cash flow projections for the 12 months ending 31 March 2019;
- cost saving opportunities to reduce the net profit shortfall;
- the cost of the capital projects; and
- going concern as the basis of preparation of the annual financial statements.

OVERSIGHT OF FINANCIAL AND NON-FINANCIAL REPORTING AND DISCLOSURE

The committee considered the following:

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

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

The committee considered the following:

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

INTERNAL AND EXTERNAL AUDIT

The committee considered the following:

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

OPINION

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

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

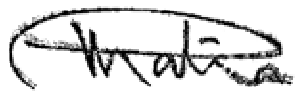
The committee considered the irregular and fruitless and wasteful expenditure reported in terms of the PFMA. Notwithstanding these aspects, the committee is satisfied that nothing significant has come to the attention of the committee to indicate any material breakdown in the functioning of the controls,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

RECOMMENDATION OF THE ANNUAL FINANCIAL STATEMENTS

The committee has evaluated the financial statements of Alexkor and the Group for the year ended 31 March 2018 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. The committee concurs with the Board and management that the adoption of the going concern premise in the preparation of the annual financial statements is appropriate.

The committee has therefore, at their meeting held on 23 July 2018, recommended the adoption of the financial statements by the Board.

On behalf of the Audit Committee:



Mr T Matona
Chairman Audit Committee

INDEPENDENT AUDITOR'S REPORT

for the year ended 31 March 2018

TO PARLIAMENT ON ALEXKOR SOC LIMITED

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

We have audited the consolidated and separate financial statements of Alexkor SOC Limited set out on pages 84 to 123, which comprise the consolidated and separate statement of financial position as at 31 March 2018, and the consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2018, and its financial performance and cash flows for the year then ended 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) (PFMA) and the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

BASIS OF OPINION

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

THE ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act and the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the accounting authority is responsible for assessing the 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 public entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

We also:

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

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

We also provide the directors with a statement that we have complied with the relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

REPORT ON OTHER AND REGULATORY REQUIREMENTS

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 reportable irregularities in terms of the Auditing Profession Act. We have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in note 35 to the financial statements.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

for the year ended 31 March 2018

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 objectives presented in the annual performance report of the public entity for the year ended 31 March 2018:

Key performance area (Alexkor SOC Limited)	Pages in the annual performance report
Objective 1 – Financial Sustainability	12 – 13
Objective 2 – Operational Excellence	12 – 13
Objective 3 – Strategic Initiatives/Industrialisation	12 – 13
Objective 4 – Sustainable Development, Socio-economic Impact and Environmental)	12 – 13

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

The material findings in respect of the usefulness and reliability of the selected key performance areas are as follows:

KEY PERFORMANCE OBJECTIVE – FINANCIAL SUSTAINABILITY

Indicator – rental income collected (Alexkor)

The rental income indicator used to measure the performance as per the Annual Performance Report (APR) is based on the budget. The indicator should, however, be measured based on the monthly billing amounts.

KEY PERFORMANCE OBJECTIVE – STRATEGIC INITIATIVES/INDUSTRIALISATION

Indicator – Establish a diamond beneficiation facility (Alexkor)

The planned target for this indicator was not specific in clearly identifying the nature and required level of performance and did not specify the period or deadline for delivery to achieve the end result of establishing the diamond beneficiation facility.

KEY PERFORMANCE OBJECTIVE – SUSTAINABLE DEVELOPMENT (SOCIO-ECONOMIC IMPACT AND ENVIRONMENTAL) INDICATORS

Conclude on historic environmental rehabilitation (SOC)

The unit of measure for this indicator was not clearly specific in defining how the key performance indicator would be measured for the achievement of concluding on historic environmental rehabilitation.

Expansion of exploration programme (PSJV)

We were unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined method to be used when measuring the actual achievement for the indicator. This was due to a lack of technical indicator descriptions, formal standard operating procedures and specific the period or deadline for delivery to achieve the end result of completing the exploration of Muisvlak, Langpan, Zeemanrus and Oubeeb. We were unable to test whether the indicator was well-defined by alternative means.

CSI Spend (PSJV)

We were unable to obtain sufficient appropriate audit evidence that clearly defined the predetermined method to be used when measuring the actual achievement for the indicator. This was due to a lack of audit evidence to establish the CSI Interventions that were agreed in the CSI Forum as per the indicator. We were unable to test whether the indicator was well-defined by alternative means.

Procurement (PSJV and SOC)

We were unable to obtain sufficient appropriate audit evidence to support the reported achievement of targets as noted below. This was due to a lack of technical indicator descriptions and proper performance management systems and processes and standard operating procedures or documented systems descriptions that predetermined how the achievement would be measured, monitored and reported. We were unable to confirm the reported achievement of the indicators by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievements in the annual performance report.

Key Performance Indicator	Reported achievement	
	Target	Actual
Total black youth owned	0.5%	–
People with disabilities	0.1%	–
Total BBBEE Spend	250 000	74 778
Spend on BEE compliant companies	90%	55%
EME % per designated group (BYO, BWO, BPWD)	10%	–
BBBEE Level	5	–

ADDITIONAL MATTER

We would like to draw attention to the following matter with regards to performance information:

ACHIEVEMENT OF PLANNED TARGETS

Refer to the information on the achievement of planned targets for the year as presented in the Report of the Directors of Alexkor SOC Limited and set out on pages 79 to 83 of the annual report for the year ended 31 March 2018. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected objectives in this report.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

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

The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Procurement and contract management

Quotations, competitive bidding and contract variations

Goods, works or services were not always procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance were also reported in the prior year.

Preferential Procurement

Certain contracts and quotations were awarded to bidders that were based on preference points that were not calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations. Similar non-compliance was also reported in the prior year.

Consequence management

The accounting authority did not correctly investigate irregular and fruitless and wasteful expenditure that was identified in the prior year and the irregular expenditure was not condoned by the appropriate condoning authority.

We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular and fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA, that allegations of financial misconduct against members of the accounting authority were investigated, as required by treasury regulation 33.1.3 and that investigations were conducted into all allegations of financial misconduct committed by officials, as required by treasury regulation 33.1.1. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular and fruitless and wasteful expenditure and allegations of financial misconduct committed by members of the accounting authority.

Revenue management

Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the PFMA.

EXPENDITURE MANAGEMENT

Irregular expenditure

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R26 million (2017: R14 million) as disclosed in note 29 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

for the year ended 31 March 2018

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report which includes the director's 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 financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

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

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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

We considered internal control relevant to our audit of the financial statements, reported performance information and compliance with applicable legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in, the findings on the annual performance report and the findings on compliance with legislation included in this report.

Leadership

The public entity's accounting authority did not always provide effective leadership based on good governance, protecting and enhancing the best interests of the entity as they did not always exercise oversight responsibility regarding the prevention, identification and reporting of irregular expenditure, performance reporting and compliance with related internal controls.

The public entity experienced instability in leadership in the current financial year as a result of a number of resignations in key leadership positions. Instability in top leadership has contributed to the lack of proper procurement and contract management processes as well as effective consequence management practices.

FINANCIAL AND PERFORMANCE MANAGEMENT

Management did not always implement proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support transactions relating to the reporting of irregular expenditure, procurement and contract management and performance reporting. They did not always review and monitor compliance with updated applicable legislation.

OTHER REPORTS

INVESTIGATIONS

During the financial year under review, the Minister of Public Enterprises initiated an investigation into alleged irregularities regarding the awarding of the diamond marketing tender to a supplier. At the reporting date, the investigation is still ongoing.

AGREED-UPON PROCEDURE ENGAGEMENTS

An agreed upon procedures engagement was performed on the National Treasury consolidation template. The report covered the period from 1 April 2017 to 31 March 2018.

AUDITOR'S TENURE

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that SizweNtsalubaGobodo have been the auditors of Alexkor SOC Limited for two years.

SizweNtsalubaGobodo Inc.
Luvo Mvinjwa CA(SA)
Director
Registered Auditor

20 Morris Street East
Woodmead
Johannesburg

31 July 2018

DIRECTOR'S REPORT

1. BOARD OF DIRECTORS

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

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

Name	Appointed	Resigned/ Term expired
Ms H B Matseke	August 2015	
Ms Z Ntlangula	September 2012	
Mr J S Danana	August 2015	
Mr T Haasbroek	August 2015	
Mr T Matona	August 2015	
Ms M Lehobye	August 2015	May 2018

2. OVERVIEW OF FINANCIAL PERFORMANCE

	Group			Company		
Performance for the year	**2018**	**2017**	**% change**	**2018**	**2017**	**% change**
Revenue	208 652 380	386 330 227	(46)%	–	–	–
Profit/(Loss) for the year	34 244 397	6 049 414	466%	41 427 625	(5 899 906)	802%
Carats produced (in units)	41 941	162 172	(74)%	–	–	–
Capital expenditure	43 147 524	37 945 393	14%	1 915 934	317 158	504%

The significant decline in carat production is as a result of significant decrease in boat days due to unfavourable weather conditions affecting mid and deep sea mining and lack of production from IMDSA during 2018 financial year.

3. DIVIDENDS

No dividends have been paid, proposed or declared during the year under review (2017: 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 Shareholders' compact was signed between the Board and the executive authority for the period under review. Performance objectives are captured within the compact and are reported against the outcomes on a quarterly basis.

The Shareholders' compact key performance indicators (KPIs), which are revised annually by agreement between the Board of directors and the Shareholder representative, serve as the performance monitoring framework for the Company. Performance against the Shareholders' compact 2018 financial year targets are outlined in section 1 of the Integrated Report. This performance information has been subject to an audit review and the Company's auditors have reported no adverse finding on the performance against predetermined objectives.

6. LITIGATION STATEMENT

There are no current outstanding legal matters for the year under review, except for the matter disclosed under contingent liabilities note 32.

7. GOING CONCERN

The Board took cognisance of the losses suffered during the past number of financial years and a lack of production in the current financial year from International Mining and Dredging South Africa (Pty) Limited (IMDSA) due to the vessel that caught fire in April 2017 and the resultant cash flow operational shortage.

The Board monitors these developments on a regular basis, in order to mitigate threats to the operations of the company, namely:

- The Group has negotiated with IMDSA to relinquish their exclusivity in one of the concessions allowing PSJV to appoint another marine mining contractor for a period of three years. The contractor has commenced mining and has to date generated 1 185.5 carats, resulting in a revenue of R17 million.
- The contractor has also commissioned the vessel Ya Toivo and has anticipated for the vessel to commence mining during the third quarter of 2019 financial year.
- Operational cash flow shortage – due to the ongoing rehabilitation, the revised rehabilitation liability has decreased. The rehabilitation liability to be funded from the MTEF has been reduced and excess can be utilised for operational purposes.
- Alexkor is in discussion with the PSJV to obtain further loan repayments that will ensure cover of the shortfall in funding the operational budget.

Based on the above assessment, management is satisfied that the entity is a going concern.

8. SHARE CAPITAL

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

9. PERFORMANCE OBJECTIVES RELATED TO ALEXKOR

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

Key Performance Area	Key Performance Indicator	Unit of Measure	YTD Target	YTD Actual	Notes
Financial Position	Cash Buffer	Rand	R65 million	R59 million	Management is exploring short-term and long-term strategies to overcome cash flow shortfall. This include MTEF application to the National Treasury
Financial performance	Rental Income Collected	%	85%	145%	Achieved
Commodity Diversification	Implement Coal Strategy	Date	Completion of due diligence study by 31 March 2018	Complete	Achieved

Key Performance Area	Key Performance Indicator	Unit of Measure	YTD Target	YTD Actual	Notes
Mineral Beneficiation	Establish a diamond beneficiation facility	Complete Report	Completed Strategy for establishment of a diamond beneficiation facility	Complete	Diamond beneficiation strategy has been completed and submitted to DPE
Conclude historical environmental rehabilitation	Execution of the plan	Date	Removal of Asbestos material to Visserhoek (Cpt) by 31 March 2018	100% complete	Asbestos removal is 100% complete
Procurement	Black Owned	%	70%	86%	Achieved
	Black Woman Owned	%	3%	78%	Achieved
	Black Youth Owned	%	0.5%	–	Not achieved
	People with disabilities	%	0.1%	–	Not achieved

10. PERFORMANCE OBJECTIVES RELATED TO THE PSJV

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

Key Performance Area	Key Performance Indicator	Unit of Measure	YTD Target	YTD Actual	Notes
Financial Performance	EBITDA Margin	%	10.5%	1.23%	Not achieved due to lower production
Diamond Production	Total Mine Production	Carats Produced	52 000	41 941	Not achieved due to sea days being affected by bad weather
	Deep Water (IMDSA)	Carats Produced	–	–	Mining Vessel was not available for production during 2018
	Shallow water	Carats Produced	5 000	6 493	Achieved
	Expansion of exploration programme	Exploration report on targeted areas	Complete exploration at Muisvlak, Langpan, Zeemanrus and Oubeeb		In Progress
Safety	Fatalities	Number	–	1	Not achieved, one fatality occurred during the financial year

DIRECTOR'S REPORT (CONTINUED)

for the year ended 31 March 2018

Key Performance Area	Key Performance Indicator	Unit of Measure	YTD Target	YTD Actual	Notes
Skills Development	Artisan Trainees	Number	12	21	Achieved
	Technical Trainees	Number	2	–	Not achieved
	Engineering Trainees	Number	8	2	Not achieved
	Internships and Learnerships dev. Programme	Number	12	2	Not achieved
	Training Spend	% of personnel spent	4.5%	2.55%	Not achieved due to cost containment measures
	CSI Spend	Rand	R5.6 million	R4 million	Not achieved due to cost containment measures
Employment Creation	Direct Jobs created	Number	2	2	Achieved
	Indirect Jobs	Number	6	–	Not achieved
	Spend on BEE compliant companies	%	90%	73%	Not achieved
	Total Black-Owned as a % of local spend	%	70%	50%	Not achieved
	Total Black Women Owned as a % of local spend	%	3%	9%	Achieved
	Total Black Youth Owned as a % of local spend	%	0.5%	–	Not achieved
	People with disabilities as a % of local spend	%	0.1%	–	Not achieved
	QSE	Rand	R1.5 million	R3.9 million	Achieved
	QSE	% per designated group (BYO, BWO, BPWD)	10%	–	Not achieved
	EME	Rand	R1.5 million	R120 million	Achieved
	EME	% per designated group (BYO, BWO, BPWD)	10%	23%	Achieved
	BBBEE Level	Number	5	–	Renewal of BEE certificate is in progress

11. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

Expenses classified as irregular expenditure primarily relates to misinterpretation of National Treasury Instruction Note 3.

Management has implemented controls and started a process of engaging National Treasury in seeking clarity to avoid a misinterpretation and in exceeding delegations of authority which could potentially lead to irregular expenditure. Where irregular expenditure has been incurred, value for services was received and no financial misconduct was noted.

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

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

12. REPORTABLE IRREGULARITIES

Increase in scope on a tender awarded in contravention of National Treasury Instruction Note 3

Management applied the 20% threshold for increase in scope of a tender awarded in term of the National Treasury Instruction Note 3. The 20% threshold applies to construction related goods, works and related services. The tender awarded related to legacy rehabilitation and included demolition of buildings and disposal of asbestos material. After consultation with the National Treasury and the Auditor General, it was concluded that the 15% threshold relating to goods and services should have been applied in computing the maximum increase in scope of the tender.

The Board is comfortable that Alexkor SOC Limited received value for services and no financial misconduct was committed.

The value of the increase in scope of the tender is R6 986 645 and management has since approached National Treasury on 22 June 2018 for the condonation of the amount and is awaiting their response.

Awarding of single source supplier in contravention of National Treasury Instruction Note 3

Management procured the CaseWare software for the preparation of annual financial statements. The motivation for the procurement was based on a sole source supplier, as the CaseWare software is suitable for state-owned entity reporting requirements. In terms of the National Treasury Instruction Note 3, the procurement of CaseWare Software is classified as a single source supplier and requires National Treasury approval. The misinterpretation of National Treasury Instruction Note 3 is considered a reportable irregularity by the auditors.

The Board is comfortable that Alexkor SOC Limited received value for services and no financial misconduct was committed.

Management has approached National Treasury on 22 June 2018 for the condonation of the cost of R299 773 for the procurement of the CaseWare software and is awaiting their response.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

Figures in Rand	Note(s)	Group 2018	Group 2017	Company 2018	Company 2017
Assets					
Non-current assets					
Property, plant and equipment	5	54 486 387	57 315 817	3 728 761	1 411 190
Intangible assets	6	82 855 771	55 469 978	103 142	117 626
Investment property	7	14 660 000	14 582 810	14 660 000	14 582 810
Cash held in Rehabilitation Trust	9	109 022 339	129 215 662	109 022 339	129 215 662
		261 024 497	**256 584 267**	**127 514 242**	**145 327 288**
Current assets					
Loans to group companies	10	92 610 000	84 803 949	189 000 000	173 069 284
Inventories	11	21 232 649	27 796 005	–	–
Trade and other receivables	12	22 336 504	6 370 102	11 594 159	3 712 736
Cash and cash equivalents	25.2	259 363 858	305 487 197	232 855 423	263 956 065
		395 543 011	**424 457 253**	**433 449 582**	**440 738 085**
Total assets		**656 567 508**	**681 041 520**	**560 963 824**	**586 065 373**
Equity and liabilities					
Equity					
Share capital	13	400 000 000	400 000 000	400 000 000	400 000 000
Accumulated loss		(44 432 304)	(78 676 701)	(85 018 860)	(126 446 485)
		355 567 696	**321 323 299**	**314 981 140**	**273 553 515**
Liabilities					
Non-current liabilities					
Provision for environmental rehabilitation	14	216 870 898	260 538 632	214 274 515	258 784 249
Current liabilities					
Trade and other payables	15	84 128 914	99 179 589	31 708 169	53 727 609
Total liabilities		**300 999 812**	**359 718 221**	**245 982 684**	**312 511 858**
Total equity and liabilities		**656 567 508**	**681 041 520**	**560 963 824**	**586 065 373**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2018

		Group		Company	
Figures in Rand	Note(s)	2018	2017	2018	2017
Revenue	17	208 652 380	386 330 227	–	–
Cost of sales	18	(126 782 384)	(277 394 470)	–	–
Gross profit		**81 869 996**	**108 935 757**	**–**	**–**
Other income	20	35 461 061	31 530 066	32 342 695	28 489 054
Other operating expenses	19	(131 182 743)	(146 297 814)	(38 553 715)	(49 218 079)
Operating loss	21	**(13 851 686)**	**(5 831 991)**	**(6 211 020)**	**(20 729 025)**
Investment income	22	51 346 797	35 180 010	50 722 996	37 462 885
Finance costs	23	(3 823 904)	(23 298 605)	(3 657 541)	(22 633 766)
Fair value gain		573 190	–	573 190	–
Profit/(Loss) before taxation		**34 244 397**	**6 049 414**	**41 427 625**	**(5 899 906)**
Taxation	24	–	–	–	–
Profit/(Loss) for the year		**34 244 397**	**6 049 414**	**41 427 625**	**(5 899 906)**
Other comprehensive income for the year net of taxation		**–**	**–**	**–**	**–**
Total comprehensive income/(loss) for the year		**34 244 397**	**6 049 414**	**41 427 625**	**(5 899 906)**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2018

Figures in Rand	Share capital	Accumulated profit/(loss)	Total equity
Group			
Balance at 1 April 2016	**400 000 000**	**(84 726 115)**	**315 273 885**
Profit for the year	–	6 049 414	6 049 414
Total comprehensive income for the year	**–**	**6 049 414**	**6 049 414**
Balance at 1 April 2017	**400 000 000**	**(78 676 701)**	**321 323 299**
Profit for the year	–	34 244 397	34 244 397
Total comprehensive income for the year	**–**	**34 244 397**	**34 244 397**
Balance at 31 March 2018	**400 000 000**	**(44 432 304)**	**355 567 696**
Note(s)	13		
Company			
Balance at 1 April 2016	**400 000 000**	**(120 546 579)**	**279 453 421**
Loss for the year	–	(5 899 906)	(5 899 906)
Total comprehensive loss for the year	**–**	**(5 899 906)**	**(5 899 906)**
Balance at 1 April 2017	**400 000 000**	**(126 446 485)**	**273 553 515**
Profit for the year	–	41 427 625	41 427 625
Total comprehensive income for the year	**–**	**41 427 625**	**41 427 625**
Balance at 31 March 2018	**400 000 000**	**(85 018 860)**	**314 981 140**
Note(s)	13		

STATEMENT OF CASH FLOWS

for the year ended 31 March 2018

		Group		Company	
Figures in Rand	Note(s)	2018	2017	2018	2017
Cash flows from operating activities					
Cash generated from operations	25.1	(28 554 284)	32 914 249	(39 702 138)	(2 948 821)
Finance income		51 346 797	35 180 010	50 722 996	32 872 885
Dividend income		–	–	–	4 590 000
Finance costs		(3 823 904)	(23 301 621)	(3 657 541)	(22 633 766)
Net cash from operating activities		**18 968 609**	**44 792 638**	**7 363 317**	**11 880 298**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(9 058 963)	(10 604 947)	(1 915 934)	(258 158)
Proceeds from the disposal of property, plant and equipment		229 301	120 000	–	120 000
Purchase of other intangible assets	6	(27 838 925)	(27 340 446)	–	(59 000)
Net cash from investing activities		**(36 668 587)**	**(37 825 393)**	**(1 915 934)**	**(197 158)**
Cash flows from financing activities					
Government funded obligations utilised		(28 065 598)	(25 058 523)	(28 065 598)	(25 058 523)
Interest received on Government funded obligations		(12 745 035)	5 757 775	(12 745 034)	7 290 008
Repayment of loan to group companies		4 900 000	–	10 000 000	1 000 000
Loans advanced to group companies		(12 706 051)	(11 947 336)	(25 930 716)	(24 382 321)
Rehabilitation Trust funds utilised		30 261 077	6 900 000	30 261 077	6 900 000
Interest received from Rehabilitation Trust		(10 067 754)	(8 845 997)	(10 067 754)	(8 845 997)
Net cash from financing activities		**(28 423 361)**	**(33 194 081)**	**(36 548 025)**	**(43 096 833)**
Total cash movement for the year		**(46 123 339)**	**(26 226 836)**	**(31 100 642)**	**(31 413 693)**
Cash at the beginning of the year		305 487 197	331 714 033	263 956 065	295 369 758
Total cash at end of the year	25.2	**259 363 858**	**305 487 197**	**232 855 423**	**263 956 065**
The cash and cash equivalents balance is reconciled as follows:					
Operational cash		50 090 145	48 909 056	23 581 710	7 377 924
Recapitalisation funds (MTEF)		191 897 498	198 731 201	191 897 498	198 731 201
Cash in legal trust		6 700 799	6 360 893	6 700 799	6 360 893
Cash held for Government funded operations		10 675 416	51 486 047	10 675 416	51 486 047
Total cash and cash equivalents	25.2	**259 363 858**	**305 487 197**	**232 855 423**	**263 956 065**

ACCOUNTING POLICIES
for the year ended 31 March 2018

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1 STATEMENT OF COMPLIANCE

The financial statements for the year ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations of those standards issued by the International Financial Reporting Interpretations Committee (IFRIC), the Companies Act No. 71 of 2008 and the Public Finance Management Act No. 1 of 1999.

1.2 BASIS OF PREPARATION

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

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

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

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

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

1.3 JOINT OPERATIONS

A joint operation is a type of joint arrangement in which the Group 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 Group 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 Group 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 the extent of the interest in the joint operation that are not related to the Company.

1.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially measured at cost. The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group 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 or when no further future economic benefits are expected to flow from their use or disposal. Any gain or loss arising from the disposal or retirement of an item or property, plant and equipment is calculated as a difference between proceeds (if any) and the carrying amount of the asset and is recognised in profit or loss.

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

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

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

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

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

1.5 INVESTMENT PROPERTY

Investment property is defined as property held to earn rentals or for capital appreciation or both. Alexkor's investment properties are held to earn rentals and for capital appreciation.

Investment property exclude:

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

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

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

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

1.6 INTANGIBLE ASSETS

Computer software

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

Amortisation is charged to profit or loss on a reducing balance method over the estimated useful lives of the intangible assets. The estimated useful lives of the intangible assets for computer software is 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 expenditure include such costs as materials used, surveying cost, drilling cost, payments made to contractors and depreciation on plant and equipment during the exploration and evaluation phase. Cost not directly attributable to the exploration and evaluation activities, including general administrative costs, are expensed in the year in which they are incurred.

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

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

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

1.7 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group 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. Any impairment is first recognised against any existing revaluation reserves; whereafter the balance of the impairment (if any) is recognised immediately as an expense.

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

1.8 FINANCIAL INSTRUMENTS

The Group classifies its financial instruments in the following categories:

- Loans and receivables

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

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

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

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

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

1.8.1 Trade and other payables

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

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

1.8.2 Trade and other receivables

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

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

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

Trade and other receivables are classified as loans and receivables.

1.8.3 Cash and cash equivalents

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

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

Cash and cash equivalents are classified as loans and receivables.

1.8.4 Loans to (from) group companies

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

1.8.5 Cash held in rehabilitation trust

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

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

1.9 IMPAIRMENT OF FINANCIAL ASSETS

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

Impairments are recognised in profit/loss.

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

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

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

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

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

1.10 INVENTORIES

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

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

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

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

1.11 SHARE CAPITAL

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

1.12 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Impairment of non-financial assets

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

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment loss was recognised, subject to the restriction that carrying amount of the financial asset at the date of that impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment 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 are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the 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 require assumptions such as applicable environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions.

Trade receivables and loans receivables

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

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

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

Provisions and contingent liabilities

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

Taxation

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

The Group 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 Group to make significant estimates related to expectations of future taxable income.

Estimates of the future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future taxable income differ significantly from estimates, the ability of the 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 have made estimates of the selling price and the direct cost to sell on certain inventory items. The write-down is included in the operational profit note.

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

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

1.13 IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

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

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

All irregular, fruitless and wasteful expenditure is accounted for in profit or loss in the period in which they are identified (see notes 29 and 30).

1.14 EMPLOYEE BENEFITS

Pension Fund

The Group only had a defined contribution plan during the year. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a separate entity. The Group 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 Group 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 Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

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

Leave accrual

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

1.15 TAXATION

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

Current income tax

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

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

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

Deferred income tax

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

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

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

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

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

1.16 PROVISIONS AND CONTINGENCIES

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

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

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

1.17 LEASES

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

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

1.18 REVENUE RECOGNITION

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

Sale of diamonds

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

1.19 INTEREST INCOME

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

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

1.20 COST OF SALES

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

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

1.21 GOVERNMENT GRANTS

Government grants are accounted for at the earliest of the date when the funds are transferred or when there is reasonable assurance that the grant will be received and the Group 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 Group 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 CONSOLIDATED ANNUAL FINANCIAL STATEMENT

for the year ended 31 March 2018

2. NEW STANDARDS AND INTERPRETATIONS

2.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

	Effective date
• IFRS 9, Financial Instruments	1 January 2018
• IFRS 15, Revenue from Contracts with Customer	1 January 2018
• IFRS 16, Leases	1 January 2019

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 April 2018 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re- measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.

- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right- of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16.
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after 1 January 2019.

The Group expects to adopt the standard for the first time in the 2020 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated annual financial statements.

The Group is in the process of quantifying the potential impact of the new standard.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent *versus* principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after 1 January 2018.

The Group expects to adopt the amendment for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the amendment will have a material impact on the Group's consolidated annual financial statements.

The Group is in the process of quantifying the potential impact of the new standard.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

2. NEW STANDARDS AND INTERPRETATIONS (CONTINUED)

2.1 STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE (CONTINUED)

IFRS 9 Financial Instruments (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group expects to adopt the standard for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated annual financial statements.

The Group is in the process of quantifying the potential impact of the new standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 1 January 2018.

The Group expects to adopt the standard for the first time in the 2019 consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the Group's consolidated annual financial statements.

The Group is in the process of quantifying the potential impact of the new standard.

3. RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The principal financial risks arising from the Group's activities in the diamond mining are those related to commodity price risk, interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects in the Group's financial performance. The Group has various financial instruments such as trade receivables, trade payables and cash, which arise directly from its operations.

It is the Group's policy not to trade in financial instruments.

	Group carrying value		Company carrying value	
Financial assets	2018	2017	2018	2017
Trade and other receivables	22 907 720	4 791 922	12 103 195	2 308 696
Cash and cash equivalents	259 363 858	305 487 197	232 855 423	263 956 065
Cash held in Rehabilitation Trust	109 022 339	129 215 662	109 022 339	129 215 662
Loans to group companies	92 610 000	84 803 949	189 000 000	173 069 284
Financial liabilities				
Trade and other payables	63 250 762	92 279 735	18 708 337	52 998 090

	Group fair value		Company fair value	
Financial assets	2018	2017	2018	2017
Trade and other receivables	22 907 720	4 791 922	12 103 195	2 308 696
Cash and cash equivalents	259 363 858	305 487 197	232 855 423	263 956 065
Cash held in Rehabilitation Trust	109 022 339	129 215 662	109 022 339	129 215 662
Loans to group companies	92 610 000	84 803 949	189 000 000	173 069 284
Financial liabilities				
Trade and other payables	63 250 762	92 279 735	18 708 337	52 998 090

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 Group manages liquidity risk by maintaining adequate cash reserves, and by continually monitoring forecasted and actual cash flows and matching maturity profiles of financial assets and liabilities.

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

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

	Contractual value	Less than 3 months	More than 3 months
Group			
At 31 March 2018			
Trade and other payables	63 250 762	25 127 527	38 123 235
At 31 March 2017			
Trade and other payables	92 279 735	29 550 396	62 729 338
Company			
At 31 March 2018			
Trade and other payables	18 708 337	18 117 387	590 952
At 31 March 2017			
Trade and other payables	52 998 090	1 467 016	51 531 029

3. RISK MANAGEMENT (CONTINUED)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

Market risk

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

The analysis of the Group's sensitivity to the exchange rate is based on an average foreign currency exchange rate for the year seeing as the sales price in Rand (ZAR) is determined on the date of the sale and the currency fluctuates throughout the year. The average foreign currency for the year used in the analysis is that which the Group 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 2018, albeit that the reasonable possible foreign exchange rate variances were different, as indicated below.

As at 31 March 2018 a strengthening of the USD against all other currencies of 12% would have, on average, increased the net profit before tax with R25.04 million (2017: R46.4 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2018 a strengthening of the USD against all other currencies of 9% would have, on average, increased the net profit before tax with R18.8 million (2017: R35.2 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Commodity risk

The Group'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 2018 a strengthening of the USD price per carat of 8%, with all other variables remaining constant, would have, on average, increased the net profit before tax with R16.7 million (2017: R30.8 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

As at 31 March 2018 a strengthening of the carat price of 10%, with all other variables remaining constant would have, on average, increased the net profit before tax with R39.2 million (2017: R38.5 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 Group 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 2018, 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 R1.8 million higher (2017: 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 2018, 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 R1.3 million higher (2017: R1.5 million). An equal change in the opposite direction would have caused an equal decrease on the net profit before tax.

Credit risk

The Group'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 Group 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 Group's exposure to bad debt is not significant. The Group's maximum exposure is equal to the carrying amount of the trade and other receivables.

An amount of R3.2 million (2017: R3.3 million) was determined to be impaired. The Group considered these receivables to be irrecoverable as the defaulting debtors have not reacted to follow-up payment requests and were handed over to the Group's lawyers.

Cash and cash equivalents

The Group's cash and cash equivalents are maintained at only four financial institutions, which exposes the Group to minimal credit risk as a result of credit concentration. The Group 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:

	Cash balances			
	Group		Company	
Cash held at financial institutions	**2018**	**2017**	**2018**	**2017**
Momentum	116 249 656	100 413 880	116 249 656	100 413 880
Investec Bank Limited	128 662 980	149 367 609	128 662 980	149 367 609
Rand Merchant Bank Limited	94 064 421	167 123 867	80 730 377	129 395 708
First National Bank Limited	29 409 140	17 797 503	16 234 749	13 994 530
Total	**368 386 197**	**434 702 859**	**341 877 762**	**393 171 727**

Credit risk

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
AA-	128 662 980	–	128 662 980	–
AA+	–	100 413 880	–	100 413 880
Aaa	116 249 656	–	116 249 656	–
BB+	–	184 921 371	–	143 390 239
B	–	149 367 608	–	149 367 608
BBB+	123 473 561	–	96 965 126	–
Total	**368 386 197**	**434 702 859**	**341 877 762**	**393 171 727**

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

– First Rand Bank Limited (BBB+)

– Investec Bank Limited (AA-)

Moody's allocated Aaa rating for MMI Group Limited.

The ratings above were based on a stable outlook.

Capital management

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

The Group 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 Group is not able to finalise a strategy in managing capital and determining a optimal capital structure. The Group is in the process of determining its capital requirements to fund its continued operations along with new mining ventures.

The Group 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 Group currently does not have any borrowings.

4. DETERMINATION OF FAIR VALUES

The carrying amounts of the following financial instruments approximates fair value:

– Cash held in rehabilitation trust

– Loan to joint operation

– Cash and cash equivalents

– Trade and other receivables

– Trade and other payables

Fair value hierarchy

The table below analyses recurring assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group's financial assets and liabilities that are measured at 31 March 2018:

Levels of fair value measurements

	Level 1	Level 2	Level 3	Total
Assets				
Amortised cost				
Cash held in the Rehabilitation Trust Fund	–	–	109 022 339	109 022 339
Loans and Receivables				
Loan to joint operations	–	–	92 610 000	92 610 000
Trade and other receivables	–	–	22 907 720	22 907 720
Cash and cash equivalents	–	–	259 363 858	259 363 858
Total assets	**–**	**–**	**480 903 917**	**480 903 917**
Liabilities				
Other financial liabilities				
Trade and other payables	–	–	63 250 762	63 250 762
Total liabilities	**–**	**–**	**63 250 762**	**63 250 762**

The company's financial assets and liabilities that are measured at 31 March 2018:

	Level 1	Level 2	Level 3	Total
Assets				
Amortised cost				
Cash held in the Rehabilitation Trust Fund	–	–	109 022 339	109 022 339
Loans and receivables				
Loan to joint operations	–	–	189 000 000	189 000 000
Trade and other receivables	–	–	9 319 981	9 319 981
Cash and cash equivalents	–	–	232 855 423	232 855 423
Total assets	**–**	**–**	**540 197 743**	**540 197 743**
Liabilities				
Trade and other payables	–	–	18 708 337	18 708 337
Total liabilities	**–**	**–**	**18 708 337**	**18 708 337**

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market on transactions at an arm's-length basis.

Financial instruments in level 2

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

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

Financial instruments in level 3

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

- Market approach – uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities.
- Cash approach – reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost).
- Income approach – converts future cash flows, income or expenditures to a single discounted amount, reflecting current market expectation about those future amounts.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the date of the event or change in circumstances that caused their transfer.

5. PROPERTY, PLANT AND EQUIPMENT

	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Group						
Leasehold improvements	1 171 627	(192 466)	979 161	998 906	(140 559)	858 347
Plant and machinery	115 204 720	(70 610 190)	44 594 530	106 299 246	(62 093 903)	44 205 343
Motor vehicles	23 505 370	(17 821 607)	5 683 763	20 713 844	(17 192 320)	3 521 524
Furniture and fixtures	2 908 827	(1 579 078)	1 329 749	2 712 339	(1 317 466)	1 394 873
Computer equipment	5 031 386	(3 913 431)	1 117 955	4 613 214	(3 527 120)	1 086 094
Capital – Work in progress	781 229	–	781 229	6 249 636	–	6 249 636
Total	**148 603 159**	**(94 116 772)**	**54 486 387**	**141 587 185**	**(84 271 368)**	**57 315 817**
Company						
Plant and machinery	558 293	(448 540)	109 753	504 613	(423 233)	81 380
Motor vehicles	8 126 632	(5 707 557)	2 419 075	6 348 977	(6 303 960)	45 017
Furniture and fixtures	1 477 568	(567 069)	910 499	1 423 870	(467 383)	956 487
Computer equipment	504 070	(214 636)	289 434	473 170	(144 864)	328 306
Total	**10 666 563**	**(6 937 802)**	**3 728 761**	**8 750 630**	**(7 339 440)**	**1 411 190**

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Carrying value at beginning of the year	Additions	Disposals	Transfers	Depreciation	Impairment loss/ reversal	Carrying value at end of the year
Reconciliation of property, plant and equipment Group – 2018							
Leasehold improvements	858 347	172 721	–	–	(51 907)	–	979 161
Plant and machinery	44 205 343	4 578 701	–	6 249 636	(8 818 017)	(1 621 133)	44 594 530
Motor vehicles	3 521 524	2 911 651	(120 125)	–	(1 631 903)	1 002 616	5 683 763
Furniture and fixtures	1 394 873	196 488	–	–	(298 045)	36 433	1 329 749
Computer equipment	1 086 094	418 173	–	–	(393 429)	7 117	1 117 955
Capital – Work in progress	6 249 636	781 229	–	(6 249 636)	–	–	781 229
Total	**57 315 817**	**9 058 963**	**(120 125)**	**–**	**(11 193 301)**	**(574 967)**	**54 486 387**

	Carrying value at beginning of the year	Additions	Disposals	Depreciation	Impairment loss	Carrying value at end of the year
Reconciliation of property, plant and equipment Group – 2017						
Leasehold improvements	905 986	–	–	(47 639)	–	858 347
Plant and machinery	51 567 970	1 746 653	(1 031 070)	(8 012 806)	(65 404)	44 205 343
Motor vehicles	4 621 124	1 889 157	(98 109)	(2 796 587)	(94 061)	3 521 524
Furniture and fixtures	1 863 984	111 926	(224 157)	(351 108)	(5 772)	1 394 873
Computer equipment	969 884	607 575	(56 974)	(429 531)	(4 860)	1 086 094
Capital – Work in progress	–	6 249 636	–	–	–	6 249 636
Total	**59 928 948**	**10 604 947**	**(1 410 310)**	**(11 637 671)**	**(170 097)**	**57 315 817**

	Carrying value at beginning of the year	Additions	Disposals	Depreciation	Impairment loss/ reversal	Carrying value at end of the year
Reconciliation of property, plant and equipment Company – 2018						
Plant and machinery	81 380	53 680	–	(19 261)	(6 046)	109 753
Motor vehicles	45 017	1 777 655	–	(297 042)	893 445	2 419 075
Furniture and fixtures	956 487	53 699	–	(95 969)	(3 718)	910 499
Computer equipment	328 306	30 900	–	(67 354)	(2 418)	289 434
Total	**1 411 190**	**1 915 934**	**–**	**(479 626)**	**881 263**	**3 728 761**
Reconciliation of property, plant and equipment Company – 2017						
Plant and machinery	182 303	–	–	(35 519)	(65 404)	81 380
Motor vehicles	1 755 937	–	(98 109)	(1 518 750)	(94 061)	45 017
Furniture and fixtures	2 499 036	–	(1 255 227)	(281 550)	(5 772)	956 487
Computer equipment	226 231	258 158	(56 974)	(94 249)	(4 860)	328 306
Total	**4 663 507**	**258 158**	**(1 410 310)**	**(1 930 068)**	**(170 097)**	**1 411 190**

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.

6. INTANGIBLE ASSETS

	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Group						
Capitalised exploration and evaluation expenditure	81 670 310	–	81 670 310	54 134 990	–	54 134 990
Computer software	3 824 137	(2 638 676)	1 185 461	3 520 531	(2 185 543)	1 334 988
Total	**85 494 447**	**(2 638 676)**	**82 855 771**	**57 655 521**	**(2 185 543)**	**55 469 978**
Company						
Computer software	229 520	(126 378)	103 142	229 520	(111 894)	117 626

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT (CONTINUED)

for the year ended 31 March 2018

6. INVESTMENT PROPERTY (CONTINUED)

	Carrying value at beginning of the year	Additions	Amortisation	Impairment reversal	Carrying value at end of the year
Reconciliation of intangible assets Group – 2018					
Capitalised exploration and evaluation expenditure	54 134 990	27 535 320	–	–	81 670 310
Computer software	1 334 988	303 605	(453 189)	57	1 185 461
Total	**55 469 978**	**27 838 925**	**(453 189)**	**57**	**82 855 771**
Reconciliation of intangible assets Group – 2017					
Capitalised exploration and evaluation expenditure	28 004 965	26 130 025	–	–	54 134 990
Computer software	414 859	1 210 421	(290 207)	(85)	1 334 988
Total	**28 419 824**	**27 340 446**	**(290 207)**	**(85)**	**55 469 978**
Reconciliation of intangible assets Company – 2018					
Computer software	117 626	–	(14 541)	57	103 142
Reconciliation of intangible assets Company – 2017					
Computer software	78 873	59 000	(20 162)	(85)	117 626

7. INVESTMENT PROPERTY

	2018		2017	
	Valuation	Carrying value	Valuation	Carrying value
Group				
Investment property	14 660 000	14 660 000	14 582 810	14 582 810
Company				
Investment property	14 660 000	14 660 000	14 582 810	14 582 810

	Carrying value at beginning of the year	Additions	Disposals	Fair value adjustments	Carrying value at end of the year
Reconciliation of investment property Group – 2018					
Investment property	14 582 810	–	(496 000)	573 190	14 660 000
Reconciliation of investment property Group – 2017					
Investment property	14 582 810	–	–	–	14 582 810

	Carrying value at beginning of the year	Additions	Disposals	Fair value adjustments	Carrying value at end of the year
Reconciliation of investment property Company – 2018					
Investment property	14 582 810	–	(496 000)	573 190	14 660 000
Reconciliation of investment property Company – 2017					
Investment property	14 582 810	–	–	–	14 582 810

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

The valuation was externally performed by Spectrum Valuations and Asset Solutions.

8. 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.

8.1 SUMMARY

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

	2018	2017
Assets		
Non-current assets	257 577 320	212 792 665
Current assets	115 290 453	141 146 082
Total	**372 867 773**	**353 938 747**
Liabilities		
Non-current liabilities	5 090 947	173 069 284
Current liabilities	292 402 836	89 121 531
Total	**297 493 783**	**262 190 815**
Net assets	**75 373 990**	**91 747 932**
Revenue	409 122 314	757 510 249
Cost of sales	(248 592 910)	(543 910 725)
Gross profit	160 529 404	213 599 524
Operating cost	(180 800 963)	(189 998 009)
Other income	6 114 443	5 962 770
Operating (loss)/profit	(14 157 116)	29 564 285
Net finance income	1 223 139	4 523 775
(Loss)/Profit before income tax	**(12 933 977)**	**34 088 060**
Cash flow from operating activities	35 009 655	55 813 182
Cash flow from investing activities	(80 396 645)	(70 478 091)
Cash flow from financing activities	(15 930 714)	25 530 623
Net cash flow	**(61 317 704)**	**10 865 714**

The amounts stated above reflect 100% of the PSJV adjusted for differences in accounting policies and intercompany transactions. The PSJV generated an operating loss of R14.2 million (2017: R29.6 million profit).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT (CONTINUED)

for the year ended 31 March 2018

8. JOINT OPERATION (CONTINUED)

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

2018	Alexkor excluding PSJV	51% share PSJV	Alexkor including PSJV
Revenue	–	208 652 380	208 652 380
Cost of sales	–	(126 782 384)	(126 782 384)
Gross profit/(loss)	–	81 869 996	81 869 996
Operating cost	(39 140 615)	(92 208 491)	(131 349 106)
Other income	32 342 695	3 118 366	35 461 061
Operating profit/(loss)	(6 797 920)	(7 220 129)	(14 018 049)
Net finance income	47 065 455	623 801	47 689 256
Fair value gain	573 190	–	573 190
(Loss)/Profit for the year	40 840 725	(6 596 328)	34 244 397
Total comprehensive income/(loss) for the year	**40 840 725**	**(6 596 328)**	**34 244 397**

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

9. CASH HELD IN REHABILITATION TRUST

	Group		Company	
	2018	2017	2018	2017
Opening balance	129 215 662	127 269 665	129 215 662	127 269 665
Utilise for rehabilitation	(30 261 077)	(6 900 000)	(30 261 077)	(6 900 000)
Interest received	10 067 754	8 845 997	10 067 754	8 845 997
Total	**109 022 339**	**129 215 662**	**109 022 339**	**129 215 662**

10. LOANS TO GROUP COMPANIES

	Group		Company	
	2018	2017	2018	2017
Opening balance	84 803 949	73 346 612	173 069 284	149 686 964
Advances	12 706 051	11 947 337	25 930 716	24 382 320
Repayments	(4 900 000)	(490 000)	(10 000 000)	(1 000 000)
Total	**92 610 000**	**84 803 949**	**189 000 000**	**173 069 284**

This loan is neither past due nor impaired and originated from the 49% of the loan to PSJV which is not controlled by Alexkor SOC Ltd. The loan is unsecured and bears no interest.

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

11. INVENTORIES

	Group		Company	
	2018	2017	2018	2017
Diamonds – IMDSA	–	8 852 140	–	–
Diamonds – Optical Sorter	–	13 087 104	–	–
Diamonds – Muisvlak	16 528	298 485	–	–
Parts and consumables stores	5 293 158	5 558 276	–	–
Diamonds – Contractors	15 593 434	–	–	–
Diamonds – Tailings	3 918	–	–	–
Fuel Stock	325 611	–	–	–
Total	**21 232 649**	**27 796 005**	**–**	**–**

Diamond inventory from the optical sorter is carried at cost whilst those from Muisvlak and the contractors are carried at net realisable value. No inventories have been pledged as security. There was no production from IMDSA during 2018 financial year.

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
Trade receivables*	22 907 720	6 817 401	12 103 195	4 279 859
Other receivables*	226 249	1 250 169	179 395	437 323
Less: Provision for impairment of receivables	(3 213 939)	(3 275 648)	(2 962 609)	(2 408 486)
VAT	1 477 390	490 488	1 477 390	490 488
Total Prepayments**	939 084	1 087 692	796 788	913 552
Total	**22 336 504**	**6 370 102**	**11 594 159**	**3 712 736**

**Financial assets*

***Non-financial assets*

Movement in the provision for impairment of trade receivables

	Group		Company	
	2018	2017	2018	2017
Balance at the beginning of the year	3 275 648	2 263 171	2 408 486	2 049 225
Impairment losses recognised	405 972	1 012 477	1 021 804	359 261
Amounts written off as unrecoverable	(467 681)	–	(467 681)	–
Total	**3 213 939**	**3 275 648**	**2 962 609**	**2 408 486**

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

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Gross amount	Impairment	Net carrying amount
Group			
2018			
Current/fully performing	8 071 406	–	8 071 406
30 – 60 days	5 309 090	–	5 309 090
60+ days	9 527 224	(3 213 939)	6 313 285
Total	**22 907 720**	**(3 213 939)**	**19 693 781**
2017			
Current/fully performing	2 486 100	–	2 486 100
30 – 60 days	386 001	–	386 001
60+ days	3 945 300	(3 275 648)	669 652
Total	6 817 401	(3 275 648)	3 541 753

	Gross amount	Impairment	Net carrying amount
Company			
2018			
Current/fully performing	1 333 643	–	1 333 643
30 – 60 days	3 716 434	–	3 716 434
60+ days	7 053 118	(2 962 609)	4 090 509
Total	**12 103 195**	**(2 962 609)**	**9 140 586**
2017			
Current/fully performing	1 126 555	–	1 126 555
30 – 60 days	172 805	–	172 805
60+ days	2 980 499	(2 408 486)	572 013
Total	**4 279 859**	**(2 408 486)**	**1 871 373**

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 Group and Company does not hold any collateral as security. No trade and other receivables have been pledged as security.

13. SHARE CAPITAL

	Group		Company	
	2018	2017	2018	2017
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 Medium Term Expenditure Framework (MTEF) allocation on 31 December 2012. Par value shares were converted to no par value shares to be aligned with Alexkor's amended Memorandum of Incorporation.

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

(a) R200 million to attend to the Rehabilitation Liability

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

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

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

14. PROVISION FOR ENVIRONMENTAL REHABILITATION

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

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
Opening balance	260 538 631	244 441 114	258 784 249	243 453 997
Unwinding of the discount rate/finance cost	(3 704 760)	15 995 091	(4 546 761)	15 330 252
Rehabilitation costs incurred	(30 261 077)	102 426	(30 261 077)	–
Reassessment of liability	(9 701 896)	–	(9 701 896)	–
Total	**216 870 898**	**260 538 631**	**214 274 515**	**258 784 249**

A study was conducted by an independent environmental management consultant during the 2018 financial year which estimated Alexkor SOC Ltd's legacy rehabilitation liability to amount to R214 million as at 31 March 2018 (2017: R259 million), resulting in a currently unfunded rehabilitation liability of R105.3 million (2017: R130 million). The unfunded portion is covered by cash managed by the Group but also by a state guarantee from the Department of Mineral Resources. The Board continues to exercise due care that the funds are not overdrawn to create exposure on the unfunded portion of R105.3 million. During the current year, Alexkor had expended R40 million on the removal of asbestos in the Richtersveld area, at year end 100% of the asbestos had been removed.

All new environmental disturbances resulting from 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 R5 million. (2017: R3.5 million). Alexkor included its 51% share for R2.6 million (2017: R1.7 million).

The Group's total rehabilitation liability amounted to R216 million as at 31 March 2018 (2017: R260 million), resulting in a reduction of R43.7 million.

Aerial photography was carried out during the previous year 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 past four 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 are has reduced the decline of sand slopes.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT (CONTINUED)

for the year ended 31 March 2018

15. TRADE AND OTHER PAYABLES

	Group 2018	Group 2017	Company 2018	Company 2017
Trade payables*	63 250 762	32 298 962	18 708 337	1 514 730
Income received in advance**	–	67 458	–	43 609
VAT payable**	2 306 209	3 255 508	–	–
Government Funded Obligations* (See note 16)	10 675 416	51 486 047	10 675 416	51 486 047
Accrued leave pay**	4 607 979	3 576 888	970 239	685 910
Accrued bonus*	696 818	6 114 884	–	–
Other payables*	2 591 730	2 379 842	1 354 177	2 687
Total	**84 128 914**	**99 179 589**	**31 708 169**	**53 727 609**

**Financial liability*

***Non-financial liability*

16. 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:

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

Group 2017	Opening balance	Utilised in the period	Interest on investment of funds	Closing balance
Township establishment	5 825 275	(676 202)	363 463	5 512 536
Cost related to Deed of Settlement	5 906 600	–	403 933	6 310 533
PSJV Recapitalisation	57 522 687	(24 382 321)	6 522 612	39 662 978
Total	**69 254 562**	**(25 058 523)**	**7 290 008**	**51 486 047**

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

Company 2017	Opening balance	Utilised in the period	Interest on investment of funds	Closing balance
Township establishment	5 825 275	(676 202)	363 463	5 512 536
Cost related to Deed of Settlement	5 906 600	–	403 933	6 310 533
PSJV Recapitalisation	57 522 687	(24 382 321)	6 522 612	39 662 978
Total	**69 254 562**	**(25 058 523)**	**7 290 008**	**51 486 047**

Township establishment

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

The project consisted of four phases as discussed below.

- Phase 1: The project included the upgrade of the water network, sewer network, storm water control network, solid waste disposal and roadworks were completed in December 2011.
- Phase 2: The project included the Electrical Reticulation Upgrade Project and the contractors established the site in March 2011. The project was completed in June 2012 after all outstanding prepaid metres were installed.
- Phase 3: The tender for Mechanical and Electrical Pumping, was awarded in February 2011. This phase was completed in February 2012.
- Phase 4: The Waste Water Treatment Works was completed in March 2013, which was also the only outstanding phase from the township upgrade projects.

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

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

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

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

The handover of the township to the Richtersveld municipality will be done in a phased approach during the 2019 financial year.

PSJV recapitalisation

Funding of R200 million was received from National Treasury which represents the Company's initial cost contribution for the recapitalisation of the PSJV (prospecting, exploration and mining operations). The PSJV commenced during April 2011. R20 million was transferred to the PSJV during 2012, to be utilised for start-up cost and working capital. Detailed plans are developed for exploration and mining activities in Alexander Bay.

As at 31 March 2018, the PSJV was advanced the allocated R200 million. As per the DoS, the interest earned on this investment was allocated to Alexkor for operational purposes.

17. REVENUE

	Group		Company	
	2018	2017	2018	2017
Diamond sales	208 652 380	386 330 227	–	–

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

18. COST OF SALES

	Group		Company	
	2018	2017	2018	2017
Revenue split contractors cost	126 782 384	277 394 470	–	–

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT (CONTINUED)

for the year ended 31 March 2018

19. OTHER OPERATING EXPENSES

	Group		Company	
	2018	2017	2018	2017
Employee costs	66 170 033	66 508 971	20 976 469	22 106 332
Consumables	17 072 403	17 444 421	4 540 136	4 197 235
Other expenses – deductible	18 926 965	27 425 625	9 058 881	10 640 245
Depreciation, amortisation and impairments	11 640 272	12 098 061	494 167	2 120 412
Security services	7 859 564	7 947 751	10 384	196 427
Legal expenses – deductible	1 845 652	3 444 500	328 357	2 606 048
Loss on disposal of assets	386 824	1 290 311	496 000	1 290 311
Consulting and professional fees – deductible	7 281 030	9 462 332	2 649 321	5 384 867
Government Transfers – specific expenditure incurred	–	676 202	–	676 202
Total	**131 182 743**	**146 297 774**	**38 553 715**	**49 218 079**

20. OTHER INCOME

	Group		Company	
	2018	2017	2018	2017
Other income	7 395 463	6 471 544	4 277 097	3 430 531
Government transfers – specific expenditure incurred	28 065 598	25 058 523	28 065 598	25 058 523
Total	**35 461 061**	**31 530 067**	**32 342 695**	**28 489 054**

The Group's other income comprises of R4.3 million earned from rental and R3.1 million profit on the supply of consumables to contractors operating in Alexander Bay. The R28 million represents revenue recognised from government grants which were capitalised when received. These monies were expended in terms of the mandate that it was originally received for. Detailed information regarding this is disclosed under Note 16.

Company's other income is comprised of rental income earned from letting of properties.

21. OPERATING LOSS

Operating profit/(loss) for the year is stated after:

	Group		Company	
	2018	2017	2018	2017
External audit fees	1 211 918	1 011 508	911 430	688 000
Impairments	574 910	170 182	(881 320)	170 182
Internal audit fees	572 121	1 039 226	302 711	746 164
Fuel and oil	769 518	1 171 639	–	263 430
Electricity and water	7 842 273	5 413 796	3 118 121	1 850 353
Directors' emoluments	4 055 910	4 166 565	3 376 113	3 656 565
Mining royalties	865 233	1 930 378	–	–
Insurance	1 325 955	981 743	638 607	299 811
Operating lease payments	1 316 609	2 547 359	1 316 609	2 547 359
Consultations	7 281 030	9 462 332	2 649 321	5 384 867

The Group employs the services of consultants where specialised services are required which amongst others include environmental experts, property valuators, geological and legal services.

22. INVESTMENT INCOME

	Group		Company	
	2018	**2017**	**2018**	**2017**
From group entities:				
Alexkor RMC JV	–	–	–	4 590 000
Total dividend income	**–**	**–**	**–**	**4 590 000**
Interest received from cash in bank	34 029 712	19 044 005	32 772 646	16 736 880
Interest received from cash held in Rehabilitation Trust	10 067 754	8 845 997	10 067 754	8 845 997
Interest received on Government Funds	3 645 769	7 290 008	3 645 769	7 290 008
Unwinding of discount on provisions and other liabilities	3 603 562	–	4 236 827	–
Total finance income	**51 346 797**	**35 180 010**	**50 722 996**	**32 872 885**
Total investment income	**51 346 797**	**35 180 010**	**50 722 996**	**37 462 885**

23. FINANCE COSTS

	Group		Company	
	2018	**2017**	**2018**	**2017**
Unwinding of discount on provisions and other liabilities	–	15 995 091	–	15 330 252
Interest paid on Government funds	3 645 769	7 290 008	3 645 769	7 290 008
Other interest paid	178 135	13 500	11 772	13 506
Total	**3 823 904**	**23 298 605**	**3 657 541**	**22 633 766**

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	
	2018	**2017**	**2018**	**2017**
Estimated tax losses	201 770 249	201 826 375	201 770 249	201 826 375
Estimated unutilised capital allowances	105 486 343	105 486 343	105 486 343	105 486 343
Total	**307 256 592**	**307 312 718**	**307 256 592**	**307 312 718**

No deferred tax asset has been recognised on the assessed loss and other deductible timing differences as the Group does not foresee a taxable profit in the short term. However, the Company and the Group anticipates to be a going concern for the next 12 months.

24. TAXATION (CONTINUED)

Reconciliation between accounting profit/(loss) and tax expense

	Group		Company	
	2018	2017	2018	2017
Accounting (loss)/profit	34 244 397	6 049 414	41 427 625	(5 899 906)
Tax at the applicable tax rate of 28% (2017: 28%)	9 588 431	1 693 836	11 599 735	(1 651 974)
Tax effect of adjustments on taxable income				
Income not subject to tax	(8 018 860)	(7 016 386)	(8 018 860)	(7 016 386)
Expenses not deductible for tax purposes	–	964 460	–	115 059
Recoupment of assets sold	34 347	4 353 091	–	120 000
Tax losses brought forward	(56 511 386)	(56 506 387)	(8 433 301)	–
Capital expenditure brought forward	(29 536 176)	(18 911 466)	(317 158)	–
Capital expenditure for the year	(15 612 204)	(10 624 710)	(1 915 934)	(317 158)
Tax losses for which no deffered tax asset was recognised	54 907 468	56 511 386	4 852 426	8 433 301
Capital expenditure for which no deffered tax asset was recognised	45 148 380	29 536 176	2 233 092	317 158
Total	**–**	**–**	**–**	**–**

25. NOTES TO THE STATEMENT OF CASH FLOWS

25.1 CASH GENERATED FROM/(USED IN) OPERATIONS

	Group		Company	
	2018	2017	2018	2017
Profit/(Loss) before taxation	34 244 397	6 049 414	41 427 625	(5 899 906)
Adjustments for:				
Depreciation and amortisation	11 646 490	13 552 948	494 167	2 024 976
Loss on disposal of assets	386 824	1 410 331	496 000	1 290 310
Profit share of Joint Venture	–	–	–	(4 590 000)
Impairment of assets	574 910	170 098	(881 320)	170 182
Investment income	(51 346 797)	(35 180 010)	(50 722 996)	(32 872 885)
Finance costs	3 823 904	23 298 605	3 657 541	22 633 766
Fair value gains	(573 190)	–	(573 190)	–
Movement in environmental rehabilitation liability	(43 667 734)	16 097 517	(44 509 734)	15 330 252
Provision for doubtful debt adjustment	(61 709)	1 012 476	554 123	349 261
Changes in working capital:				
(Increase)/decrease in Inventories	6 563 356	(11 766 986)	–	–
(Increase)/decrease in trade and other receivables	(15 904 691)	4 715 084	(8 435 547)	6 577 691
Increase/(decrease) in trade and other payables	25 759 956	13 551 756	18 791 193	(7 962 468)
Total	**28 554 284**	**32 911 233**	**(39 702 138)**	**(2 948 821)**

25.2 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
Restricted cash and cash equivalents				
Cash held in legal trust- ongoing litigation	6 700 799	6 360 893	6 700 799	6 360 893
Cash held in call accounts – Government related funds	10 675 416	11 822 897	10 675 416	11 822 897
Recapitalisation funds (MTEF)	191 897 498	198 731 201	191 897 498	198 731 201
Unrestricted cash and cash equivalents				
Cash held in call accounts	50 090 145	88 572 206	23 581 710	47 041 074
Total	**259 363 858**	**305 487 197**	**232 855 423**	**263 956 065**

The Government funds received will be utilised for specific projects. The cash held in the Trust for ongoing litigation will be utilised for legal cost should the Company's defence be unsuccessful. Cash received for MTEF allocation will be utilised as approved by the Board in conjunction with the Shareholders.

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

The PSJV declared a profit share in 2016 and R4 410 000 (including interest) profit share payable to the Richtersveld Community company is ring fenced in a Trust by the Group's lawyers and are under the control of the Group's lawyers.

26. GUARANTEES

The Group has the following guarantees:

	Group		Company	
	2018	2017	2018	2017
Eskom	18 900	18 900	18 900	18 900
Department of Mineral Resources	200 000	129 592 124	200 000	129 592 124
Total	**218 900**	**129 611 024**	**218 900**	**129 611 024**

As at 31 March 2017, Alexkor applied for a state guarantee to the Department of Mineral Resources (DMR) as an approved method for financial provision in terms of Regulation 53(1)d to section 41 of the Mineral and Petroleum Resources Development Act with regards to the historical rehabilitation obligations of Alexkor SOC Ltd over the Richterveld area.

27. RELATED PARTIES

27.1 RELATED PARTY RELATIONSHIPS

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

- State Diamond Trader
- South African Airways
- Eskom
- Transnet
- Department of Water Affairs
- Telkom SOC Limited
- Sentech
- Alexkor RMC JV

The Group has a 51% interest in the Pooling and Sharing Joint Venture (PSJV), the assets and liabilities of which is consolidated at Group level.

27.2 RELATED PARTY TRANSACTIONS

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
– Alexkor RMC JV	–	–	27 640 970	4 158 946
– Department of Water affairs	233 907	558 746	233 907	558 746
– Eskom	16 215 824	14 252 345	16 215 824	14 252 345
– Sentech	93 120	2 569	–	–
– South African Airways	623 216	266 331	296 184	266 331
– State Diamond Trader	5 293 158	30 657 467	–	–
– Telkom SOC Limited	833 798	289 103	310 188	287 405
– Transnet	–	18 103	–	18 103
Total	**23 293 023**	**46 044 664**	**44 697 073**	**19 541 876**
Balances included in trade and other payables				
– Eskom	1 120 187	305 255	1 120 187	305 255
– Sentech	3 958	2 569	–	–
– Telkom SOC Limited	25 992	1 698	25 992	1 698
– Department of Water affairs	–	34 995	–	34 995
– Alexkor RMC JV	–	–	9 840 132	203 694
Total	**1 150 137**	**344 517**	**10 986 311**	**545 642**

28. DIRECTORS' EMOLUMENTS AND EXECUTIVE MANAGEMENT REMUNERATION

Executive

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

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

Company 2017	Capacity	Basic salary	Other benefits/ allowances	Total
Mr V Bansi	Acting CEO	1 750 000	24 000	1 774 000
Mr H Mokwena	COO	2 063 492	24 000	2 087 492
Ms Z Mbele	CFO	801 920	12 640	814 560
Ms TTAC Mhlanga	Acting CFO	505 618	–	505 618
Total		**5 121 030**	**60 640**	**5 181 670**

Non-executive

	Capacity	Service fees	Total
Company 2018			
Ms H Matseke	Chairperson	1 271 575	1 271 575
Ms Z Ntlangula	Member	263 952	263 952
Mr J Danana	Member	437 500	437 500
Mr T Haasbroek	Member	596 602	596 602
Mr T Matona	Member	368 087	368 087
Ms M Lehobye	Member	290 596	290 596
Total		**3 228 312**	**3 228 312**
Company 2017			
Ms H Matseke	Chairperson	1 350 309	1 350 309
Dr R Paul	Member	303 895	303 895
Ms Z Ntlangula	Member	269 496	269 496
Mr J Danana	Member	584 310	584 310
Mr T Haasbroek	Member	494 349	494 349
Mr T Matona	Member	347 252	347 252
Ms M Lehobye	Member	306 954	306 954
Total		**3 656 565**	**3 656 565**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT (CONTINUED)

for the year ended 31 March 2018

29. 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.

Irregular expenditure incurred in 2017 and 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. The National Treasury Instruction Note 3 only allows deviations in instances of sole source and emergencies to be approved by the accounting 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	
	2018	**2017**	**2018**	**2017**
Irregular expenditure				
Opening balance	14 436 064	6 940 150	14 436 064	6 940 150
Irregular expenditure identified in the current year	14 017 906	10 368 409	14 017 906	10 368 409
Add: Irregular expenditure – current year spend	14 017 906	10 368 409	14 017 906	10 368 409
Add: Irregular expenditure – prior year spend	–	–	–	–
Less: Amounts condoned	(2 435 094)	(2 872 495)	(2 435 094)	(2 872 495)
Less: Amounts recoverable (not condoned)	–	–	–	–
Less: Amounts not recoverable (not condoned)	–	–	–	–
Irregular expenditure awaiting condonation	**26 018 876**	**14 436 064**	**26 018 876**	**14 436 064**

Details of irregular expenditure

The information below relates to both Group and company:

Incident	Disciplinary steps taken/ (criminal proceedings)	**2018**	**2017**
Contract value exceeded	0/(0)	–	787 694
Non-compliance to national treasury requirements	0/(0)	1 462 732	4 530 313
Expired contract	0/(0)	–	850 051
Non-adherence to DOA	0/(0)	9 349 642	5 281 789
Other	0/(0)	3 205 532	5 858 712
Total		**14 017 906**	**17 308 559**

		2018	2017
Details of irregular expenditure condoned	Condoned by (condoning authority)		
Incident			
Non-compliance with Supply Chain Policy	Board of Directors	2 435 094	2 872 495
Details of irregular expenditure recoverable (not condoned) – current year			
Incident			
None		–	–
Details of irregular expenditure recoverable (not condoned) – identified in the current year relating to the prior year			
Incident			
None		–	–
Details of irregular expenditure not recoverable (not condoned) – current year			
Incident			
None		–	–
Details of irregular expenditure not recoverable (not condoned) – identified in the current year relating to the prior year			
Incident			
None		–	–
Analysis of expenditure awaiting condonation per classification			
Current year		12 854 947	14 436 064
Prior year		13 163 929	–
Total		**26 018 876**	**14 436 064**

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

Post year-end, Alexkor approached National Treasury to request condonation on the irregular expenditure. Alexkor is awaiting the National Treasury's response for the condonation of the irregular expenditure.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENT (CONTINUED)

for the year ended 31 March 2018

30. 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:

		2018	2017
Fruitless and wasteful expenditure – current year		3 465 721	3 265 784
Fruitless and wasteful expenditure – prior year		5 481	199 937
Less: Amounts written off		(3 465 721)	–
Less: Amounts recovered		–	–
Total		**5 481**	**3 465 721**
Details of fruitless and wasteful expenditure			
Incident	Disciplinary steps taken/ (criminal proceedings)		
SARS penalties and interest	0/(0)	–	410 337
Supplier double payment	0/(0)	–	112 203
Cancellation of lease agreement	0/(0)	–	2 943 181
Interest paid on late supplier payment	0/(0)	5 481	–
Total		**5 481**	**3 465 721**

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

There were no losses incurred through criminal conduct.

31. COMMITMENTS

Operating leases – as lessee (expense)

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

Minimum lease payments due

	Group		Company	
	2018	2017	2018	2017
– within one year	1 447 451	1 263 392	1 447 451	1 263 392
– in second to fifth year inclusive	3 300 840	3 790 176	3 300 840	3 790 176
Total	**4 748 291**	**5 053 568**	**4 748 291**	**5 053 568**

32. CONTINGENT LIABILITIES

Nabera Mining

Nabera instituted legal action against the Company and the Government for alleged amount in respect of a contract where in Nabera managed the Company's mining assets and operations from 1999 to 2001. The two claims were for management fees alleged to be due in terms of the contract, for the sum of R6 million and a claim for alleged value added to the mining assets over the management period. Both the Company and the Government have opposed these claims. The matter has been dormant since 2005.

As the Company is dependent on Government to agree to an application for dismissal the matter will remain dormant. The State Attorney has advised to do so as the Government's exposure outweighs Alexkor's exposure.

33. GOING CONCERN

The Board took cognisance of the losses suffered during the past number of financial years and a lack of production in the current financial year from International Mining and Dredging South Africa (Pty) Limited (IMDSA) due to the vessel that caught fire in April 2017 and the resultant cash flow operational shortage.

The Board monitors these developments on a regular basis, in order to mitigate threats to the operations of the company, namely:

- The Group has negotiated with IMDSA to relinquish their exclusivity in one of the concessions allowing PSJV to appoint another marine mining contractor for a period of three years. The contractor has commissioned their vessel and has anticipated for the vessel to commence mining during the second quarter of 2018.
- The new contractor has commenced mining and has to date generated 1 185.5 carats, resulting in a revenue of R17 million.
- Operational cash flow shortage – Due to the ongoing rehabilitation, the revised rehabilitation liability has decreased. The rehabilitation liability to be funded from MTEF has been reduced and the excess can be released for operational purposes.
- Alexkor is in discussion with the PSJV to obtain further loan repayments that will ensure cover of the shortfall in funding the operational budget.

Based on the above assessment, management is satisfied that the entity is a going concern.

34. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting date.

35. REPORTABLE IRREGULARITIES

35.1 INCREASE IN SCOPE ON A TENDER AWARDED IN CONTRAVENTION OF NATIONAL TREASURY INSTRUCTION NOTE 3

Management applied the 20% threshold for increase in scope of a tender awarded in term of the National Treasury Instruction Note 3. The 20% threshold applies to construction related goods, works and related services. The tender awarded related to legacy rehabilitation and included demolition of buildings and disposal of asbestos material. After consultation with the National Treasury and the Auditor General, it was concluded that the 15% threshold relating to goods and services should have been applied in computing the maximum increase in scope of the tender.

The Board is comfortable that Alexkor SOC Limited received value for services and no financial misconduct was committed.

The value of the increase in scope of the tender is R6 986 645 and management has since approached National Treasury on 22 June 2018 for the condonation of the amount and is awaiting their response.

35.2 AWARDING OF SINGLE SOURCE SUPPLIER IN CONTRAVENTION OF NATIONAL TREASURY INSTRUCTION NOTE 3

Management procured the CaseWare software for the preparation of annual financial statements. The motivation for the procurement was based on a sole source supplier, as the CaseWare software is suitable for state-owned entity reporting requirements. In terms of the National Treasury Instruction Note 3 the procurement of CaseWare Software is classified as a single source supplier and requires National Treasury approval. The misinterpretation of National Treasury Instruction Note 3 is considered a reportable irregularity by the auditors.

The Board is comfortable that Alexkor SOC Limited received value for services and no financial misconduct was committed.

Management has approached National Treasury on 22 June 2018 for the condonation of the cost of R299 773 for the procurement of the CaseWare software and is awaiting their response.

GLOSSARY

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

KPIs	Key Performance Indicators
L	
LTIFR	Lost Time Injury Frequency Rate
M	
Minister	The Minister of Public Enterprises
MHSA	Mine Health and Safety Act
MOI	Memorandum of Incorporation
MOU	Memorandum of Understanding
MP	Member of Parliament
MPRDA	Mineral and Petroleum Resources Development Act
MTEF	Medium Term Expenditure Framework
N	
NDP	National Development Plan
NGOs	Non-Governmental Organisations
NGP	National Growth Path
NIHL	Noise Induced Hearing Loss
NUM	National Union of Mineworkers
O	
ORCA	ORCA (Pty) Limited – Outsourced Risk and Compliance assessment
P	
PFMA	Public Finance Management Act 2012
PPPFA	Preferential Procurement Policy Framework Act
PSJV	Pooling and Sharing Joint Venture
PTB	Lung disease (Tuberculosis)
R	
Regulations	Regulations for the Companies Act 71 of 2008
Rehab Committee	Environmental Rehabilitation Committee
RMC	Richtersveld Mining Company, an entity created by the DoS and part of the CPA
S	
SA	South Africa
SADC	Southern African Development Community
SDCT	South Dunes Coal Terminal
SE&HR	Social, Ethics and Human Resources Committee
SLP	Social Labour Plans
SOC	State-Owned Company
SOMCO	State-Owned Mining Company
SSI	Scarlet Sky Investments (Pty) Limited
U	
UASA	UASA Trade Union
V	
VAT	Value Added Tax
VSP	Voluntary Severance Packages

CORPORATE CONTACT DETAILS AND KEY SERVICE PROVIDERS
for the year ended 31 March 2018

ALEXKOR SOC LIMITED

Registration number: 1992/006368/30

REGISTERED OFFICE

The Woodlands Office Park
Block 15, 2nd Floor
20 Woodlands Drive, Woodmead
Johannesburg, 2191

Tel: 011 ALEXKOR (253 9567)

Email: leratos@alexkor.co.za

Website: www.alexkor.co.za

COMPANY SECRETARY

MS JOANNE MATISONN

FCIS; H.Dip.Co.Law (Wits); MA in applied ethics for professionals (Wits)

EXTERNAL AUDITORS

SIZWENTSALUBAGOBODO

20 Morris Street East
Woodmead
Johannesburg, 2191

INTERNAL AUDITORS

OUTSOURCED RISK AND COMPLIANCE ASSESSMENT (ORCA)

Wanderers Office Park
52 Corlett Drive
Illovo
Johannesburg, 2196

NOTES

NOTES