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ANNUAL REPORT 2009

CONTENTS

OVERVIEW OF ALEXKOR

Alexkor Limited is a juristic entity established in terms of the Alexkor Limited Act (No. 116 of 1992), as amended, which is wholly owned by the government. Alexkor has two divisions, namely Alexander Bay Mining (ABM) and non-core operations.

The ABM division is the core business of the Company, exploiting a large land-based diamond resource and extensive diamondiferous marine deposits. The operations of ABM decreased during the year with the curtailment of its land mining activities. All mining activities are currently performed by contractors.

The successful land claim by the Richtersveld Community (RVC) has considerably changed the landscape of Alexkor and the Namaqualand region.

In terms of the Deed of Settlement (DoS) the land mining rights will be transferred to the community, whilst Alexkor is to retain its marine mining rights.

Alexkor and the Richtersveld Mining Company will form a pooling and sharing joint venture (PSJV), which is an unincorporated joint venture that will oversee all the mining activities going forward.

VISION

To transform Alexkor into a competitive and sustainable mining company that will contribute positively towards the needs of all stakeholders.

MISSION

To maximise profits from the sustainable exploitation of the resource, thereby ensuring satisfactory returns to our shareholder and make a contribution towards the socio-economic upliftment of the region. This will be achieved in accordance with all statutory and regulatory requirements.

CORE VALUES

Our core values are: Honesty and Integrity; Professionalism; and Accountability

ALEXKOR LIMITED

- **ALEXANDER BAY MINING**
  - LAND MINING
  - SEA MINING
- **NON-CORE ACTIVITIES**
  - GUESTHOUSE
  - AIRPORT
  - TOWN
  - FUEL STATION

BOARD OF DIRECTORS


REGINALD MUZARIRI – *Chairperson*#


KHETIWE McCLAIN-MASEKO – *Chief Executive Officer* Δ


ROGER PAUL *#


JENNIFER DELY *Δ


GEORGE MASHA *Δ


SIMANGELE NGOMA *Δ


BHEKI SHONGWE *Δ


VIOLA MAKIN *#


CLAUDE TOWELL *Δ

* *Non-Executive Director*

\# *Appointed in January 2007*

Δ *Appointed in October 2008*

EXECUTIVE MANAGEMENT


KHETIWE McCLAIN-MASEKO – *Chief Executive Officer* Δ


DANIE GROBLER – *Acting Chief Financial Officer*


GEOFF DAVIES – *Mine Manager*

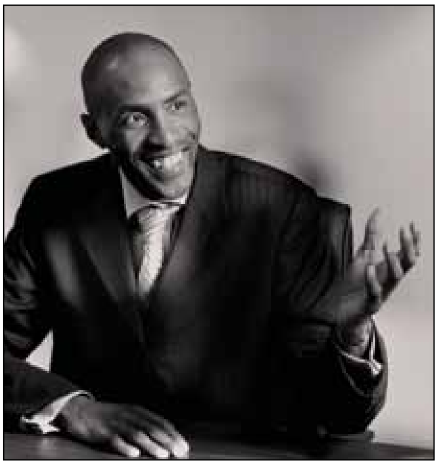

MIKE MPANZA – *Engineering Manager* °


SCHALK LAING – *Security Manager*


THAPELO KGARI – *Company Secretary*

Δ *Appointed in October 2008*

° *Appointed in July 2009*



It is an honour for me to be appointed to the position of Chairman of Alexkor's board of directors in September 2008, during the time of significant transformation in the Company's history. During this period, Alexkor's focus has been on successfully fulfilling the suspensive conditions of the landmark Deed of Settlement (DoS) which was concluded in 2007. It has also been a time during which Alexkor started exploring new opportunities to diversify its operations beyond its traditional diamond-mining mandate in Alexander Bay.

I believe that the DoS has set a benchmark for real empowerment in South Africa, demonstrating what can be achieved through such a process. While the non-core assets have been handed over to the Richtersveld community who will henceforth manage them independently, the mining activities will be run for the joint benefit of Alexkor and the local community through the pooling and sharing joint venture (PSJV) which is currently being implemented. There is potential for significant long-term benefits for the people of the local community as a result of the new sources of income which will potentially be created, outside of the traditional mining activity that has traditionally been the nucleus of all economic activity in the region.

Notwithstanding the internal challenges associated with implementing the conditions of the DoS, during the 2009 financial year, Alexkor has also been faced with the challenge of operating in the worst economic downturn in living memory. The period under review was characterised by two distinct halves in the South African diamond industry. While diamond prices held their own in the first half of the year, the global economic meltdown from August 2008 saw a significant downturn in demand within the supply chain, resulting in diamond prices dipping by over 50% in some instances. The decline in demand for high-quality gem stones was less marked, to the benefit of Alexkor which was able to command reasonable prices given the tougher trading environment with its traditionally higher-grade production.

Although Alexkor delivered a stronger operational performance in the second half of the year, dampening the negative impacts of muted demand and pricing across the industry, a gross operating loss of R26.6 million was reported (2008: loss of R16.7 million) on total revenue of R127.5 million (2008: R139.8 million). While the marine mining delivered pleasing results in the fourth quarter, land mining activities were curtailed, pending the implementation of the PSJV. A restructuring to reduce the cost structure of Alexkor, which was associated with once-off costs of R17.2 million, will result in sustainable savings which will support long-term profitability once full production resumes.

The Company started evolving its contractor model in the 1990s by empowering members of the local community and past employees through revenue sharing on outsourcing contracts, lowering its overall cost structure while empowering these individuals. On a personal note, it has also been gratifying to see that Alexkor has been partly shielded from the downturn due to these innovative practices while also meeting its social responsibility to the local community. The strategy allowed Alexkor to minimise potential losses during the year ended 31 March 2009.

While Alexkor's current mandate is to ensure the successful conclusion of the terms of the DoS and supporting the implementation of the PSJV to ensure sustainability in the long term, the Company is also embarking on a process of reformulating its strategy. With the support of its shareholder, and in consultation with all relevant stakeholders, Alexkor will begin evaluating new mining opportunities. While the PSJV will be responsible for exploration in Alexkor's traditional land and marine mining operations, the Company is engaging with the Department of Minerals and Energy to explore the possibility of obtaining new prospecting licences, including diamond and other minerals. These are aimed at diversifying its activities and ensuring a commercially viable company.

Much work has been undertaken to progress the formal establishment of the PSJV under the auspices of the Interim Joint Board, led by Advocate Johan van Deventer. Representatives of DPE and Alexkor on one side and the Richtersveld community on the other, have participated in this process.

All parties are endeavouring to ensure that the process of business plans, mining plans and other requirements for the formal establishment of the PSJV will be completed prior to Alexkor's next financial year end in March 2010.

Looking forward, we are fully committed to ensuring that the PSJV is successfully bedded down to enable the resumption of full-scale land mining activity. Alexkor's mining activities had a significant economic impact on the local communities and only by achieving a reasonable level of mining activity can we fulfil our commitment of directly benefiting the ongoing economic well-being of these local communities. The process to establish and transfer the Alexander Bay Township to the relevant authorities is on track for completion during 2010.

Since the financial year-end, diamond prices have improved, suggesting that the market is starting to stabilise, although any market recovery is yet to be confirmed. Having implemented significant cost reductions during 2009, Alexkor is poised to reap the benefits of its restructuring programme for the financial year ending March 2010. As such, the Company is expecting to return to profitability at the gross operating profit level during the second half of the financial year.

We were fortunate to be acquainted with Mr Alec Erwin, former Minister of Public Enterprises, and Ms Brigitte Mabandla, former Minister of Minerals and Energy. We thank them and their departments for their valued contributions to Alexkor. We look forward to working with newly appointed Minister of Public Enterprises, Ms Barbara Hogan.

I extend my gratitude to Vuyo Mahlati and Nchaka Moloi who resigned from Alexkor's Board of directors in March 2009. My heartfelt thanks for your role in implementing the mandate and for your team work during your tenure. I take this opportunity to welcome the newly appointed non-executive directors, namely, Messrs G Masha, B Shongwe, J Dely, S Ngoma and C Towell, who were appointed to the board of directors of Alexkor with effect from 21 October 2008. Ongoing thanks to Professor V Makin and Dr R Paul for their continued efforts and support. I look forward to Alexkor board's continued contribution during 2010.

On behalf of the board, I thank Alexkor's chief executive officer Khetiwe McClain-Maseko for her constant leadership and guidance which has proved invaluable to Alexkor during this period. To the executive team and staff, we are grateful for your continued commitment during this period.

R Muzariri

INTRODUCTION

During the year ended 31 March 2009, one of the key focus areas of Alexkor was fulfilling the suspensive conditions of the Deed of Settlement (DoS) which had been signed between Alexkor, the State and the Richtersveld Community in 2007. It is particularly pleasing that the land claim process, which was instituted more than a decade ago, is drawing to a conclusion where the final settlement is inclusive and benefits a broad range of Alexkor's constituencies.

Mining operations at Alexkor's land operations continued at curtailed levels. This was done in order to preserve the asset being transferred to the Richtersveld Community while still generating revenues to sustain operations and maintain these operations in working condition.

IMPLEMENTING THE DEED OF SETTLEMENT

The Interim Joint Board (IJB) is in the process of developing the business plan of the pooling and sharing joint venture (PSJV) which aims to continue mining land and marine operations going forward.

The DoS also requires the conversion of old order marine and land mining rights to be granted. The application for conversion of the land mining rights was submitted to the DME on 12 February 2009 and the conversion for the marine mining rights was submitted to DME on 28 April 2009. The preparation of these applications included consultations with interested and affected parties, especially with representatives of the IJB, the Richtersveld Mining Company and Richtersveld District Municipality. On conversion, ownership of the land mining rights would be transferred to the Richtersveld Community.

Another requirement of the DoS is the upgrading of Alexander Bay to municipal standards. Alexkor made progress during the year to proclaim Alexander Bay a township. Progress has been made in this regard with a full assessment of the costs and sustainability of this upgrade. The registration of the municipality in terms of the Northern Cape Planning and Development Act is in progress and the Richtersveld Municipality passed a resolution accepting the General Plan, with conditions for the use of servitudes on 26 May 2009. The resolution and documentation is now with the Surveyor General for noting awaiting registration by the State Advocate.

Exiting from the non-core assets as required by DoS is almost complete with the exception of the guesthouses and the airport remaining in the ownership of Alexkor. These will be transferred in the near future.

FINANCIAL OVERVIEW – EXECUTIVE SUMMARY

The severity of the global economic downturn is difficult to overstate as highly supportive commodity and diamond prices turned sharply downwards during the second half of 2008. Against this backdrop Alexkor's ability to generate sufficient revenue to cover its operating costs further deteriorated during the 2009 financial year, with an operating loss of R77.6 million compared to an operating profit of R5.9 million during the 2008 financial year. The gross operating loss was in some measure due to a negative adjustment to the post-retirement medical aid liability amounting to R58.3 million. As we begin the 2010 financial year the economic outlook remains weak and we are continuing to experience volatility in diamond prices.

OPERATIONAL REVIEW

At the beginning of the financial year ending 31 March 2009 Alexkor's land mining operations were restructured. The production activities are now sourced from locally based contracted mining companies. The pooling of the resources between the Company and contractors has allowed the Company to increase its diamond production levels over the financial year, with diamond recoveries being increased by 439 carats from 25 620 carats in 2008 to 26 059 carats in 2009.

The global economic meltdown negatively affected the diamond prices and the Rand diamond revenue decreased from R139.8 million in 2008 to R127.5 million in 2009.

Poor sea conditions with corresponding decrease in sea days and the value of recovered stones saw to a drop in revenue contribution from marine production of 13% from 73% in 2008 to 60% in 2009. The marine carat slightly decreased from 19 029 carats to 19 061 carats.

The demand for diamond declined and the actual sale prices realised were lower than what was expected. Despite this adverse condition the Company continued to support the State diamond trader, where an average price of $617 per carat was achieved.

HEALTH AND SAFETY

No mining-related fatalities occurred during the year. Although 12 injuries were recorded over the period, the number of year-on-year injuries have shown a continual decline since 2005.

The mine participated in the Presidential safety audit of 2008, where suggestions were made regarding the need to improve the current safety systems. These recommendations have been and are currently being implemented.

The Company's mine safety policy is orientated towards ensuring a healthy and safe working environment for the employees through vigorous risk assessment, effective communication with employees, compliance with legislation and regulations and the auditing of the required compliance.

STRATEGIC OUTLOOK

With the end in sight for meeting all the terms of the DoS, Alexkor is mapping out its long-term strategy, of which exploration in the fields of both diamonds and other minerals, in the Northern Cape as well as other regions in South Africa, forms a core component. Although the Company's shareholder is supportive of these initiatives. Alexkor will investigate partnerships in order to enter into a broader range of exploratory activities.

The likelihood of consolidation in the resources sector, resulting from a change in the national policy and the adverse economic environment, is increasing and Alexkor will evaluate all opportunities within its mandate to enhance its long-term economic value, both in the private and the public sector. There are a number of opportunities for Alexkor to develop strategic partnership with other existing mining entities and to ensure sustainability and continuity of the mining operations with best endeavours at job retention. Alexkor's aim is contributing to the government's imperative of unlocking South Africa's long-term economic growth potential.

CONCLUSION

In the year ahead, Alexkor's priority is to continue offering support within the terms of the DoS to the PSJV, to ensure that it is optimally positioned to resume the land mining operations to its best production levels.

Simultaneously, Alexkor will evaluate opportunities to procure new diamond and mineral assets to secure new long-term revenue streams and ensure its growth potential.

Sales over the last few months since year-end have stabilised slightly. Alexkor is positioned to weather the storm of the economic downturn with its current operational model. The benefits of the cost restructuring initiatives implemented during 2009 are expected to result in an improved operating performance in the 2010 financial year.

ACKNOWLEDGEMENTS

Alexkor's progress during 2009, which was a difficult and uncertain year, was made possible by the continued efforts of our workforce. To my executive management team and staff, I express my appreciation for your contribution, determination, loyalty and support during the past year.

Finally, on behalf of Alexkor I extend our gratitude to the officials at the Department of Public Enterprises for the role that they have played in our Company during the year under review. We look forward to working with the newly appointed Minister of Public Enterprises, Barbara Hogan in the future.

K McClain-Maseko

FINANCIAL OVERVIEW

Alexkor's ability to generate sufficient revenue to cover its operating costs further deteriorated during the 2009 financial year, with an operating loss of R77.6 million compared to an operating profit of R5.9 million during the 2008 financial year. The operating loss was in some measure due to a negative adjustment to the post-retirement medical aid liability amounting to R58.3 million. The Company reported a net loss after tax of R65.7 million during the 2009 financial year compared to R4.8 million during 2008.

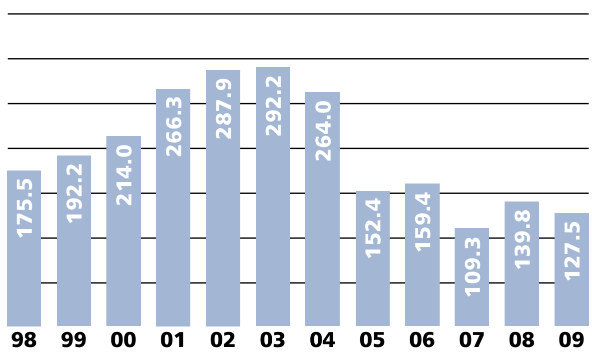
REVENUE

Alexkor's main revenue source remains the income generated from the sale of rough, gem-quality diamonds. As the diamond prices are US dollar denominated, the rand/dollar exchange rate plays an important role in determining the actual rand value of the cash inflows. The average exchange rate in the 2009 financial year was R8.07/$ compared to the budgeted exchange rate of R7.00/$. Despite the higher-than-budgeted carat production of 34% and R/$ exchange rate achieved for the year under review, the gross revenue only amounted to R127.5 million compared to R139.8 million during 2008. This is mainly attributable to the lower diamond prices suffered as a result of the global economic slowdown.

OPERATING PROFIT/LOSS

In contrast, Alexkor's operating cost did not show a similar downward trend as with revenue. Although the operating cost of R154.1 million (2008: R156.6 million) is in line with budgeted figures, the majority of Alexkor's costs remains fixed whilst variable expenditure decreased proportionately with the decrease in own-land mining activities.

REVENUE (R million)



NET LOSS AFTER TAX

The operating loss of R77.6 million was partially inflated by a net non-cash expense adjustment of R58.3 million related to the annual provision for post-retirement benefit obligations, which is primarily due to the actuarial loss of R54.8 million as a result of the transfer to another medical aid scheme during November 2008. The new medical aid scheme yields higher monthly contributions, but the move was necessitated by the liquidation of the previous fund.

FINANCIAL POSITION AND CASH FLOW RESULTS

Cash flow

Although the total cash and cash equivalents amounted to R276.9 million as at 31 March 2009 (2008: R177,6 million), only R97 million remained available for operational purposes at the end of the 2009 financial year. The balance of the cash and cash equivalents is earmarked for ongoing litigation matters (R9.1 million) government-funded projects (R170.7 million included in provisions for township establishment, implementation of the Deed of Settlement (DoS), Boegoeberg rehabilitation and PSJV recapitalisation) and environmental rehabilitation trust funds (R27.8 million).

The post-retirement medical aid liability increased from R77.1 million as at 31 March 2008 to R135.3 million as at 31 March 2009. The increase in this liability is mainly attributable to the actuarial loss adjustment of R54.8 million during the year. The gross rehabilitation liability increased from R234.9 million as at 31 March 2008 to R239.6 million as at 31 March 2009. The unfunded rehabilitation liability (after accounting for funds held in a rehabilitation trust) amounts to R211.9 million (2008: R212.1 million). The aforementioned shortfall is guaranteed by the Department of Public Enterprises. The Company's current solvency position can be attributed mainly to the R63.3 million prepayment received for the compensation for the farm, Beauvallon and land mining rights in terms of the DoS. A further R164 million is receivable in compensation for the remaining land and buildings that will be transferred to the Community Property Association. It is expected that Alexkor will continue to operate at a loss until the PSJV and recapitalisation programme are implemented.

Capital expenditure

Capital expenditure was limited to only facilitate the current operations of the Company. Actual capital expenditure therefore amounted to R1.0 million.

Impairment of assets

No impairment of assets was deemed necessary during the 2009 year.

CORE OPERATIONS

ALEXANDER BAY MINING

At the beginning of the financial year the Company's land mining operations were restructured with the closure of Alexkor's own mining teams. The mine's production is now solely sourced from small locally based contracted mining companies, three operating on land and 27 in the shallow-water environment.

The contracted companies recover diamondiferous gravel along the coastal strip from the mouth of the Orange River a distance of 140 km to the south. This gravel is delivered to an Alexkor plant for processing and the recovery of diamonds which are subsequently sold on tender at the Johannesburg Diamond Exchange. The proceeds of the sale are shared between the contractor and Alexkor.

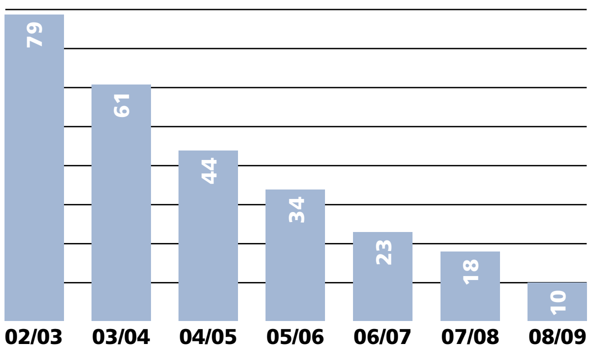
Such a business model, in conjunction with creative cost management and the pooling of resources between contractor and company, has allowed Alexkor to increase diamond production levels over the previous year – this in an environment of drastically lower rough diamond prices that have forced others in the industry to reduce production levels.

Diamond recoveries increased from 25 620 carats in 2008 to 26 059 in 2009. The variance against the 2009 budget of 19 429 carats was positive 34%, a result of improvements in productivity levels both on land and at sea.

The global economic crisis negatively affected the diamond prices in the second half of the year, reducing sale prices by as much as 50%. The average diamond price received declined from US$763 for 2008 to US$617 for 2009. The variance against the 2009 budget price of US$803 was negative 23%.

Whilst a weaker rand/dollar exchange rate was received in 2009 than in 2008, it was insufficient to compensate for the low diamond prices and the rand diamond revenue decreased

HISTORICAL DIVING DAYS (days)



from R139.8 million in 2008 to R127.5 million in 2009. The 2009 revenue however exceeded the year's budget by R20.6 million due to the higher than budgeted carat production.

The bulk of the carat production was sourced from the marine operations which contributed 74% of the total carats mined, a similar figure to last year. The revenue contribution from the marine production decreased from 73% in 2008 to 60% in 2009. This was due to an increase in production from the lower stone value south of the mine which was forced on operations by adverse sea conditions in the north.

The land operations increased carat production from 6 411 carats in 2008 to 6 998 carats in 2009, whilst the marine carat production decreased slightly from 19 209 carats to 19 061 carats. The decrease was minimal given the continued deterioration in sea conditions that resulted in only 10 safe diving days being achieved in 2009 against 18 in 2008.

Maintenance of the carat production in the face of adverse sea conditions is attributed to productivity improvements resulting from the amalgamation of contracts, allowing contracts to increase capacity and the encouragement of the mechanisation of operations. Productivity as measured by carats recovered per sea-day has increased from 765 carats in 2007 to 1 065 carats in 2008 to 1 900 in 2009. Further productivity improvements such as increasing the level of mechanisation still further will have to be implemented should the deterioration in sea conditions continue.

The average stone size mined was similar to that of the previous year at 0.56 carat per stone. Nine of the stones were in excess of 20 carats in weight, the largest stone weighing 54 carats. The quality of the diamonds recovered remained high, with the market valuing the highest priced stone at US$24 200/ct.

DIAMOND MARKET

From 2006 to September 2008 the Company received ever-increasing prices for its product across all stone categories. With the onset of the global financial crisis in September 2008 and the concomitant freezing of credit in the banking and diamond businesses, demand for diamonds decreased sharply, as did prices. Prices stabilised after December 2008 as demand returned to the market and by end of the financial year prices were showing signs of recovery. Actual sale prices realised by the Company at the South African Diamond Exchange have varied from a high of US$1 058 per carat in July 2008 to a low of US$292 per carat in December 2008.

In the short term market commentators anticipate a steady improvement in the price of rough diamonds associated with an increase in demand. In the longer term a lack of new mining developments for gem-quality stones is expected to underpin the price and support increasing rough diamond prices.

The Company has supported the initiative of the State Diamond Trader (SDT) as an instrument to supply rough diamonds to local cutters. As of September 2008 the Company has offered its production to the SDT at prices comparable with market prices.

MINERAL RESOURCES

Whilst estimates of the diamond resource base of the Company have been quoted since 2005 at the inferred level, the estimate is considered little more than a global estimate. Rigorous analysis of the data to delineate a bankable resource has been conducted in potentially mineable areas for the immediate mining plan – not for long-term mine planning. For such planning and according to good practice a bankable resource base is required, the generation of which would require the recapitalisation of the operation – the intention behind the pooling and sharing joint venture (PSJV).

The PSJV has been tasked with reviewing the resource base of the Company and developing a business plan for the evaluation and exploitation of that resource. For this reason, and to prevent any ambiguity with any future diamond resource estimate produced by the PSJV, no resource figure will be published in this report.

HEALTH AND SAFETY

No fatalities occurred for the year under review and whilst 12 injuries to personnel were recorded for the year the number of injuries continues to decline from the levels of 2005 (43), 2006 (25), 2007 (28), and 2008 (14). Eight of last year's injuries were lost-time injuries, of which three were reportable injuries. The balance of four injuries were minor, no lost-time injuries.

The reduction in the number of injuries of recent years coincides with a period of deteriorating sea conditions. The improved statistic is attributed to the safety systems that have been implemented in the shallow-water diver operations. These systems are currently being transferred to the land mining operation in order to ensure a further reduction in injuries mine-wide.

No occupational diseases were identified in the workforce during the year, as was the case in 2008.

Annual audits of noise and dust levels by outside consultants were conducted to ensure that acceptable and safe levels as set by the Mine Health and Safety Council were not exceeded. Where excessive levels were identified remedial action has been taken.

The mine participated in the Presidential safety audit of 2008. Where suggestions were made with regard to improving the current safety systems, these have been and are being implemented.

The mine's safety policy is orientated towards ensuring a healthy and safe working environment for the employees through risk assessment, communication with employees, compliance with legislation and regulations and the auditing of that compliance. It has not been the policy of the mine to obtain OHSAS 18001 certification. Such a policy decision will be made by the PSJV. Aspects of OHSAS certification, where possible, have been integrated into the mine's operations.

ENVIRONMENTAL

The Company has committed itself to act at all times in an environmentally responsible manner. Such commitment has increased the environmental liability of the mine by an amount of only R4.7 million over the past year. The rehabilitation of dumps and mined-out areas is responsible for the bulk of this reduction.

Over and above these activities, interventions continue to be made to stabilise mining-induced sources of wind-blown sand. Such interventions have been successful in the Boegoeberg area for which government funding of R4.8 million was provided.

An extensive revision of the environmental management plan (EMP) for land operations was completed and submitted to the Department of Minerals and Energy for authorisation in November 2008. The innovative revision is based on real-time interaction between the baseline requirements of the EMP as delineated by spatial overlays, and any existing or planned disturbance of the land surface. The entire programme is GIS-based allowing remote access by all disciplines impacting on the environment.

ASSET PROTECTION

Through regular risk assessments and audits the Company has developed procedures and invested in appropriate technology to protect its assets. Whilst management of the asset protection function lies with the Company itself, the day-to-day operations have been outsourced to an external service provider. This is on the basis of a one-year contract that allows regular reviews.

HUMAN RESOURCES

In order to comply with the DoS and to achieve a sustainable business, two of the objectives of the 2009 Corporate Plan were:

- The separation and transfer of the Alexander Bay Trading (ABT) workforce from Alexkor to the RAHC. (The moveable assets of Alexkor were transferred to the RAHC in January 2008.)
- The restructuring of the ABM workforce numbers to ensure the sustainability of the mining operation.

After extensive interaction with organised labour, both objectives were achieved at the end of June 2008 in accordance with either Section 197 of the Labour Relations Act (No. 66 of 1995) or in accordance with Section 189 of the same Act.

Extensive support was provided to the affected employees in the form of training courses to improve their skill base for alternative employment opportunities.

The restructuring exercise involved a reduction in the workforce of Alexkor from 277 in June 2008, to 111 July 2008. As of March 2009 the figure stands at 112. Besides maintaining the Alexander Bay town infrastructure the Alexkor employees are engaged in mining and metallurgical activities in support of the SME businesses that conduct the mining operations.

Alexkor's employment levels

Division	Mar 08	Mar 09
Alexander Bay Mining	206	112
Alexander Bay Trading	76	0
Marine mining contractors	584	370
Land mining contractors	90	73
Other contractors (incl. security)	170	125
TOTAL	1 126	680

REMUNERATION

High levels of growth in the economy has placed pressure on employers to attract and retain key personnel. To ensure our employees receive market-related remuneration, human resource consultants were engaged to review employees' job grading and remuneration levels in relation to the market. Adjustments were made, where required, and in certain cases where particular skills were identified as being scarce, employees were granted a scarce skill allowance.

Alexkor is the sole source of income for the employees of 30 locally based SMEs contracted to provide mining services. The Company is thus a major contributor to household incomes in Namaqualand. During the year the Company's expenditure on permanent and fixed-term contract employees was R32.4 million (2008: R40.6 million). An additional R75.3 million was expended on contracted SME mining services, a significant portion of which was redistributed by the SME to its employees as remuneration.

HUMAN RESOURCE DEVELOPMENT

The reduction in the workforce and the possibility of a significant change in the operating model at Alexkor once a PSJV is in place, has necessitated a shift in emphasis from mining related human resource development to providing employees and ex-employees with the opportunity to acquire portable skills.

Using human resource consultants, an exercise was conducted to identify those portable skills which are in demand in the local and provincial economies. Service providers were identified to provide such skills training and every employee was offered the opportunity to elect a particular training course. In cases of surplus capacity, the offer of training was extended to members of the local community. Training was provided to 144 persons in programmes such as, but not limited to, plumbing, rigging, bricklaying, information technology, small business development and various certificate courses.

Mining-related training initiatives implemented during the year have focused on safety training, first-aid training, rigging training and hyperbaric chamber operator training.

Alexkor continued to support three bursars studying at tertiary institutions during 2009. Two of the bursars have since completed their studies, the third is expected to finish at the end of the 2009 academic year.

In accordance with the Mining Charter the Company continues to provide all employees and members of the community the opportunity to be functionally literate. During 2009, three employees and six community members attended ABET of whom one was ABET level 4.

As an integral part of the application to convert the old order mining rights to new order rights in terms of Section 11 of the Mineral and Petroleum Resources Development Act (No. 28 of 2002), two Social and Labour Plans (SLPs) were developed during the year. One SLP caters for the intended operation of the land-based mining rights under the ownership of the Richtersveld Mining Company (RMC), and the other SLP for the operation of the marine-based mining rights under the ownership of Alexkor. Extensive engagement took place with local, public and private authorities in the compilation of the SLPs to ensure their seamless integration into the Regional Integrated Development Plan. The plans are complementary in nature in order to accommodate the intended joint mining operation under the direction of the PSJV.

The impending implementation of the PSJV has prevented the development of any extensive meaningful career path or mentorship plans for historically disadvantaged South Africans (HDSA). Such initiatives are subject to clarity on the implementation of the PSJV. Short-term career path and mentorship initiatives are being implemented where feasible.

EMPLOYMENT EQUITY

The employment equity target for HDSA participation in management of 40% was exceeded with an achievement of 50% as of the year-end, the same figure as 2008.

Employment equity statistics of Alexkor

		Male			Female			
Occupational level	Number of incumbents	AM	CM	WM	IF	CF	WF	Percentage of designated group
Senior management	4	1	–	2	–	1	–	50
Professionally qualified	3	–	1	1	–	1	–	67
Skilled	37	–	17	17	–	2	1	54
Semi-skilled	59	2	45	7	–	4	1	88
Unskilled	9	1	8	–	–	–	–	100
TOTAL	112	4	71	27	0	8	2	76

The target of 10% for the participation of females in core mining was not achieved due to the reduction in the size of the workforce. Plans to achieve the target figure will be addressed in the planning of a future workforce by the PSJV.

MINE COMMUNITY AND DEVELOPMENT

Over the past year the mine has engaged with both public and private sector stakeholders in both the local and labour sending areas. Consultation has taken place with regard to the restructuring exercise and the development of the SLP and its integration into the regional integrated development plan.

The major development initiative of the SLP is the upgrade of the Alexander Bay town infrastructure to that of municipal standards in preparation for the transfer of the town to the Richtersveld District Municipality. The major elements of the works programme are the upgrade of the water, sewer and electrical reticulation networks and relocation of the waste water treatment works. The two-year project is expected to commence early in 2010 at an estimated cost of R16 million. All efforts will be made to support the participation of local HDSA companies, SMEs and labour-intensive construction methods in the development.

The well-being of the employees and the persons living in the local region is important to the Company. The request for a medical general practitioner to be resident in the town was thus acted upon and the Company has engaged such a person, who also has a dispensing licence, to serve the community. The medical practitioner will also strengthen the Company's efforts to create and maintain a high level of awareness of the HIV/Aids pandemic in line with the Company's HIV/Aids policy. Continued support for peer educators has been maintained as does support for HIV/Aids testing and counselling.

Hostel accommodation for Alexkor employees was phased out during the year and all employees are currently housed in single-unit accommodation. Their nutritional needs are provided for by a company contracted specifically for this purpose.

PROCUREMENT AND SUPPORT OF SMMES

By the end of the 2009 financial year, the procurement spend on goods purchased from HDSA supplier companies represents 83% of the total spend. This against a target spend of 40%.

The percentage spend for 2007 and 2008 of 68% and 61% respectively indicates a progression of HDSA procurement as envisaged in the mining charter.

All of the 31 SMME's contracted to provide mining services at Alexkor have at least a 50% HDSA component in their shareholding with many having a 100% component. The payment to these SMME's for mining services in 2009 was R75.3 million, an amount which illustrates Alexkor's commitment to the development of such enterprises.

INTRODUCTION

Alexkor's corporate governance has principally been guided by the Public Finance Management Act (No. 1 of 1999), as amended (PFMA); the Companies Act (No. 61 of 1973), as amended; the second King Committee Report on Corporate Governance for South Africa, 2002 (King II Report); and international best practices on corporate governance; as well as recommendations of previous corporate governance and internal control investigations carried out at Alexkor, commissioned by the shareholder.

SHAREHOLDING

Alexkor remains a state-owned enterprise with 100% shareholding by the Government of South Africa, with the Minister of the Department of Public Enterprises (DPE) being the executive authority. It is the aim of the shareholder, Alexkor and the Richtersveld Community that through the pooling and sharing joint venture (PSJV) the ownership of the land mining rights would be transferred to the community.

ALEXKOR'S BOARD OF DIRECTORS

The incumbent board was appointed in September 2008 for a three-year term which expires on 31 May 2010. The board comprises eight non-executive directors and the chief executive officer.

The board represents a fair spread in terms of gender, skills and experience to continue to perform its duties under the complex and challenging circumstances currently facing the Company.

RESPONSIBILITIES OF THE BOARD

The duties and responsibilities of Alexkor's board are embodied in the Company's memorandum and articles of association, as amended, the national legislation as well as best practices in corporate governance. The board provides the executive management with clear strategic direction, as documented in the Company's strategic and corporate plans.

Through different board subcommittees, the board ensures that it effectively monitors all managerial and Company decisions and transactions. Details of the number of board and subcommittee meetings and attendances are contained in the table on pages 18 and 19.

Through the Company's delegation of authority policy, the board delegates certain powers and functions to management, whilst material decision making powers are retained by itself. Due regard is also given to those powers which legislation prescribed should be exercised either in consultation with, or with the approval of, the shareholder and/or the Minister of Finance.

In addition to the monitoring of operational performance, the board also monitors the performance of management through the Remuneration and Human Resources Committee. It is envisaged that the board will continue with this role even in relation to the PSJV board (joint board), which is to operate as a subcommittee of the board of Alexkor. There is to be regular reporting and sharing of information between the board of Alexkor and the joint board.

All new directors have, in addition to having been inducted, also undertaken site visits at Alexkor and are therefore familiar with the internal workings of the Company.

Alexkor's directors and officers, in terms of the directors' and officers' indemnity cover, are provided cover for liability, loss or damage sustained by the Company in the normal course of the exercise of their duties as directors. This cover excludes normal legal exclusions such as fraud and recklessness.

The board is committed to operating within the highest standards of professional ethics by ensuring that all material or potential conflicts of interests between a director and the Company are recorded and addressed according to the provisions of the Companies Act (No. 61 of 1973), as amended. These issues are also to be reported to the shareholder at the upcoming annual general meeting, and are to be standing agenda items at subsequent annual general meetings.

BOARD SUBCOMMITTEES

The board has appointed the following subcommittees:

Audit and Risk Committee	(Chairperson: Ms S Ngoma)
Tender Committee	(Chairperson: Mr C Towell)
Human Resources and Remuneration Committee	(Chairperson: Mr R Muzariri)
Rehabilitation Committee	(Chairperson: Dr R Paul)
Implementation Committee	(Acting Chairperson: Mr R Muzariri)

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee is constituted by four (4) non-executive directors of the Alexkor board. The committee is chaired by a non-executive member of the board, Ms Simangele Ngoma.

The Audit and Risk Committee has been established in accordance with the guidelines in the King II Report. This committee, in keeping with its duties contained in the King II Report and the PFMA, considers all financial reporting requirements prior to these being presented to the board by the committee for approval and onward submission to the shareholder and/or National Treasury and other prescribed stakeholders. The committee continues to monitor the role of the internal and external audits and considers and signs off the annual financial statements prior to submission to the board. Both the external and internal auditors have unrestricted access to the Audit and Risk Committee. Members and attendance at Audit and Risk Committee meetings for the period under review appear in the table on page 18.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee consists of four (4) non-executive directors and is chaired by Mr Reginald Muzariri, a non-executive member of the board. The current remuneration structure of the board and subcommittees is based on the remuneration guidelines issued by the shareholder and considered by this committee and approved by the board. The table on page 19 depicts members and attendance at Human Resources and Remuneration Committee meetings.

REHABILITATION COMMITTEE

The Rehabilitation Committee comprises four (4) non-executive directors and is chaired by Dr Roger Paul. The committee administers the Rehabilitation Trust Fund, oversees the amendment of the environmental management plan and its submission to the Department of Minerals and Energy (DME).

TENDER COMMITTEE

The Tender Committee consists of four (4) non-executive directors of the Alexkor board. It is chaired by Mr Claude Towell.

Depending on the expertise, skills and knowledge required to adjudicate on a specific tender, members of management are nominated to join the committee on an ad hoc basis.

SHAREHOLDER/STAKEHOLDER COMMUNICATION

The past financial year was characterised by continuous interaction and engagement between the shareholder and the board (through effective stakeholder and the Company interaction in the Government's Portfolio Committee on Public Enterprises). Through this interaction and engagement the shareholder is well informed of all significant business activities of the Company, the restructuring that the Company is undergoing, as well as progress on the implementation of the Deed of Settlement (DoS). Through this engagement and interaction the shareholder is able to monitor the performance of the Company and the activities of the board. The board accordingly expresses its appreciation for the consistent support by the Minister, the Director-General and officials of the DPE.

The Company also consults and communicates with all other stakeholders, including the local communities, regional and national political structures, as well as organised labour.

DIRECTORS' REMUNERATION

The Remuneration and Human Resources Committee considers the remuneration of the non-executive directors and makes recommendations to the shareholder. The shareholder then decides the remuneration of the non-executive directors. The Remuneration and Human Resources Committee evaluates the remuneration of the chief executive officer and senior management and makes its proposals to the board. The shareholder and board jointly determine the remuneration of the chief executive officer, whilst the board, in consultation with the chief executive officer, determines the remuneration of senior management. Details of the remuneration structure appear on page 51.

COMPANY SECRETARY

The company secretary, Advocate Rebaone Gaoraelwe, resigned on 14 April 2009. The board appointed a new company secretary, Mr Thapelo Kgari, on 21 June 2009.

The company secretary is independent and fully empowered by the board to perform his function in that he reports directly to the executive chairperson. Amongst other duties the company secretary ensures Company adherence to all legislative, regulatory and shareholder requirements by advising and informing the board on all legislation and governance issues affecting the Company. He also satisfies the board that its resolutions are properly recorded, communicated and implemented. The company secretary also provides new directors with appropriate induction and access to a specifically required training programme to help them to execute their duties diligently and effectively.

BOARD MEETINGS

Board meetings are held at least once a quarter and thereafter when the board deems necessary.

Schedule of attendance at board meetings

Director	29 May 08	04 July 08	AGM 25 Aug 08	21 Oct 08	5 Feb 09	23 Feb 09
Mr N Moloi	Resigned	Resigned	Resigned	Resigned	Resigned	Resigned
Ms V Mahlati	A	A	A	Resigned	Resigned	Resigned
Ms P Molefe	n/app	n/app	P	Resigned	Resigned	Resigned
Ms S Coetzee	n/app	n/app	P	Resigned	Resigned	Resigned
Mr R Muzariri	P	P	P	P	P	P
Ms K McClain-Maseko	P	P	P	P	P	P
Dr R Paul	P	P	P	P	P	A
Dr V Makin	P	P	A	P	P	P
Ms S Ngoma	n/app	n/app	n/app	P	A	P
Ms J Dely	n/app	n/app	n/app	P	P	P
Mr B Shongwe	n/app	n/app	n/app	P	P	P
Mr G Masha	n/app	n/app	n/app	P	P	P
Mr C Towell	n/app	n/app	n/app	P	P	A

n/app = not yet appointed

A = apology

P = present

Schedule of attendance at Audit and Risk Committee meetings

Director	12 Feb 2008	3 July 2008	21 April 2009	03 July 2009
Mr R Muzariri	P	P	Resigned	Resigned
Dr R Paul	P	P	P	P
Mrs N Moloi	A	Resigned	Resigned	Resigned
Mr M Mdaka	A	Resigned	Resigned	Resigned
Ms S Ngoma	n/app	n/app	P	P
Mr B Shongwe	n/app	n/app	P	P

Schedule of attendance at Remuneration Committee meetings

Director	28 May 2008	17 Sept 2008	04 Feb 2009	20 Feb 2009
Mr R Muzariri	n/app	n/app	P	P
Ms K McClain-Maseko	P	P	P	P
Mr G Masha	n/app	n/app	P	P
Mr B Shongwe	n/app	n/app	P	P

Schedule of attendance at Tender Committee meetings

Director	11 June 08	26 Sept 2008	10 Dec 2008	27 March 2009
Mr C Towell	n/app	n/app	P	P
Ms K McClain-Maseko	P	P	P	P
Mr R Muzariri	P	P	P	P
Dr R Paul	P	P	P	P
Mr G Masha	n/app	n/app	P	P
Mr M Mdaka	Resigned	Resigned	Resigned	Resigned

Schedule of attendance at Rehabilitation Committee meeting

Director	21 April 2009
Dr R Paul	P
Ms K McClain-Maseko	P
Mr C Towell	P
Ms V Makin	P
Ms J Dely	P

CODE OF ETHICS

Alexkor subscribes to the highest levels of professionalism and integrity in conducting all its business dealings with its stakeholders. Alexkor continually strives to reinforce a culture in its people of openness, honesty and responsibility in order that the conduct of its directors, management and employees is beyond reproach.

The board and the Company are committed to a code of ethical and moral behaviour encompassing:

- fairness and honesty;
- transparency to all stakeholders;
- no tolerance of theft, dishonesty or any form of corrupt activity; and
- no conflict of interest in any decision or action affecting the Company.

Alexkor is in the process of adopting an official policy on ethics for active implementation across all levels of the Company. The code will be presented to the board for approval during the 2009 financial year.

CORPORATE COMMUNICATION

Alexkor regularly informs its shareholder, through monthly reports and ad hoc dialogue with DPE officials, and through the annual general meeting on the business of the Company, in line with its statutory and regulatory obligations.

ANNUAL FINANCIAL STATEMENTS

CONTENTS

STATEMENT OF DIRECTORS' RESPONSIBILITY FOR THE YEAR ENDED 31 MARCH 2009

The board is responsible for the preparation, integrity and fair presentation of the financial statements of Alexkor Limited. The financial statements, presented on pages 28 to 51, have been prepared in accordance with International Financial Reporting Standards, and include amounts based on judgements and estimates made by management.

The board also reviewed the other information included in the annual report and is responsible for both its accuracy and its consistency with the financial statements. The going concern basis has been adopted in preparation of the financial statements. The Board has no reason to believe that the Company will not be a going concern in the foreseeable future based on forecasts, available resources and the continued financial support of the shareholder, the Department of Public Enterprises. The financial viability of the Company is supported by the financial statements.

The financial statements have been audited by the independent accounting firm, PricewaterhouseCoopers Inc, which was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The board believes that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers Inc's audit report is presented on page 23.

The financial statements were approved by the board of directors on 5 August 2009 and are signed on its behalf by:

R Muzariri
CHAIRPERSON

K McClain-Maseko
CHIEF EXECUTIVE OFFICER

STATEMENT BY THE COMPANY SECRETARY

I, the undersigned, in my capacity as company secretary do hereby confirm that for the financial year ended 31 March 2009, Alexkor Limited has lodged with the Registrar of Companies all such returns as are required in terms of the Companies Act (No. 61 of 1973), as amended, and that, to the best of my knowledge, of such returns are true, correct and up to date.

Thapelo Kgari
COMPANY SECRETARY

REPORT ON THE FINANCIAL STATEMENTS

We have audited the annual financial statements of Alexkor Limited, which comprise the balance sheet as at 31 March 2009, and the income statement, and statement of changes in equity, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 25 to 51.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alexkor Limited as of 31 March 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the PFMA.

Emphasis of matter

Without qualifying our opinion we draw attention to paragraph 13 in the Directors' report on page 27, which indicates that although the Company has sufficient cash resources to meet its operating cash requirements for the foreseeable future, there is significant doubt about the ability of the Company to continue as a going concern in the longer term without the establishment of the joint venture with the local community and commencement of sustainable mining activities.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reporting on non-compliance with applicable legislation

As required by section 28(1)(b) of the Public Audit Act, 2004 (No. 25 of 2004) (PAA) read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008, we report the following material non-compliance with applicable legislation relating to financial matters, financial management and other related matters, that came to our attention during the performance of our audit of the financial statements:

Supply chain management (Section 76(4)(c) of the PFMA and 16A3.1 of the Treasury Regulations)

The Supply Chain Management framework (SCM), as regulated by section 76(4)(c) of the Public Finance Management Act (PFMA) and section 16A3.1 of the Treasury Regulations, was not yet fully developed and implemented. Management is in process to amend all existing procurement policies and procedures to comply with these requirements.

Internal audit (Section 27.1 and 27.2 of the Treasury regulations)

Internal audit did not function effectively throughout the year and as a result no reliance could be placed on the work of internal audit. Targets set in the internal audit plan were not achieved and the risk areas identified by management were not addressed. The board is in the process of appointing new internal auditors for the 2010 financial year.

REPORT ON PERFORMANCE INFORMATION

Directors' responsibility for the performance information

The directors have additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

Findings

A shareholder's compact was signed between the board and the executive authority for the period under review, but no formal performance appraisal was performed. The performance information and other criteria as required by Section 55(2) of the PFMA have therefore not been included in these financial statements. Therefore we cannot provide a report on the performance information.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Director: JFM Kotzé
REGISTERED AUDITOR

2 Eglin Road, Sunninghill
5 August 2009

The board of directors has pleasure in presenting their report, which forms part of the audited financial statements of the Company, for the financial year ended 31 March 2009. This report and the audited financial statements comply with the requirements of the Public Finance Management Act (No. 1 of 1999) (PFMA). In promoting the concepts of corporate governance, the directors have included additional information about the Company's strategic objectives.

1. BACKGROUND

Alexkor came into being in 1928 as Staats Alluviale Delwerye. This name remained the same until 1 May 1989 when the mine became commercialised and changed its name to the Alexander Bay Development Corporation. This structure remained in place until November 1992 when the corporation became a limited company. The Government of the Republic of South Africa, through the Minister of Public Enterprises, holds all shares in the Company.

2. NATURE OF BUSINESS

The main business of the Company is the economic exploitation of diamonds and associated support elements. Its ancillary business includes commercial services to the local and surrounding communities.

3. BOARD OF DIRECTORS

Alexkor's board of directors comprises eight non-executive directors and one executive director. The board meets at least quarterly and retains full and effective control over the Company's business and monitors executive management through a structured approach to reporting and accountability.

All directors receive regular information about the Company in order to equip them to actively participate in board meetings. Members of the board also have access to management and the company secretary for any further information they require. None of the current directors have any interest in the share capital of the Company, or any contracts entered into by the Company, as disclosed by the statutory records of the Company and representations made to the Company.

Additional details of the board's subcommittees, directors' membership to the subcommittees and schedule of attendance at board meetings are contained in the Corporate Governance section of the Annual Report. Disclosure of remuneration in terms of section 55 of the PFMA and Treasury Regulation 28.1.1 is provided on page 51.

4. SHARE CAPITAL

There has been no change in the authorised and issued shares for the period under review. Details of the authorised and issued share capital are disclosed in note 7 to the financial statements.

5. SHAREHOLDER

The National Government of the Republic of South Africa, through the Minister of Public Enterprises, is the sole shareholder.

6. FINANCIAL RESULTS

6.1 The annual financial statements on pages 28 to 51 reflect the financial performance, position and cash flow results of the Company's operations for the year ended 31 March 2009.

The 2009 Corporate Plan highlighted a number of initiatives to improve production levels on land as well as marine mining activities. These initiatives included, inter alia:

- Exit non-core business activities relating to Alexander Bay Trading (ABT) and Alexander Bay Town.
- Increase management capacity and implement continuous training and development initiatives to support the implementation of the above strategic objectives.
- Obtain approval of the amendments of the Environmental Management Plan.
- Moving Alexkor beyond a single mineral company by acquiring other mineral rights within South Africa.

Funding for these initiatives was developed as part of the Medium-Term Expenditure Framework process in the form of a recapitalisation of the operations. The implementation of these initiatives was subject to the implementation of the settlement of the land claim case and the receipt of the balance of the funding to effect the above.

The land claims case was settled by an Order of the Court (OC) in October 2007 which stipulated that the recapitalisation of the mine would take place with the implementation of a pooling and sharing joint venture (PSJV). The PSJV was not implemented during the current financial year and due to the lack of operational funding the Alexkor own-mining operations were downscaled.

The Company continued to develop and implement cost-cutting strategies, which included minimising the use of earth-moving equipment and a reduction of mining shifts from three per day to one per day.

6.2 Deed of Settlement made an Order of Court

As mentioned above, the Deed of Settlement formalised the in-principle agreements reached between the parties regarding the nature and extent of the intended land claims restitution. The salient features of the Settlement Agreement are as follows:

- All land and buildings subject to the land claim will be transferred to the Community Property Association (CPA).
- Certain erven and erected buildings within the to be established township of Alexander Bay will be transferred to various social institutions and government authorities to normalise the social and governmental structures.
- Land mining rights will be transferred to the CPA, whilst the Company will retain its marine mining rights.

Alexkor will retain its marine mining rights and remaining mining assets and marine mining rights and these assets will be pledged to a Pooling and Sharing Joint Venture (PSJV) with the CPA until the said venture is dissolved.

The board was compelled in the prior year to impair the assets of the Company to such fair values as considered appropriate compensation in terms of the Restitution of Land Rights Act (No. 22 of 1994). These assets are classified as non-current assets classified as held-for-sale. Further details of these assets are provided in note 6 to the annual financial statements.

6.3 Discontinued operations

The Company discontinued the non-core Alexander Bay Trading operations on 21 January 2008, and transferred its related movable assets to the Richtersveld Agricultural Holding Company (RAHC) in accordance with the OC.

7. DIVIDENDS

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

8. BORROWINGS

In terms of the Company's articles of association, the Company's borrowing powers are determined by the board from time to time.

9. INTERNAL CONTROL

The board is responsible for the Company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatements and losses.

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

Internal audit did however not function effectively throughout the year and targets set in the internal audit plan were not achieved and the risk areas identified by management were not addressed. The board is in the process of appointing new internal auditors.

10. SHAREHOLDER'S COMPACT

A shareholder's compact was signed between the board and the executive authority for the period under review, but no formal performance appraisal has been done. The performance information and other criteria as required by Section 55(2) of the PFMA have therefore not been included in this report.

11. LITIGATION STATEMENT

Nabera

The Company is defending a claim by Nabera Mining, a company previously engaged by the shareholder to run the operations of the Company. The amount of the value added by Nabera Mining in terms of the management agreement is disputed by the Company. In consultation with the Company's legal representatives, no provision has been made in the financial statements for this claim.

Ruslyn Mining and Plant Hire

The Company is defending a claim by Ruslyn Mining and Plant Hire, a company previously engaged by the shareholder to reclaim overburden dumps. The Ruslyn Mining and Plant Hire is claiming for the loss of potential revenue. In consultation with the Company's legal representatives, no provision has been made in the financial statements for this claim.

12. ENVIRONMENTAL MATTERS

As stated in the Corporate Governance section of the Annual Report, environmental matters are overseen by an environmental subcommittee of the board. The Rehabilitation Committee continuously reviews the environmental operations and policies of the Company and recommends mitigating strategies and activities to limit the impact of mining operations on the environment as well as to actively address historical damage.

A study conducted by an independent environmental management consultant estimates the gross liability to the amount to R193.3 million at the end of the 2005 financial year and has been escalated to R239.6 million as at 31 March 2009. The Company makes monthly contributions towards a duly registered Rehabilitation Trust and the funds held in trust amounted to R27.8 million as at 31 March 2009 (2008: R22.8 million), resulting in an unfunded rehabilitation liability of R211.8 million (2008: R212.1 million). Further details with regard to the rehabilitation liability are provided in note 9 to the annual financial statements.

The Company has submitted an updated Environmental Management Programme to the Department of Minerals and Energy (DME) for approval. Subsequent to DME's approval, monthly contributions to the Environmental Rehabilitation Trust Fund will be adjusted accordingly and necessary guarantees provided.

13. GOING CONCERN

The board took cognisance of the losses suffered during past number of financial years and has considered the impact thereof on the solvency of the Company. Due to the substantial amount of cash available to meet its operating cash requirements, and the guarantee of the rehabilitation liability shortfall by the Department of Public Enterprises (refer to note 9) the financial statements have been prepared on the going concern basis. The board has every reason to believe that the Company will have adequate resources in place to continue with operations for the foreseeable future.

The current situation is however not sustainable in the longer term and without the establishment of the PSJV, and commencement of mining activities, there is significant doubt about the ability of the Company to continue as a going concern in the longer term.

14. PUBLIC FINANCE MANAGEMENT ACT

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

15. AUDITOR

In accordance with section 270(2) of the Companies Act (No. 61 of 1973) of South Africa, as amended, and in terms of General Notice 616 of 2008 (which was published in Government Gazette No. 31057 on 15 May 2008) PricewaterhouseCoopers will continue in office.

16. COMPANY SECRETARY

Rebaone Gaoraelwe has resigned as company secretary on 13 March 2009. Thapelo Kgari was contracted on 22 June 2009 to fulfil the duties until a permanent appointment is made.

R Muzariri
CHAIRPERSON

K McClain-Maseko
CHIEF EXECUTIVE OFFICER

BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009 R	2008 R
ASSETS			
Non-current assets		**47 898 919**	45 159 915
Property, plant and equipment	3	**20 105 279**	22 324 733
Cash held in rehabilitation trust	9,19.2	**27 793 640**	22 835 182
Current assets		**295 262 066**	196 002 834
Inventories	4	**8 993 412**	12 839 179
Trade and other receivables	5	**9 412 380**	5 516 656
Cash and cash equivalents	19.2	**276 856 274**	177 646 999
Non-current assets classified as held for sale	6	**176 764 882**	176 764 882
TOTAL ASSETS		**519 925 867**	417 927 631
EQUITY AND LIABILITIES			
Capital and Reserves		**(103 453 354)**	(37 744 993)
Share capital	7	**50 000 000**	50 000 000
Accumulated loss		**(324 268 246)**	(258 559 885)
Revaluation reserve		**170 814 892**	170 814 892
Non-current liabilities		**374 964 000**	311 974 000
Retirement benefit obligations	8	**135 321 000**	77 059 000
Environmental rehabilitation liability	9	**239 643 000**	234 915 000
Current liablities		**248 415 221**	143 698 624
Trade and other payables	10	**248 415 221**	133 290 237
Accruals for other liabilities	11	**–**	10 408 387
TOTAL EQUITY AND LIABILITIES		**519 925 867**	417 927 631

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 R	2008 R
Revenue	12	**127 517 726**	139 824 507
Cost of sales		**(154 168 776)**	(156 563 508)
Gross operating loss		**(26 651 050)**	(16 739 001)
Administration expenses		**(1 775 575)**	(852 807)
Other expenses	13	**(10 519 061)**	(22 395 812)
Other income	14	**24 373 523**	74 084 875
Provision for retirement benefit obligations	8	**(58 262 000)**	(6 634 090)
Provision for environmental rehabilitation liability	9	**(4 728 000)**	(21 549 734)
Operating (loss)/profit	15	**(77 562 163)**	5 913 431
Net finance income		**13 306 999**	3 930 469
Finance income	16	**19 634 287**	7 578 203
Finance expenses	17	**(6 327 288)**	(3 674 734)
(Loss)/profit before income tax		**(64 255 164)**	9 843 900
Taxation	18	**–**	(231 786)
(Loss)/profit from continued operations		**(64 255 164)**	9 612 114
Discontinued operations			
Loss from discontinued operation (net of income tax)	20	**(1 453 197)**	(14 378 323)
Net loss after taxation		**(65 708 361)**	(4 766 209)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2009

	Share capital R	Accumulated loss R	Revaluation reserve R	Total R
Balance as at 1 April 2007	50 000 000	(253 793 676)	170 814 892	(32 978 784)
Net loss for the year	–	(4 766 209)	–	(4 766 209)
Balance as at 1 April 2008	**50 000 000**	**(258 559 885)**	**170 814 892**	**(37 744 993)**
Net loss for the year	**–**	**(65 708 361)**	**–**	**(65 708361)**
Balance as at 31 March 2009	**50 000 000**	**(324 268 246)**	**170 814 892**	**(103 453 354)**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Notes	2009 R	2008 R
Cash flows from operating activities			
Cash flow from operating activities	19.1	**(43 011 399)**	(21 720 095)
Cash flow from discontinued operations	20	**(1 453 197)**	(6 555 182)
Interest received		**19 634 287**	3 931 936
Interest paid		**(6 327 288)**	(1 467)
Taxation (paid)/received		**–**	(231 786)
Net cash utilised by operating activities		**(31 157 595)**	(24 576 594)
Cash flows from investing activities			
Replacement of property, plant and equipment		**(1 039 168)**	(251 257)
Proceeds on disposal of property, plant and equipment		**58 764**	1 200 000
Compensation with regard to the land claim settlement received in advance	10	**–**	63 302 710
Net cash (utilised)/generated in investing activities		**(980 404)**	64 251 453
Cash flows from financing activities		**136 305 734**	64 446 267
Government-funded obligations		**136 305 734**	19 746 267
Government transfers received		**–**	44 700 000
Net increase/(decrease) in unrestricted cash and cash equivalents		**104 167 735**	104 121 126
Unrestricted cash and cash equivalents at the beginning of the year		**200 482 181**	96 361 055
Cash and cash equivalents at the end of the year	19.2	**304 649 916**	200 482 181

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.1 Basis of preparation

The financial statements for the year ended 31 March 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Public Finance Management Act (No. 1 of 1999), as amended (PFMA). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. The accounting policies have been consistently applied to all the periods presented.

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

Presentational changes

The following presentational changes were made for improved classification and disclosure purposes:

Financial income and expenditure

The comparative amounts for financial income and financial expense were reclassified as amounts of R7 578 203 and R3 647 734 respectively which were previously reported on a net basis in the notes to the income statement. The reclassification relates to interest received on cash balances for government funds received.

Trade and other receivables

The comparative amount for other receivables was reclassified as an amount of R2 026 650, which was previously reported as part of trade receivables in the notes to the balance sheet.

New accounting standards, amendments and International Financial Reporting Interpretation Committee (IFRIC) Interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods commencing from 1 January 2009 or later, which the Company has elected to not early adopt. The following standards, amendments and interpretations were issued but not yet effective:

- IAS 1 (Revised): Presentation of Financial Statements (effective for financial periods beginning on/after 1 January 2009)

  The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly.

  Management is in the process of assessing the impact.

- IAS 1 (Amendment): Presentation of Financial Statements and IAS 32: Financial Instruments: Presentation – Puttable Financial Instruments and Obligations Arising on Liquidation
  (effective for financial periods beginning on/after 1 January 2009)

  The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments.

  Management is in the process of assessing the impact.

- IAS 23 (Revised): Borrowing costs
  (effective for financial periods beginning on/after 1 January 2009)

  The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

  This will not be applicable for Alexkor.

- IAS 27 (Revised): Consolidated and Separate Financial Statements
  (effective for financial periods beginning on/after 1 July 2009)

  IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.

This will not be applicable for Alexkor.

- IAS 39 (Amendment): Financial Instruments: Recognition and Measurement – Eligible Hedged Items
  (effective for financial periods beginning on/after 1 July 2009)

  The amendment clarifies how the existing principles underlying hedge accounting should be applied in the designation of: a one-sided risk in a hedged item; and inflation in a financial hedged item.

  This will not be applicable for Alexkor.

- IFRS 1 (Revised): First-time Adoption of International Financial Reporting Standards
  (effective for financial periods beginning on/after 1 July 2009)

  IFRS 1 has been amended many times since it was first issued to accommodate first-time adoption requirements resulting from new or amended IFRS. As a result the text became increasingly complex. IFRS 1 has been restructured to make it easier to understand, and to allow it to accommodate more easily any future changes that might be necessary.

  This will not be applicable for Alexkor.

- IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards and IAS 27 (Amendment): Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
  (effective for financial periods beginning on/after 1 July 2009)

  When an entity adopts IFRS for the first time, an exemption is added to IFRS 1 that will allow investments in subsidiaries, jointly controlled entities and associates to be measured at cost in accordance with IAS 27 or deemed cost (being the fair value determined in accordance with IAS 39 at the date of transition; or the previous GAAP carrying amount). Dividends received from subsidiaries, jointly controlled entities and associates will be recognised in profit and loss in the separate financial statements when the entity's right to receive dividends is established (i.e. there is no longer a need to distinguish between dividends declared from pre-acquisition and post-acquisition profits). IAS 36: Impairment of Assets was consequentially amended to include the following additional impairment indicators: the carrying amount of the investment in a subsidiary, jointly controlled entity or associate, in the separate financial statements exceeds the carrying amount of the investee's net assets in the consolidated financial statements; and the dividend exceeds the total comprehensive income of the subsidiary, jointly controlled entity or associate in the period the dividend is declared.

  This will not be applicable for Alexkor.

- IFRS 2 (Amendment): Share-based Payments – Vesting Conditions and Cancellations
  (effective for financial periods beginning on/after 1 January 2009)

  The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

  This will not be applicable for Alexkor.

- IFRS 2 (Amendment): Share-based Payments – Group Cash-settled Share-based Payment Transactions
  (effective for financial periods beginning on/after 1 January 2010)

  The amendment clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendment provides guidance on how to account for group share-based payment schemes in entities' separate financial statements. The amendment incorporates guidance previously included in IFRIC 8, Scope of IFRS 2, and IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11.

  This will not be applicable for Alexkor.

- IFRS 3 (Revised): Business Combinations
  (effective for financial periods beginning on/after 1 July 2009)

  The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.

  This will not be applicable for Alexkor.

- IFRS 7: (Amendment): Financial Instruments: Disclosures, Improving Disclosures about Financial Instruments
  (effective for financial periods beginning on/after 1 January 2009)

  The amendments form part of the IASB's focused response to the financial crisis and addresses the G20 conclusions aimed at improved transparency and enhanced accounting guidance. The improvements reflect discussions by the IASB's Expert Advisory Panel on measuring and disclosing fair values of financial instruments when markets are no longer active.

  The disclosures introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. This is aimed at ensuring that the information disclosed enables users of an entity's financial statements to evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity manages that risk.

  Management is in the process of assessing the impact.

- IFRS 8: Operating Segments
  (effective for financial periods beginning on/after 1 January 2009)

  IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The standard sets out requirements for disclosure of information about the entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

  Management is in the process of assessing the impact.

- IFRIC 15: Agreements for the Construction of Real Estate
  (effective for financial periods beginning on/after 1 January 2009)

  IFRIC 15 was issued to address diversity in accounting for real estate sales. Some entities recognise revenue when risks and rewards in the real estate are transferred in accordance with IAS 18: Revenue and others recognise revenue as the real estate is developed in accordance with IAS 11: Construction Contracts. The interpretation clarifies which standard should be applied to particular transactions. The guidance is not limited to real estate sales but can be applied by analogy in other circumstances to determine whether a transaction is accounted for as a sale of goods (IAS 18) or a construction contract (IAS 11).

  This will not be applicable for Alexkor.

- IFRIC 16: Hedges of a Net Investment in a Foreign Operation
  (effective for financial periods beginning on/after 1 October 2008)

  This interpretation addresses three issues: the nature of the hedged risk and amount of the hedged item for which a hedging relationship may be designated; where in a group the hedging instrument can be held; and what amounts should be reclassified from equity to profit and loss as reclassification adjustments on disposal of the foreign operation.

  This will not be applicable for Alexkor.

- IFRIC 17: Distributions of Non-cash Assets
  (effective for financial periods beginning on/after 1 July 2009)

  This interpretation clarifies that: (1) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (2) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (3) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit and loss. The interpretation also requires an entity to provide additional disclosure if the net assets being held for distribution to owners meet the definition of a discontinued operation. The interpretation does not apply to common control transactions.

  This will not be applicable for Alexkor.

- IFRIC 18: Transfers of Assets from Customers
  (effective for transfers of assets from customers received on or after 1 July 2009)

  This interpretation applies to agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer which must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). The interpretation clarifies: (1) the circumstances in which the definition of an asset is met; (2) the recognition of the asset and the measurement of its cost on initial recognition; (3) the identification of the separately identifiable services (one or more services in exchange for the transferred asset); (4) the recognition of revenue; and (5) the accounting for transfers of cash from customers.

This will not be applicable for Alexkor.

- Improvements to IFRS

  Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRS). These amendments are the result of conclusions the board reached on proposals made in its annual improvements project.

1.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

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

(a) Sale of diamonds

Revenue from diamond production is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

(b) Sale of farming produce and maricultural products

Revenue from farming produce and maricultural products is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

(c) Interest income

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

1.3 Government grants

Government grants are accounted for at the earlier of the date when the funds are transferred or when there is reasonable assurance that the grant will be received. Distinction is made between the following types of government grants:

- Government grants received/receivable as compensation for expenses already incurred are accounted as a credit in the income statement and disclosed as other income.
- Government grants received/receivable for the purpose of giving immediate financial support to the Company with no related future costs are recognised as income in the period it becomes receivable.
- Government grants received and earmarked for specific projects and expenditures are deducted in reporting period that the related expenditure was incurred.

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

1.4 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings relating to the non-core activities are credited to other reserves in the shareholder's equity. Decreases that off-set previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement.

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

- Buildings 10 years
- Plant and equipment 10 years
- Motor vehicles 3 – 5 years
- Furniture, fittings and equipment 3 – 8 years

The assets' residual values and useful lives are reviewed at each balance sheet date and, if appropriate, adjusted.

The cost of assets sold or scrapped and the related accumulated depreciation is eliminated from the accounts at the time of disposal and the resulting profits or losses are recognised in the income statement.

1.5 Impairment of assets

At each balance sheet date, the Company reviews the carrying amount of its property, plant and equipment to determine whether there are any indications that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment (if any). The recoverable amount is the higher of fair value less cost to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Any impairment is first recognised against any existing revaluation reserves, whereafter the balance of the impairment (if any) is recognised immediately as an expense.

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

1.6 Financial assets

The Company classifies its financial assets in the following categories:

- Loans and receivables

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and cash equivalents in the balance sheet.

1.7 Inventories

Inventories are valued as follows:

- Diamonds are valued at the lower of cost or net realisable value.
- Parts and consumable items are valued at the lower of weighted average cost and net realisable value.

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

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

1.8 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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash that are earmarked for specific purposes (restricted cash balances) is included in cash and cash equivalents, but disclosed separately in the notes to the annual financial statements.

1.9 Provisions

Provisions for environmental restoration and restructuring costs were recognised in the financial statements. These provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Any assets held for the specific purpose of settling of a provision (be it voluntary or legally imposed), such as funds held in rehabilitation trusts, are separately recognised in the balance sheet.

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

1.10 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 assets

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

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 in accordance with the accounting policy. Provision is made for the anticipated costs of future restoration and rehabilitation of mining sites to the extent that a legal or constructive obligation exists in accordance with the accounting policy. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value.

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

Retirement benefit obligations

An asset or liability in respect of defined-benefit pension or medical plans is recognised on the balance sheet in accordance with the accounting policy. The present value of a defined-benefit obligation is dependent upon a number of factors that are determined on an actuarial basis.

Recoverability of deferred tax assets

Deferred income tax assets are recognised to the extent that it is probable that future taxable benefits are generated, against which the deferred tax asset can be realised and tax losses continue to be available having regard to the nature and timing when they originated and compliance with the tax legislation associated with their recoupment.

1.11 Employee benefits

Pension fund

The Company has both defined-benefit and defined-contribution plans. A defined-contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined-benefit plan is a pension plan that is not a defined-contribution plan. The Company operates one pension fund for its employees. The scheme is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability recognised in the balance sheet in respect of the defined-benefit pension plans is the present value of the defined-benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past-service costs. The defined-benefit obligation is updated annually by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time, which are amortised on a straight-line basis over the vesting period. Any surplus of plan assets over plan liabilities are only recognised as an asset if the Company has a vested right in the surplus, such as an approved surplus apportionment scheme.

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

Other post-retirement obligations

The Company provides post-retirement healthcare benefits to their retirees employed before 1 May 1989, and the entitlement to these benefits is conditional on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined-benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined-benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued biannually by independent qualified actuaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Leave accrual

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to balance sheet date.

1.12 Taxation

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

Current income tax

Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases for tax purposes. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, that 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 at the balance sheet 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 income statement in the year in which the change occurs, except to the extent that it relates to items previously charged or credited directly to equity.

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

1.13 Non-current assets classified as held for sale

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

1.14 Trade payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective-interest method.

1.15 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method, less accumulated impairment. Impairment of trade and other receivables is established when there is objective evidence as a result of a loss event that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment is recognised in the income statement 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 the income statement.

	Carrying values		Fair values	
	2009	2008	**2009**	2008
	R	R	**R**	R
Financial assets				
Trade and other receivables	**6 718 639**	5 292 538	**6 718 639**	5 292 538
Cash and cash equivalents	**276 744 847**	177 647 999	**276 744 847**	177 647 999
Cash held in rehabilitation trust	**27 793 640**	22 835 182	**27 793 640**	22 835 182
Financial liabilities				
Trade and other payables	**180 824 840**	56 358 935	**180 827 840**	56 358 935

2. FINANCIAL RISK MANAGEMENT

2.1. Financial risk factors

The principal financial risks arising from the Company's continuing activities in diamond mining are those related to commodity price risk, currency risk, interest rate risk, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potentially adverse effects on the Company's financial performance. The Company has various financial instruments such as trade debtors, trade creditors and cash, which arise directly from its operations. It is the Company's policy not to trade in financial instruments.

Market risk

Foreign currency risk

Diamond trading is predominantly done in United States dollars (US$) but the sales price is in rand (ZAR) as determined on the date of sale, which limits the Company's exposure to foreign currency risk. The Company does not have foreign currency exposure to any of its current financial instruments, as none of the financial instruments are denominated in a foreign currency.

Commodity price risk

The Company's exposure to commodity price risk is limited to future transactions of diamond sales. Diamond price risk arises from the risk of an adverse effect on current or future earnings resulting from fluctuations in the price of diamonds. The diamond market is predominantly priced in US$ which exposes the Company to the risk that fluctuations in the ZAR/US$ exchange rates may also have an impact on the current and future earnings.

Cash flow interest rate risk

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

Other financial risks

Credit risk

The Company's credit risk arises from cash and cash equivalents and trade and other receivables.

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

The Company's cash and cash equivalents are maintained at only two financial institutions which exposes the Company to relative credit risk as a result of credit concentration. The Company limits its risk by dealing with, and maintaining its cash and cash equivalents, at well-established financial institutions of high quality and credit standing. The Company's maximum exposure is equal to the carrying amount of cash and cash equivalents.

			Past due not impaired		
	Total	Currently performing	0 – 30 days	31 – 90 days	More than 90 days
2009	**R**	**R**	**R**	**R**	**R**
Loans and receivables					
Trade receivables	**6 718 639**	–	**6 718 639**	–	–
Loans	**3 426 219**	–	–	–	**3 426 219**
Other sundry debtors	–	–	–	–	–

			Past due not impaired		
	Total	Currently performing	0 – 30 days	31 – 90 days	More than 90 days
2008	R	R	R	R	R
Loans and receivables					
Trade receivables	5 292 538	1 075 520	206 303	69 082	282 169
Loans	–	–	–	–	–
Other sundry debtors	325 906	325 906	–	–	–

An amount of R2 069 358 (2008: R820 731) trade receivables were determined to be impaired. The Company considered these receivables to be irrecoverable as the defaulted on payments, have not reacted to follow-up payment requests and were subsequently handed over to the Company's lawyers.

Liquidity risk

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

The following table sets out the cash flows of the Company's liabilities that will be settled on a net basis into relevant maturity groupings on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual value	0 – 3 months	More than 3 months
	R	**R**	**R**
As at 31 March 2009			
Trade and other payables	**180 827 840**	**180 827 840**	–
As at 31 March 2008			
Trade and other payables	56 358 935	56 358 935	–

2.2. Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure.

The Company is in the process of restructuring its operations as a result of the settlement of the land claim by the Richtersveld Community. As a result, the Company is not able to finalise a strategy in managing capital and determining an optimal capital structure. The Company is in the process of determining its capital requirements to fund its continued operations after the restructuring is completed.

The Company will, consistent with others in the industry, monitor capital on the basis of the gearing ratio, when the restructuring is completed. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings', as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the balance sheet, plus net debt. The Company currently does not have any borrowings.

3. Property, plant and equipment

	2009 Cost/ valuation R	**2009 Accumulated depreciation/ amortisation R**	**2009 Carrying value R**	2008 Cost/ valuation R	2008 Accumulated depreciation/ amortisation R	2008 Carrying value R
Owned assets						
Land and buildings	**34 841 938**	**16 070 507**	**18 771 431**	34 841 938	16 070 507	18 771 431
Plant and equipment	**48 756 423**	**48 661 881**	**94 542**	48 740 281	48 656 023	84 258
Motor vehicles	**14 438 631**	**13 795 550**	**643 081**	13 960 706	11 407 264	2 553 442
Furniture and fittings	**959 135**	**858 320**	**100 815**	911 139	804 753	106 386
Computer equipment and software	**4 361 300**	**3 865 890**	**495 410**	3 976 436	3 167 219	809 216
	103 357 427	**83 252 148**	**20 105 279**	102 430 500	80 105 766	22 324 733

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

2009	**Carrying value at beginning of the year R**	**Additions R**	**Impairments/ adjustments R**	**Disposals R**	**Depreciation/ amortisation R**	**Carrying value at end of year R**
Owned assets						
Land and buildings	**18 771 431**	**–**	**–**	**–**	**–**	**18 771 431**
Plant and equipment	**84 258**	**27 799**	**–**	**–**	**(17 515)**	**94 542**
Motor vehicles	**2 553 442**	**578 508**	**–**	**(12 463)**	**(2 476 406)**	**643 081**
Furniture and fittings	**106 386**	**47 996**	**–**	**–**	**(53 567)**	**100 815**
Computer equipment and software	**809 216**	**384 865**	**–**	**–**	**(698 671)**	**495 410**
	22 324 733	**1 039 168**	**–**	**(12 463)**	**(3 246 159)**	**20 105 279**

2008	Carrying value at beginning of the year R	Additions R	Impairments/ adjustments R	Disposals/ reclassification R	Depreciation/ amortisation R	Carrying value at end of year R
Owned assets						
Land and buildings	197 561 374	–	–	(176 764 882)	(2 025 061)	18 771 431
Plant and equipment	–	104 054	(9 956)	–	(9 839)	84 258
Motor vehicles	4 566 218	11 630	(221 927)	–	(1 802 479)	2 553 442
Furniture and fittings	171 615	10 802	(25 659)	–	(50 372)	106 386
Computer equipment and software	1 226 699	124 772	(5 789)	–	(536 466)	809 217
	203 525 906	251 257	(263 331)	(176 764 882)	(4 424 217)	22 324 733

A register with the details of the land and buildings owned by the Company is available at its offices.

	2009 R	2008 R
4. Inventories		
The amounts attributable to the different categories of inventory are as follows:		
Diamonds	**2 285 006**	7 391 301
Parts and consumable stores	**6 708 406**	5 447 878
	8 993 412	12 839 179

Diamond inventory is carried at net realisable value at year-end as it is lower than the costs incurred to produce the diamonds.

5. Trade and other receivables

	Note	2009 R	2008 R
Trade receivables		**1 003 848**	621 329
Less: Provision for impairment of receivables		**(19 540)**	–
Loan to the Community Property Association (RAHC)		**3 426 219**	3 306 556
Less: Provision for impairment of receivables		**(1 212 841)**	–
Total other receivables		**3 286 889**	2 026 650
Less: Provision for impairment of receivables		**(836 977)**	(820 731)
VAT receivable		**2 402 909**	–
Government-funded obligations	10.1	**1 071 041**	–
Total prepayments		**290 832**	382 852
		9 412 380	5 516 656

Movement in the provision for impairment of trade receivables

	2009 R	2008 R
Balance at the beginning of the year	**820 731**	1 388 994
Impairment losses recognised	**1 248 627**	428 352
Amounts written off as uncollectable	**–**	(996 615)
Impairment losses reversed	**–**	–
Balance at the end of the year	**2 069 358**	820 731

For all debtors payment terms are net thirty (30) days after invoice date unless otherwise agreed to by the seller and subject to the seller's determination regarding the buyer's qualification for credit. Overdue amounts will attract an interest charge, calculated monthly, of prime plus four per cent. Trade and receivables are provided for based on estimated irrecoverable amounts, determined by reference of past default experience. Before accepting any new customers an assessment of the potential customer's quality is done which defines credit limits.

6. Non-current assets classified as held for sale

	2009 Fair value at the beginning of the year R	2009 Impairment R	2009 Fair value at the end of the year R	2008 Fair value at the beginning of the year R	2008 Impairment R	2008 Fair value at the end of the year R
Land and buildings	**176 764 882**	**–**	**176 764 882**	176 764 882	–	176 764 882
	176 764 882	**–**	**176 764 882**	176 764 882	–	176 764 882

The land and buildings classified as non-current held for sale are those assets specifically identified in the land claim settlement agreement that will be transferred to the Richtersveld Community. The farm Beuavallon was transferred to the RAHC (Richtersveld Agricultural Holding Company) during April 2009. The value of the asset transferred is R14 330 000.

	2009 R	2008 R
7. Share capital		
Authorised		
50 000 000 ordinary shares of R1 each	**50 000 000**	50 000 000
Issued		
50 000 000 ordinary shares of R1 each	**50 000 000**	50 000 000

8. Retirement benefit obligations

Pension funds

All employees employed before 1 July 2003 are members of the defined benefit pension fund. The pension fund is governed by the South African Pension Funds Act of 1956, as amended. All employees appointed after the aforementioned dates are compelled to join the defined contribution fund. The actuarial valuation of the pension fund is performed using the projected unit credit method every third year and updates are performed for each financial year-end. The assets held for the pension plans are held separately from the Company and administered independently, in accordance with the statutory requirements, and are measured using period-end market values.

Defined-benefit pension plan

The last actuarial valuation was performed on 31 March 2009. An estimation of the pension plan status was performed by independent consulting actuaries on 31 March 2009, using certain actuarial assumptions.

Membership data as 31 March 2009

Active members	35 (2008: 35)
Pensioners	224 (2008: 224)

Valuation method

The actuarial valuation method used to value the liabilities is the projected unit credit method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. The following principal assumptions were used for the current valuation:

	2009 %	2008 %	2007 %
Discount rate	**9.00**	9.25	7.75
Inflation rate	**5.75**	6.25	4.75
Salary increase rate	**6.75**	7.25	5.75
Expected rate of return on assets	**9.25**	10.25	9.00
Pension increase allowance	**4.89**	5.31	4.04

	2009 R	2008 R	2007 R
Fund status			
Fair value of plan assets	**198 926 000**	234 259 000	277 693 000
Present value of obligations	**(141 595 000)**	(141 918 000)	(155 846 000)
Surplus	**57 331 000**	92 341 000	121 847 000
Unrecognised actuarial gains/(losses)	**–**	–	–
Unrecognised surplus	**57 331 000**	92 341 000	121 847 000
Movement analysis			
Opening balance of recognised asset	**–**	–	–
Net (expense)/income recognised in the income statement	**(493 000)**	(1 830 073)	(1 229 000)
Company contribution	**493 000**	1 830 073	1 229 000
Closing balance of recognised asset	**–**	–	–

8. Retirement benefit obligations (continued)

The FSB approved approved the Fund's apportionment scheme on 7 November 2007. The surplus allocated to former members and pensioners at the surplus apportionment date amounted to R29.4 million. This amount was rolled forward to 31 March 2009 with returns earned by the portfolio in which the allocated surplus was invested and included by the actuaries in the liabilities of the Fund. There is no formal future surplus policy and the Company is therefore not necessarily entitled to a contribution holiday. The asset was therefore limited to nil in the valuation by the actuaries.

	2009	2008	2007
	R	R	R
The movement in the defined benefit obligation during the year is as follows:			
Defined-benefit obligation at the beginning of the year	**141 918 000**	155 846 000	147 927 000
Service cost	**841 000**	1 230 000	2 196 000
Member contributions	**205 000**	403 000	1 058 000
Liability cost	**–**	(39 891 000)	–
Acturial (gain)/loss	**12 869 000**	9 551 000	11 077 000
Benefits paid	**(4 903 000)**	34 709 000	1 522 000
Risk premiums	**(9 008 000)**	(19 288 000)	(6 799 000)
Defined-benefit obligation at the end of the year	**(327 000)**	(642 000)	(1 135 000)
	141 595 000	141 918 000	155 846 000
The movement in the fair value of plan assets during the year is as follows:			
Assets at fair market value at the beginning of the year	**234 259 000**	277 693 000	217 634 000
Expected return on assets	**23 660 000**	24 612 000	17 252 000
Contributions	**698 000**	875 000	2 287 000
Risk premiums	**(327 000)**	(642 000)	(1 135 000)
Benefits paid	**(9 008 000)**	(59 862 000)	(6 799 000)
Actuarial gain/(loss)	**(50 356 000)**	(8 417 000)	48 454 000
Assets at fair market value at the end of the year	**198 926 000**	234 259 000	277 693 000

Estimated asset composition as at 31 March 2009	%
Cash	**31.79**
Equity	**48.88**
Bonds	**3.61**
Property	**0.00**
Other	**1.32**
International	**14.40**
	100.00

Expected return on assets

The Fund's expected long-term return is a function of the expected long-term returns on equities, cash and bonds. In setting these assumptions the actuaries made use of the asset split as at 28 February 2009. The expected long-term rate of return on bonds was set at the same level as the discount rate. This implies a yield on government bonds of 9% per annum. The expected long-term rate of return on equities was set a level of 3% above the bond rate, whilst the expected long-term rate of return on cash was set a level of 2% below the bond rate. Adjustments were made to effect the expenses.

Future expected contributions

The future expected contributions for the period 1 April 2009 to 31 March 2010 is R526 000.

8.1 Post-retirement medical aid benefits

Alexkor provides life-long post-retirement medical benefits for employees who commenced employment with the Company on or before 1 May 1989 (currently in-service and subsequent retirees) and who have not elected to receive a voluntary severance package from the Company. The Company subsidises 100% of the total contribution of the medical scheme option to which the member belongs.

Membership data

In-service members:	2009: 36 (2008: 34)
Continuation members:	2009: 174 (2008: 172)

	2009	2008	2007
	R	R	R
Fund status			
Fair value of plan assets	**–**	–	–
Present value of obligations	**135 321 000**	77 059 000	73 737 000
Present value of unfunded liability	**135 321 000**	77 059 000	73 737 000
Unrecognised actuarial gains/(losses)	**–**	–	–
Liability recognised in balance sheet	**135 321 000**	77 059 000	73 737 000

8.1 Post-retirement medical aid benefits (continued)

Actuarial valuation

The post-retirement medical liability is actuarially valued every three years by an independent firm of consulting actuaries, unless there are major changes in the nature and extent of the post-retirement benefits. The liability was last valued on 31 March 2009 (previous valuation – 31 March 2007).

Valuation method

The actuarial valuation method used to value the liabilities is the projected unit credit method prescribed by IAS 19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. The following principal assumptions were used for the current valuation:

	2009	2008	2007
	R	R	R
Movement analysis			
Carrying value at the beginning of the year	**77 059 000**	73 737 000	108 007 000
Expensed to post-retirement employee benefits	**61 432 000**	6 634 000	(30 550 575)
Current service cost	**771 000**	722 000	1 218 000
Interest on liability	**5 850 000**	5 912 090	7 803 000
Net actuarial (gain)/loss	**54 811 000**	–	(39 571 575)
Less: Actual contributions by the Company	**(3 170 000)**	(3 312 090)	(3 719 425)
Carrying value at the end of the year	**135 321 000**	77 059 000	73 737 000

The actuarial loss experienced during the 2008/2009 financial year is mainly attributable to the shift during November 2008 to another medical aid scheme, which was necessitated by the liquidation of the previous fund. The new fund provides similar benefits at more expensive contribution rates. This approach resulted in higher monthly contributions by the Company as well as having a negative impact on future contributions. The average contributions payable to Bonitas Medical Fund is approximately 113% more than the 2008 average contribution paid to Renaissance Medical Fund.

Sensitivity analysis

The sensitivity analysis is based on the actuarial valuation performed for the 2009 year and the assumptions that were applicable then.

	Health-care cost inflation		
	Central assumption		
	7.75%	-1%	+1%
Accrued liability 31 March 2009 (Rm)	135.321	119.907	154.030
% change	–	-11.40%	+13.8%
Current service cost and interest cost 2009/2010 (Rm)	12.311	10.833	14.115
% change	–	-12.00%	+14.70%

	Health-care cost inflation		
	Central assumption	+5%	-10%
	7.75%	for 5 years	for 5 years
Accrued liability 31 March 2009 (Rm)	135.321	165.007	200.145
% change	–	+21.90%	+47.90%

	Discount rate		
	Central assumption		
	9.00%	-1%	+1%
Accrued liability 31 March 2009 (Rm)	135.321	154.270	119.971
% change	–	+14.00%	-11.30%

8.2 Post-retirement medical aid benefits (continued)

Sensitivity analysis (continued)

	Expected retirement age		
	Central assumption 60 years	1 year younger	1 year older
Accrued liability 31 March 2009 (Rm)	135.321	136.321	134.338
% change	–	+0.70%	-0.70%

9. Enviromental liability

The Company has an obligation to rehabilitate the environment as a result of environmental disturbance caused by mining activities. A provision is recognised for the present value of the estimated costs to rehabilitate the existing environmental disturbance as at year-end. The increase in the current year's provision is the net of an annual inflationary adjustment of previous estimates, environmental disturbance caused during the financial year, less any actual rehabilitation activities undertaken during the year.

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

	Note	2009 R	2008 R
Opening balance		**234 915 000**	213 365 226
Movement during the year		**4 728 000**	21 549 734
Restated carrying value		**239 643 000**	234 915 000

The cash held in the Environmental Rehabilitation Trust, to the amount of R27 793 640 (2008: R22 835 182), can only be utilised towards environmental rehabilitation. The Department of Public Enterprises has guaranteed any shortfall between the monies held in the rehabilitation trust fund and the rehabilitation liability. The unfunded liability at year-end is R211 849 360 (2008: R212 079 818).

10. Trade and other payables

	Note	2009 R	2008 R
Trade payables		**6 413 350**	8 243 339
VAT payable		**–**	10 375 073
Other payables		**151 252**	179 420
Income received in advance		**63 339 226**	63 319 382
Government-funded obligations	10.1	**171 793 003**	44 933 675
Accruals		**6 718 390**	6 239 348
Accrued leave		**2 445 480**	2 600 334
Bonus accrual		**1 822 519**	636 513
Other accruals		**2 450 391**	3 002 501
		248 415 221	133 290 237

The income received in advance relates to payments received from the Department of Land Affairs as compensation in terms of the land claims settlement agreement. The payment is for the anticipated transfer of the mining rights (for land mining) and agricultural land. The mining rights are expected to be transferred to the Richtersveld Mining Company when the amended environmental management programme is approved by the Department of Minerals and Energy and the mining rights converted to new order mining rights. The township and agricultural land will be transferred once all suspensive conditions are met.

10.1 Government-funded obligations

The Company received government transfers during the period under review for project-specific expenditure, which is accounted for separately from government transfers received for expenses and/or losses already incurred. The government transfers received and utilised are reconciled as follows:

	Opening balance at the beginning of the year R	Transfers received R	Utilised during the year R	Interest earned on investment of funds R	Closing balance at the end of the year R
Rehabilitation of Boegoeberg	2 462 258	–	–	239 127	2 701 385
Township establishment	18 638 794	30 000 000	(424 807)	3 197 888	51 411 875
Costs related to deed of settlement	18 110 414	–	(2 750 303)	2 061 942	17 422 053
Revegetation project	30 596	–	–	3 401	33 997
PSJV recapitalisation	–	100 000 000	–	223 693	100 223 693
Total government-funded obligations	39 242 062	130 000 000	(3 175 110)	5 726 051	171 793 003
Restructuring cost	5 691 613	–	(7 342 337)	579 683	(1 071 041)
Total government-funded receivables	5 691 613	–	(7 342 337)	579 683	(1 071 041)

	Note	2009 R	2008 R
11. Accruals for other liabilities			
Restructuring costs		**–**	10 408 387
		–	10 408 387
12. Revenue			
Diamond sales		**127 517 726**	139 824 507
All revenue from continuing operations was generated through the sale of diamonds.			
13. Other expenses			
Government transfers – specific expenditure incurred	10.1	**10 517 447**	21 710 873
Loss on disposal of non-current assets classified as held for sale		**–**	563 331
Other expenses		**1 614**	121 608
		10 519 061	22 395 812
14. Other income			
Financial support for operational cash requirements received from government		**–**	44 700 000
Government transfers – specific expenditure incurred	10.1	**10 517 447**	21 710 873
Other income		**13 856 076**	7 674 002
		24 373 523	74 084 875

	Note	2009 R	2008 R
15. Operating profit/(loss)			
Operating loss is stated after:			
Income			
Government funding		**–**	44 700 000
Expenditure			
(Profit)/loss on disposal of property, plant and equipment		**(46 301)**	563 331
Depreciation		**3 246 159**	2 224 688
Split contractors		**75 348 850**	77 817 315
Auditors' remuneration		**1 028 397**	608 052
Fees for audit services		**832 081**	608 052
Fees for other services		**196 316**	–
Internal audit fees		**148 281**	130 909
Fuel and oil		**2 838 622**	4 840 470
Electricity and water		**1 678 717**	3 450 879
Staff costs		**32 353 873**	40 584 215
Directors' emoluments	22.1	**3 598 804**	2 204 100
Security costs		**10 040 303**	12 648 849
Insurance		**997 133**	1 093 952
Consultations		**3 152 384**	2 203 401
16. Finance income			
Investment income from cash held in rehabilitation trust		**2 656 046**	1 724 562
Sundry interest		**5 983**	30 883
Interest received on government funds		**6 305 734**	3 646 267
Interest received from cash held in bank		**10 666 524**	2 176 491
		19 634 287	7 578 203
17. Finance expenses			
Interest received on government funds		**6 305 734**	3 646 267
Sundry interest expense		**21 554**	1 467
Sundry interest expense		**6 327 288**	3 647 734

18. Taxation

No taxation has been provided in the current year as the Company has an estimated tax loss and no deferred tax asset has been raised on the assessed loss and other deductible timing differences as the Company is in a loss-making position and there appears to be no reasonable expectation that the deductible tax differences will be utilised in the foreseeable future. The estimated tax losses and unutilised capital allowances carried forward as of 31 March 2009 was R17 654 517 (2008: R67 931 565)

	2009 R	2008 R
19. Notes to the cash flow statement		
19.1 Cash generated by operating activities		
Net profit/(loss) before taxation	**(64 255 164)**	9 843 900
Adjustments for:		
Depreciation	**3 246 159**	2 224 688
Government funding received		(44 700 000)
Investment income	**(19 634 287)**	(7 578 203)
Finance costs	**6 327 288**	3 647 734
Movements in retirement benefit obligations	**58 262 000**	3 322 000
Movements in environmental rehabilitation liability	**4 728 000**	21 549 734
Government funding utilised	**(9 446 406)**	(21 710 873)
(Profit)/Loss on disposal of property, plant and equipment	**(46 301)**	563 331
Movement in working capital		
Decrease in inventories	**3 845 767**	299 997
(Increase)/Decrease in accounts payable	**(3 895 724)**	11 072 149
Movements in other accruals	**(11 734 344)**	(10 662 939)
	(10 408 387)	10 408 387
	(43 011 399)	(21 720 095)

	2009 R	2008 R
19.2 Cash and cash equivalents		
Restricted cash and cash equivalents		
Cash held in call account – government-related funds	**170 721 962**	44 933 675
Cash held in trust – rehabilitation cost	**27 793 640**	22 835 182
Cash held in trust – ongoing litigations	**9 071 920**	8 209 013
Unrestricted cash and cash equivalents		
Cash held in call account	**97 062 392**	124 504 311
Total cash and cash equivalents at the end of the year	**304 649 914**	200 482 181

The government funds received will be utilised for specific projects (refer to note 10.1). If these funds are not utilised they will be repaid to government. The cash held in rehabilitation trust will be utilised to fund the rehabilitation liability (refer to note 9). The cash held in trust for ongoing litigations will be utilised for legal costs should the Company's defence be unsuccessful (refer to note 21).

	Alexander Bay Trading R	Hospital R	Airport R	Total R
20. Discontinued operations				
Results from discontinued operations for the year ended 31 March 2009				
Revenue	**14 272 908**	**224 223**	**68 034**	**14 565 165**
Expenditure	**(15 963 017)**	**(37 589)**	**(17 756)**	**(16 018 362)**
Results from operating activities	**(1 690 109)**	**186 634**	**50 278**	**(1 453 197)**
Taxation	**–**	**–**	**–**	**–**
Results from operating activities, net of income tax	**(1 690 109)**	**186 634**	**50 278**	**(1 453 197)**
Loss on sale of discontinued operation	**–**	**–**	**–**	**–**
Profit/(Loss) for the period	**(1 690 109)**	**186 634**	**50 278**	**(1 453 197)**
Results from discontinued operations for the year ended 31 March 2008				
Revenue	14 697 350	158 361	223 271	15 078 982
Expenditure	(29 183 155)	(115 924)	(158 226)	(29 457 305)
Results from operating activities	(14 485 805)	42 437	65 045	(14 378 323)
Taxation	–	–	–	–
Results from operating activities, net of income tax	(14 485 805)	42 437	65 045	(14 378 323)
Loss on sale of discontinued operation	–	–	–	–
Profit/(Loss) for the period	(14 485 805)	42 437	65 045	(14 378 323)

	2009 R	2008 R
Cash utilised in discontinued operations		
Net loss before taxation	**(1 453 197)**	(14 378 323)
Adjustments for:		
Depreciation	**–**	2 199 526
Biological assets – loss on disposal	**–**	1 703 103
Livestock and agricultural produce – loss on disposal	**–**	3 920 512
	(1 453 197)	(6 555 182)

21. Contingent liabilities

Nabera Mining

The Company is defending a claim by Nabera Mining, a company previously engaged by the shareholder to manage the operations of the Company. The amount of the value added by Nabera Mining in terms of the management agreement is disputed by the Company. In consultation with the Company's legal representatives, no provision has been made in the financial statements for the above potential liability. The financial effect cannot be determined at this stage.

Ruslyn Mining and Plant Hire

The Company is defending a claim by Ruslyn Mining and Plant Hire, a company previously engaged by the shareholder to reclaim overburden dumps. Ruslyn Mining and Plant Hire is claiming for the loss of potential revenue. In consultation with the Company's legal representatives, no provision has been made in the financial statements for the above potential liability. The financial effect cannot be determined at this stage.

22. Related parties

The Company is a schedule 2 public entity in terms of the PFMA, and transactions with the related parties as defined for public entities occurred during the financial year on an arm's length basis:

	2009 **R**	2008 R
SAA	**607 808**	432 602
Department of Minerals and Energy	**4 178 569**	5 011 248
Eskom	**5 330 176**	4 406 788
SA Post Office	**1 907 297**	1 784 617
Sentech	**54 310**	52 408
Total	**12 078 160**	11 687 663

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

22.1 Directors' remuneration

Name	**Capacity**	**Fee for services as members R**	**Basic salary R**	**Total 2008/2009 R**	**Total 2007/2008 R**
Executive					
CKN Maseko	Chief executive officer	–	2 366 171	**2 366 171**	742 185
ME Mdaka	Chief executive officer	–	–	**–**	904 144
Non-executive					
ND Moloi	Non-executive director	15 979	–	**15 979**	86 780
V Mahlati	Non-exective director	31 959	–	**31 959**	102 664
R Muzariri	Chairman	485 275	–	**485 275**	154 541
Dr R Paul	Non-executive director	196 230	–	**196 230**	120 122
Dr V Makin	Non-executive director	142 537	–	**142 537**	93 664
S Ngoma	Non-executive director	62 319	–	**62 319**	–
C Towell	Non-executive director	77 899	–	**77 899**	–
B Shongwe	Non-executive director	77 899	–	**77 899**	–
G Masha	Non-executive director	80 217	–	**80 217**	–
J Dely	Non-executive director	62 319	–	**62 319**	–
Total				**3 598 804**	2 204 100

APPLICABLE ACTS

Alexkor is regulated by the following principal Acts, ordinances and various other legislation:

- Alexkor Limited Act (No. 116 of 1992)
- Basic Conditions of Employment Act (No. 75 of 1997)
- Companies Act (No. 61 of 1973)
- Constitution of SA Act (No. 108 of 1996)
- Diamond Act (No. 56 of 1986)
- Environmental Laws Rationalisation Act (No. 51 of 1997)
- Labour Relations Act (No. 66 of 1995)
- Mine Health and Safety Act (No. 29 of 1996)
- Minerals Act (No. 50 of 1991)
- Minerals and Petroleum Resources Development Act (No. 28 of 2002)
- National Environmental Management Act (No. 107 of 1998)
- Occupational Health and Safety Act (No. 85 of 1993)
- Public Audit Act (No. 24 of 2004)
- Public Finance Management Act (No. 1 of 1999)
- Restitution of Land Rights Act (No. 22 of 1994)
- Value Added Tax Act (No. 89 of 1991)

STATEMENT OF COMMITMENT

Alexkor is fully committed and makes every endeavour to observe and comply with all legislation, regulations and policies pertaining to it.

CORPORATE INFORMATION

Alexkor Limited Head office

160 Jan Smuts Avenue
2nd Floor
South Wing
Rosebank
2121
Tel: 011 788 8809/19/22
Fax: 011 788 8869

Alexkor Limited
Private Bag X5
Oranje Road
Alexander Bay 8290
Tel: 027 831 1330
Fax: 027 831 1194

Company Secretary

Thapelo Kgari
http://www.alexkor.co.za
160 Jan Smuts Avenue
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Rosebank
Tel: 011 788 8809
Fax: 011 788 8869

External Auditors

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill 2157
Tel: 011 797 4000
http://www.pwc.com/za
Contact: Michal Kotze

Internal Auditors

Sizwe Ntsaluba
PO Box 68272
Highveld Park
Centurion
0169

or

Highgrove Office Park
50 Cnr Oak Road and Tegel Avenue
Highveld
Techno Park
Centurion
0157
Tel: 012 665 9540
Fax: 012 665 5460
Contact: Samuel Kabushi