ANNUAL REPORT 2010

ALEXKOR
LIMITED

Contents

Who we are

Overview of Alexkor

Alexkor Limited is a juristic entity established in terms of the Alexkor Limited Act No. 116 of 1992, as amended. The Company is wholly owned by the Government of the Republic of South Africa through the Minister of Public Enterprises.

Alexkor has two divisions, namely Alexander Bay Mining (ABM) and non-core operations (comprising town maintenance, the guesthouse and the fuel station). The ABM division is the core business of the Company, exploiting a large land-based diamond resource and extensive diamondiferous marine deposits along the West Coast of South Africa.

ABM's revenue increased during the year under review because of increases in rough diamond prices and production.

In terms of the Deed of Settlement entered into between Alexkor Limited, the Richtersveld Community and the Government of the Republic of South Africa on 22 April 2007 (Deed of Settlement), the land mining rights will be transferred to the Richtersveld Community, while Alexkor will retain its marine mining rights.

In the future, 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 mining activities.

While Alexkor's current mandate is to ensure the successful conclusion of the terms of the Deed of Settlement and support the implementation of the PSJV to ensure long-term sustainability, the Company is also embarking on a process of reformulating its strategy.

Vision

To transform Alexkor into a competitive and sustainable mining Company that contributes positively towards the needs of all stakeholders.

Mission

Alexkor aims to maximise profits from the sustainable exploitation of the resource, ensuring satisfactory returns to our shareholder and contributing to the socio-economic upliftment of the regions in which we operate.

In achieving this, the Company will act in accordance with all statutory and regulatory requirements.

Core Values

- Honesty
- Integrity
- Professionalism
- Accountability

Board of Directors

Reginald Tafara Muzariri
Chairman / Non-Executive Director

Khetiwe McClain-Maseko
CEO / Executive Director

Sibongiseni Simangele Ngoma
Non-Executive Director

Dr. Roger Leslie Paul
Non-Executive Director

Claude Llewellyn Towell
Non-Executive Director

Prof. Viola Makin
Non-Executive Director

Executive Management

Khetiwe McClain-Maseko
Chief Executive Officer

Berno Lategan
Acting Chief Financial Officer

Mike Mpanza
Mine Engineer

Wiaan Basson
Acting Mine Manager

T Kgari
Company Secretary

Charl Wilmans
Acting Security Manager

CEO
K McClain-Maseko

Company Secretary
T Kgari

Mine Manager
W Basson (acting)

CFO
B Lategan (acting)

Security Manager
C Wilmans (acting)

Mine Engineer
M Mpanza

Message from the Non-Executive Chairman

Reginald Tafara Muzariri
Chairman

It is my pleasure to present the Chairman's Report during this period of significant transformation in the Company's history.

In the period under review, Alexkor remained focused on meeting the conditions of the landmark Deed of Settlement, which was concluded in 2007.

The Alexkor team has made significant strides with respect to the Deed of Settlement requirements and, to date, has achieved the following:

- The transfer of mining rights has been approved by the Department of Mineral Resources. The only item still outstanding in this regard is the cession of the mineral rights to the Richtersveld Community, which is expected to be completed by the end of October 2010.
- Significant progress has been made with respect to the Alexander Bay Township development and all projects, such as the civil, engineering, electrical and electro-mechanical projects, are on track for handover by July 2011.
- The transfer of land and buildings that were identified for transfer to the community is in process. The farms that could be transferred were transferred in the year under review; the balance of the farms will be transferred during 2011, upon completion of the township establishment programme.

In anticipation of significant structural changes to Alexkor's operations with the expected establishment of the PSJV between Alexkor and the community, the Board and management focused on key strategic challenges that needed to be addressed.

Alexkor, like many other state-owned enterprises (SOEs), has legacy issues pertaining to post-retirement pension and medical aid obligations. In the past year, significant work has gone into ring-fencing and, where possible, reducing the obligations Alexkor faces in these two areas. Actions taken by the Board and management resulted in a reduction of R45.1 million in the actuarial valuation of the post-retirement medical aid obligations. In 2009, the provision for this liability was increased by R58.2 million.

Another significant liability relates to environmental rehabilitation obligations. The Company is exploring opportunities to cap this liability, as well as alternative ways to discharge the liability as cost effectively as possible over the remaining life of the mine.

In its audit opinion, our external auditor raised concerns around the Company's ability to continue as a going concern in the longer term. The Board has taken cognisance of the losses suffered by the Company in the past financial years and considered their impact on the Company's solvency. In addition, the Board has reviewed its available cash resources and satisfied itself that the Company is appropriately capitalised to meet its operating requirements in the short to medium term.

However, while the Board has every reason to believe that the Company has sufficient resources to continue its operations in the foreseeable future, the current situation is not sustainable in the longer term without a comprehensive strategic plan such as the envisaged establishment of the PSJV. It is doubtful that the Company would be able to continue as a going concern in the longer term without the implementation of such a plan. Meeting the Deed of Settlement requirements, a large number of which depended on approvals and processes outside the control of Alexkor and its shareholder, the Department of Public

Enterprises has, however, resulted in a lack of clarity around the strategic plan. With significant progress having been made on the Ded of Settlement, we now expect this clarity to be established for implementation in the 2012 financial year.

In the past year, the Alexkor management team had an opportunity to focus more on operational issues, which resulted in improved results. The Company extracted a higher volume of carats during the year than budgeted. The greater focus on operations enabled the Company to weather the toughest parts of the economic storms of the past year, creating a sturdier platform for the future. Alexkor had a stronger operational performance in 2010 and improved its operating position by R20.6 million, achieving a much-reduced loss of R6 million in 2010, compared with a loss of R26.6 million in 2009.

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. The adoption of this approach by Alexkor had, and continues to have, the effect of lowering overall costs. In the year under review, this strategy continued to shield Alexkor from the effects of the economic downturn, minimising potential losses. More importantly, the strategy continued empowering the Richtersveld Community where the mine operates.

The mandate of the Board in the year under review was the successful conclusion of the terms of the Deed of Settlement and supporting the implementation of the PSJV. As stated earlier, significant milestones were reached in this regard. Furthermore, the Board's process of reformulating its broader strategy, alluded to last year, gained momentum in the 2010 financial year. To this end, the Board has proposed new strategic alternatives, which are currently being considered by the Department of Public Enterprises.

The weak recovery in the diamond market necessitated the re-planning of the PSJV work programme. It would have been inconceivable to develop a full-scale mine, as was originally envisaged, in a climate where mines of similar size were being put on care and maintenance, or were on the verge of large-scale retrenchments. While the social and legal ideals of the Deed of Settlement remain noble, their implementation depends on the Company remaining operational and sustainable in the current harsh economic environment. Despite the challenges we face, I remain hopeful that great strides will be made in the development of our strategic imperatives in the coming year.

Having implemented significant cost reductions during 2009, Alexkor is reaping the benefits of its restructuring programme and is expected to continue to do so for the foreseeable future. However, the Board and management are aware that they must remain ready to respond appropriately to market conditions from time to time.

Meanwhile, Alexkor has embarked on a programme to increase its contractor base and expand operations into its southern concessions in order to increase production overall. It is expected that these initiatives will assist the Company to return to profitability at the gross operating profit level during the 2011 financial year.

The Board extends its gratitude to the Minister of Public Enterprises, Ms Barbara Hogan and Deputy Minister, Mr Enoch Godongwana for their leadership, guidance and support in the past year.

I extend my gratitude to Messrs G Masha, B Shongwe and J Dely, who resigned from Alexkor's Board of Directors in September 2009, for their contributions to fulfilling our mandate. I take this opportunity, too, to extend my ongoing gratitude and appreciation to Professor V Makin, Dr R Paul, S Ngoma and C Towell for their continued efforts and support in ensuring healthy debate and concentrated thought in guiding Alexkor's strategic path. I look forward to their continued contributions in the year ahead.

On behalf of the Board, I thank Alexkor's Chief Executive Officer, Khetiwe McClain-Maseko, for her continued leadership and guidance, which has proved invaluable to Alexkor during this period. To the executive team and staff, thank you for your continued commitment and effort, which have contributed to the much improved results during this period.

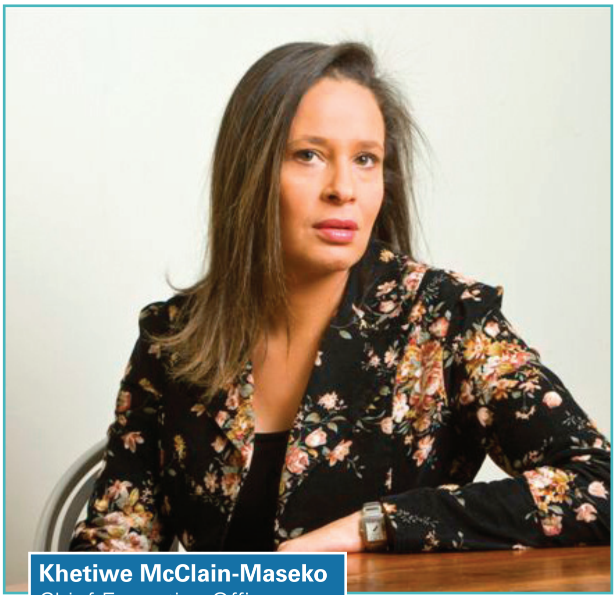
RT Muzariri
Chairman

Chief Executive Officer's Report

Overview

It gives me great pleasure to present the Chief Executive Officer's report in a year in which Alexkor has demonstrated a high level of resilience in a tough operating environment.

Notwithstanding the global economic downturn, Alexkor, unlike other operators, kept its operations going and did not downsize operations or effect any retrenchments during the 2010 financial year. The gross revenue from diamond sales amounted to R163.8 million, compared with the R127.5 million for 2009, an increase of R36.3 million. This was mainly due to increased diamond production and a higher volume of carats produced.



Khetiwe McClain-Maseko
Chief Executive Officer

Alexkor had an operational loss of R6 million for the year ended 31 March 2010, a reduction of R20.6 million on the R26.6 million loss incurred in 2009. However, due to non-cash items, including the environmental liability, depreciation and the reduction in the post-retirement medical aid liability of R45.1 million – this operating loss became a net after-tax profit of R36.1 million in 2010. The average exchange rate for the 2010 financial year was R7.79/$1 and operating cash was reduced by R1.1 million.

The Deed of Settlement with the Richtersveld Community

The Deed of Settlement signed between Alexkor, the State and the Richtersveld Community in 2007 envisaged the establishment of a PSJV with the Richtersveld Community in which the land mining rights would be ceded to the community and Alexkor would hold the marine mining rights. The respective rights of both parties would be pooled and mined jointly under the auspices of the PSJV run by an independent board and management team.

The Deed of Settlement required the conversion of the old order land and marine mining rights. In the preparation of the applications for conversion of the mining rights, consultations with interested and affected parties were carried out. On 28 January 2010 the application for the conversion of the old order land mining rights, which would be ceded to the Richtersveld Community, was granted and the converted right was subsequently executed on 19 May 2010. The conversion of the marine mining rights was likewise granted, and executed on 2 July 2010. The cession of the land mining rights is in the process of being finalised.

Extended Operations

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

In order to bolster carat production in December 2009, it was decided after consultations with the Richtersveld Community that Alexkor would invite interested parties to express interest in contracting in the deep-sea, middle-sea, shallow-water, beach and on the curtailed areas of land mining. The submitted tenders were subjected to rigorous review in accordance with Alexkor's tender process. As part of the adjudication process, strict criteria relating to BEE credentials, local content and technical know-how were applied to select candidates for short-listing.

Health and Safety

Alexkor's emphasis on safety has been a major focus in the past year. Alexkor underwent an independent health, safety and environmental audit in February 2010. An audit score of 86% was achieved, compared with a score of 47% achieved in the previous audit. This shows a decisive improvement in safety considerations. Although there was improvement on reportable incidents and lost-time injuries compared with the previous year, minor injuries remained a concern. Alexkor has reviewed its Health, Safety and Environmental Management Plan, primarily to address this concern.

Alexkor achieved 1,000 fatality-free production shifts on 25 November 2009. This remarkable achievement was celebrated jointly by employees and contractors on 14 December 2010.

Rehabilitation

Within budget constraints, Alexkor focused on the back-filling process at the southeast side of Boegoeberg, as well as on the netting on the southeast side of Boegoeberg. The back-filling process was completed in February 2010 and approximately 54km of netting was installed during the year under review. The indicated netting was part of the Boegoeberg protection strategy.

Diamond Theft

On 12 April 2010 the South African Police Service (SAPS) arrested 11 people in the Alexander Bay vicinity in connection with diamond theft and/or illicit diamond trading. This was the conclusion of an operation that started in February 2006. The operation was conducted by the SAPS in conjunction with Protea Coin Security and the Alexkor Security Department. A number of diamonds were recovered through the operation. The diamonds are currently in the possession of the SAPS and will be used as evidence in the pending court cases.

Since the conclusion of this operation, Alexkor has improved various aspects of its security measures. Capital expenditure has been approved to improve security, especially in the Muisvlak area.

Conclusion

In the year ahead, Alexkor's priorities are, inter alia, to continue offering support within the terms of the Deed of Settlement, and to return operations to profitability through increased production levels and better cost management. Simultaneously, in line with a diverse strategic direction, Alexkor will evaluate opportunities to procure new diamond assets to secure new long-term revenue streams and ensure its future growth.

Acknowledgements

I would like to acknowledge the continued efforts of our workforce. To my executive management team and staff, I express my appreciation for your hard work during the past year.

Finally, on behalf of Alexkor, I extend our gratitude to the Honourable Minister of Public Enterprises, Ms Barbara Hogan and the Department of Public Enterprises for the role they have played in our Company during the year under review.

Khetiwe McClain-Maseko
Chief Executive Officer

Review of the Financial Performance and Operations

Financial Overview

In the year under review, revenue reached a six-year high of R163.8 million (2009: R127.5 million), an increase of R36.3 million. This increase in revenue resulted in the gross operating loss decreasing by R20.6 million to R6 million (2009: R26.6 million). Alexkor's ability to generate sufficient revenue to cover its operating costs was still under pressure during the 2010 financial year, but showed an improvement with a net operating profit of R26.9 million (loss of R1.1 million when excluding the movement on the provisions for the environmental rehabilitation and retirement benefit liabilities) during the 2010 financial year compared to a net operating loss of R77.5 million (loss of R14.6 million when excluding the movement on the provisions for the environmental rehabilitation and retirement benefit liabilities) during the 2009 financial year. Net finance income of R8.9 million was received on its operating cash during the year (2009: R13.3 million).

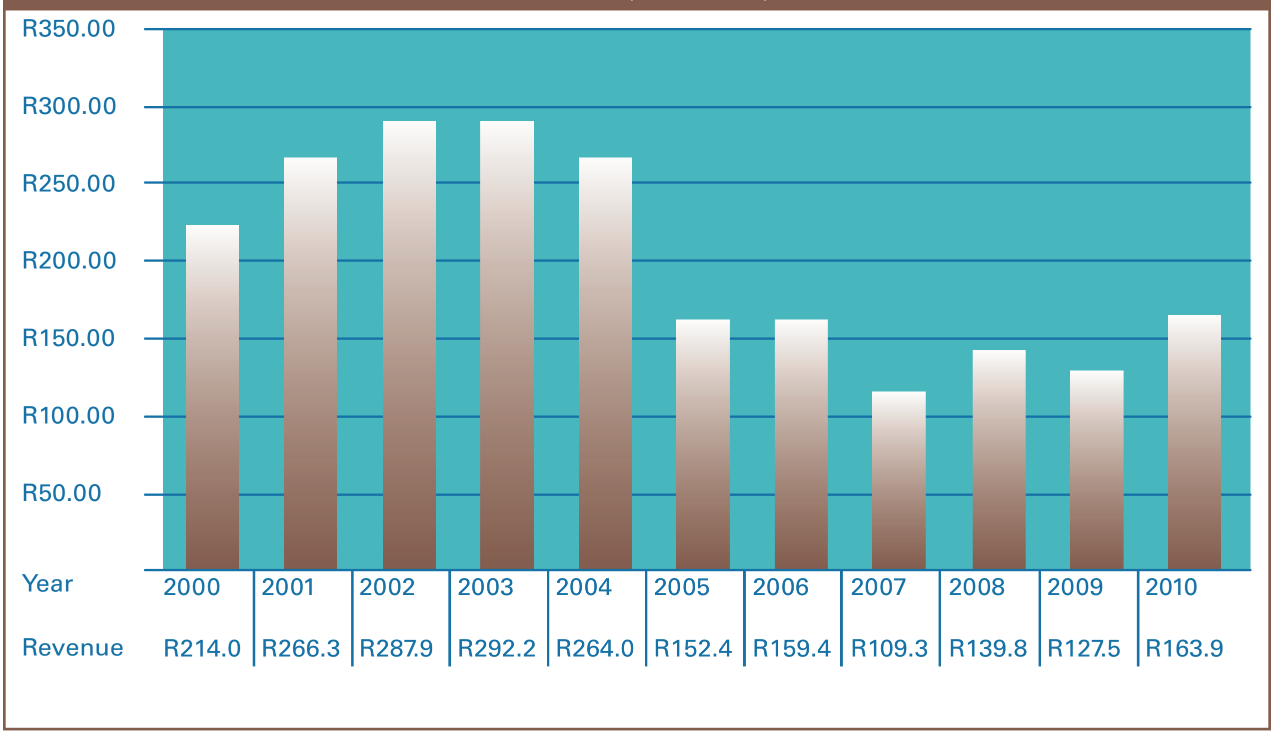
The Company reported a net profit after tax of R36.1 million during the 2010 financial year, compared with a loss of R65.7 million during 2009. The net profit was primarily due to a positive adjustment to the post-retirement medical aid liability amounting to R45.1 million (2009: negative movement of R58.2 million). This positive adjustment resulted from a restructuring of the post-retirement medical aid benefits (in consultation with the affected parties) to more affordable options while still providing reasonable cover for the affected parties.

Revenue

Alexkor's primary revenue source remains the income generated from the sale of rough, gem-quality diamonds. In order to maximise the potential revenue stream, Alexkor sells its diamond stock on the South African Diamond Exchange, with a pool of potential buyers from the local and international markets. This strategy ensures that prices are determined by the local and international diamond markets rather than single buyers.

As the diamond prices are US dollar-denominated, the rand/dollar exchange plays an important role in determining the actual rand value of the cash inflows. The average exchange rate in the 2010 financial year was R7.79/$1, compared with R8.07/$1 during 2009,

REVENUE (R MILLION)



and below the budgeted exchange rate of R10/$1. The gross revenue for the year amounted to R163.8 million, compared with R127.5 million for 2009. This was mainly attributable to increases in the production of carats and improved sales conditions at the end of the financial year as a result of the global economic recovery. A total of 33,363 carats (2009: 26,059) was produced during the 2010 financial year, against a budgeted production of 25,750 carats (2009: 19,429 carats).

Gross Operating Profit/Loss

Alexkor's gross operating loss showed a material improvement, decreasing from R26.6 million in 2009 to only R6 million in 2010. This positive improvement was the result of increased production of diamonds and improved sales conditions during the moderate global recovery, as well as with strict cost-cutting strategies implemented during the year. However, most of Alexkor's costs remained fixed and the decrease in own-land mining activities meant that the Company was still not able to be profitable in this regard.

Net Profit After Tax

The net profit after tax of R36.1 million was a R101.8 million turnaround from the previous year's loss of R65.7 million. The main reason for this material turnaround in profitability was a positive non-cash expense adjustment of R45.1 million, compared with a negative adjustment in the prior year of R58.2 million (the total movement from the previous year was R103.3 million). This was the result of Alexkor opting for a more affordable option within the current medical aid fund scheme for the relevant employees, which decreased the Company's actuarial liability in this regard. The restructuring of the medical aid benefits was done through a process of consultation that has been concluded with previous employees and is ongoing with current employees

Financial Position and Cash Flow Results

Although the total cash and cash equivalents amounted to R451.4 million as at 31 March 2010 (2009: R304.6 million), a maximum of R95.9 million (2009: R97 million) was available for operational purposes at the end of the financial year. Alexkor believes this amount should be sufficient to cover all commitments and operational costs for the coming financial year. The balance of the cash and cash equivalents is earmarked for ongoing litigation matters (R9.6 million), Government-funded projects (R313 million for township establishment, implementation of the Deed of Settlement, Boegoeberg rehabilitation and PSJV recapitalisation) and the Environmental Rehabilitation Trust Fund (R32.8 million).

The post-retirement medical aid liability decreased from R135.3 million (2009) to R90.1 million (2010). The decrease in this liability is mainly attributable to the actuarial gain adjustment of R50.3 million during the year (refer to Note 9 in the notes to the annual financial statements for 2010). The gross environmental rehabilitation liability increased by 7.1%, from R239.6 million (2009) to R256.6 million (2010). The unfunded rehabilitation liability (after accounting for funds held in a rehabilitation trust) amounts to R223.8 million (2009: R211.8 million). The shortfall is guaranteed by the Department of Public Enterprises in terms of the Deed of Settlement.

The Company's current solvency position therefore remains critical, given that the liabilities of the Company exceed its assets. It must be noted that an amount of R41.2 million was received as compensation for the farm Beauvallon and mining rights in terms of the Deed of Settlement, and classified as income received in advance. This is the primary reason for the current solvency position. A further R164.8 million is receivable in compensation for the remaining land and buildings that will be transferred to the Communal 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 as there was no clear strategic focus for expansion because of the uncertainty surrounding the PSJV. Actual capital expenditure amounted to R4.5 million (2009: R1 million). The capital expenditure programme and related recapitalisation of the Company remains the key focus of initiatives to return the Company to profitability but is still subject to the strategic direction of the Company.

Operations

Alexkor's carat production stems from three areas of operations, namely marine and land mining operations situated along the West Coast, and land mining operations along the Orange River. All the Company's mining operations are conducted by small, locally based contracting mining companies.

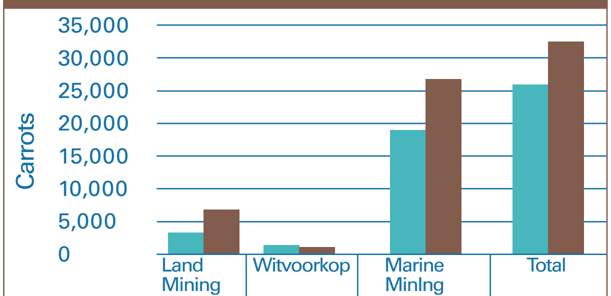
Marine mining operations are contracted to 27 mining companies, with a total of 67 production units. The Orange River land mining operations are contracted to two small mining companies. At this stage, the West Coast mainland operations are conducted by two contracting mining companies.

The marine mining contractors operate along the shore of the Alexkor marine concessions: from the mouth of the Orange River, southwards for about 140km to about 15km south of Port Nolloth. About 50% of the Company's marine production is from the area north of the Alexander Bay harbour. About 70% of all the diamonds produced by Alexkor comes from marine production.

The marine production contractors deliver sized gravel to the Alexkor processing plants for the final recovery of diamonds. All the diamonds are sold on tender at the Johannesburg Diamond Exchange. The proceeds of the diamonds are shared between Alexkor and the contractors.

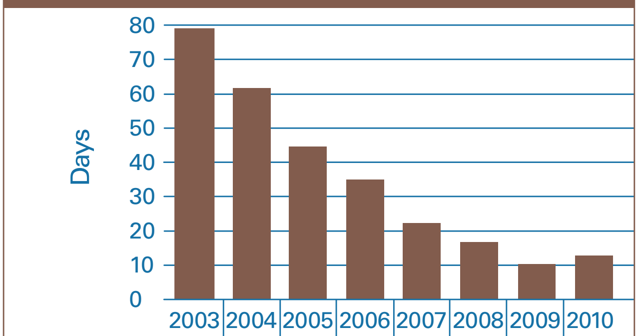
Production from the marine area amounted to 26,050 carats, against a budget of 19,800 carats. The average stone size produced by the marine section was 0.5 carats per stone. The marine section produced 78% of the total carats produced.

CARAT PRODUCTION PER SECTOR



	Land Mining	Witvoorkop	Marine MinIng	Total
Budget ■	4,600	1,350	19,800	25,750
Actual ■	6,169	1,143	26,050	33,363

DIVING DAYS



	2003	2004	2005	2006	2007	2008	2009	2010
Diving Days ■	79	61	44	34	23	18	10	13

The Witvoorkop area in the Richtersveld produced just 3.4% of the total carats, at 1,143 carats against a budget of 1,350 carats. The average stone size produced at Witvoorkop was 0.85 carats per stone.

The West Coast mainland operations produced 6,169 carats against a budget of 4,600 carats. The average stone size produced from this area was 1.06 carats per stone. Total production increased by 28%, from 26,059 carats in the 2009 financial year to 33,363 carats in 2010. The average stone size remained 0,56 carats per stone. The quality of the stone remained excellent: about 99.5% of the stones were of gem quality.

Marine production is heavily dependent on the number of sea days. A sea day is defined as when more than half of the boat units have gone out to sea to produce. This means that a large proportion of Alexkor's production depends on environmental factors.

In the past eight years, the number of sea days has declined dramatically. In the past year, 13 sea days were suitable for production, an improvement of three days on the previous year.

Mineral Resources

The mineral resources declared by Alexkor in previous years (from 2005 to 2008) are considered a global estimate and hence cannot be reported in terms of the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (Samrec Code).

A re-evaluation of the known mineral resource at Alexkor has indicated that current knowledge of the resource does not allow Alexkor to declare any resource at this stage. A lack of exploration in the shallow water environment due to technological constraints also precludes Alexkor from declaring any resource in this area, though production will continue in this area and it is foreseeable that production will continue in years to come.

Minerals Rights Conversion

Alexkor applied for the conversion of old order mining rights to new order mining rights in February 2009. The application was in two parts: conversion of all the marine prospecting and mining rights; and, in terms of the Deed of Settlement with the Richtersveld Community, conversion of the old order land mining rights to a new order right and ceding of the land mining rights to the Richtersveld Mining Company.

Alexkor was informed that permission was granted for the conversion of the rights in January 2010. The actual execution of these rights will take place early in the 2011 financial year.

Diamond Market

With the onset of the global financial crisis in September 2008, the diamond market and diamond prices declined until about June 2009. This had a detrimental effect on diamond prices for Alexkor, and revenue generated from diamond sales declined during this period. The average diamond price during this period declined from about $1,350 per carat to $292 per carat.

However, the diamond market and diamond price improved from June 2009, after drastic measures by larger producers like De Beers and Alrosa to stabilise the market and the diamond price. This saw the average diamond price achieved by Alexkor increase from approximately $292 per carat in June 2009 to approximately $1,050 per carat in January 2010. The diamond price decreased slightly in the last quarter of 2010. The average diamond price achieved for the 2010 financial year was $676 per carat.

Long-term predictions by market researchers indicate that the diamond price will continue to improve: demand is expected to outstrip supply over the next five to ten years, resulting in a steady increase in diamond prices. However, the short-term diamond market will remain volatile due to uncertainty in the world economy.

Health, Safety and Environment

No fatalities occurred during the year under review. A total of 15 injuries to personnel were recorded for the year, compared with 12 in the previous year.

There was an improvement in reportable accidents: one reportable accident was recorded during the year under review, compared with three in the previous year. Seven lost-time injuries were recorded, compared with eight in the previous year. However, minor injuries remained a concern, accounting for the increase in total injuries.

The Company reviewed the Health, Safety and Environmental Management Plan to address the unacceptable number of injuries and the nature thereof. In accordance with the plan, the Company increased its emphasis on health, safety and environment-related training. No occupation-related diseases were identified during the year.

Internal management audits were implemented during the year, primarily to identify and rectify unsafe conditions and acts at a higher technical level. These supplemented the Company practice of undergoing annual external audits. The external audit conducted during the year under review indicated 86% compliance, compared with a compliance level of 47% in the previous year. A noise and illumination surveillance audit identified no areas of concern.

The three-yearly environmental audit was conducted on all mine dumps during the year under review, and no major deviations were identified.

Action plans were developed to address non-compliance identified in the respective audits. The Company achieved 1,000 fatality-free production shifts on 25 November 2009. This remarkable achievement was celebrated jointly by Alexkor's employees and contractors on 14 December 2009. The Company's Health, Safety and Environmental Policy, which is reviewed annually, aims

Operations (continued)

to prevent occupational injuries, occupational illnesses, property damage and harm to the environment through a process of consultation, risk assessments, effective reporting, recognition, accountability and commitment.

Mine Community and Development

The Alexander Bay Township upgrade, a major development initiative in the Social Labour Plan, aims to upgrade Alexander Bay to municipality standards before the town is handed over to the Richtersveld District Municipality. The total cost for the upgrade, which is expected to take one year, is estimated at R109.8 million.

The tender process for Phase One of the project was finalised during the year under review. Phase One comprises upgrading the water, storm water and sewerage networks and solid waste facility, and road repairs. The tender value was R49.3 million, compared with an initial estimate of R52 million.

Efforts were made in the first phase of the project to ensure that the Richtersveld Community would benefit from this project as far as practicably possible. The same principle will be applied in the next project phases.

The tender processes for the other project phases will be finalised during the course of 2010.

Human Resources and Social Development

There was a slight decrease in the number of permanent employees in the Alexander Bay Mining division due to natural attrition from resignations and retirements. The total number of employees as at 31 March 2010 was 105.

Over and above mining and processing, Alexkor maintains the Alexander Bay town infrastructure and engages in mining and metallurgical activities in support of the SMMEs that conduct the mining operations.

ALEXKOR'S EMPLOYMENT LEVELS		
DIVISION	MAR 09	MAR 10
Alexander Bay Mining	111	105
Marine mining contractors	370	442
Land mining contractors	73	80
Other contractors	125	143
Total	679	770

Remuneration

The remoteness of Alexkor's mining operations, levels of growth in the economy and scarcity of skills put the Company under pressure 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 cases where particular scarce skills were identified, employees were granted a scarce-skill allowance.

Wage negotiations began in January 2010 and were concluded subsequent to Alexkor's year end. The agreed increases and market-related adjustments aimed to move employees closer to the market-related median and were affected from 1 April 2010.

Alexkor is the sole source of income for the employees of 27 local Small, Medium and Micro Enterprises (SMMEs) contracted to provide mining services. The Company is thus a major contributor to household incomes in Namaqualand. An additional R97.5 million was spent on contracted SMME mining services, a significant portion of which was redistributed to SMME employees as remuneration.

Human Resource Development

Health, safety and environment-related training, including but not limited to first aid, working on heights, operating lifting equipment, fire fighting, hazardous materials handling and safety for supervisors, was conducted during the year under review.

Alexkor also sponsored an Adult Basic Education and Training facility that achieved a 100% pass rate. The candidates comprised 67% non-employees and 33% permanent employees.

Alexkor supported the last of its three bursary students, who was studying at tertiary level during the year under review; the other two bursary students finished their studies in the 2009 financial year.

Every effort is being made to implement the Human Resources Development Plan, as detailed in the Social Labour Plan. While some of the plan's targets have been exceeded, more effort will be applied in the next financial year where targets were not met.

Despite financial limitations, Alexkor offered social assistance to the community to attend training at various venues. The pending implementation of the PSJV has

Human Resources and Social Development

prevented the development of extensive 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 of 40% HDSA participation in management was exceeded, with an achievement of 67% by the year end, compared with 50% in 2009. The target of 10% participation by females in core mining was not achieved due to the reduction in the size of the workforce. Plans to achieve the target will be addressed in the planning of a future workforce by the PSJV.

Procurement and Support of SMMEs

By the end of the 2010 financial year, the procurement expenditure on goods purchased from HDSA supplier companies represented 84.2% of the total spend, against a target of 40%. The percentage spend for 2008 and 2009 of 61% and 83% respectively indicates a progression of HDSA procurement, as envisaged in the Mining Charter.

All of the 27 SMMEs 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 SMMEs for mining services in 2010 was R97.5 million (compared with R75.3 million in 2009), an amount that illustrates Alexkor's commitment to the development of such enterprises.

EMPLOYMENT EQUITY STATISTICS

		MALE			FEMALE			
OCCUPATIONAL LEVEL	NUMBER OF INCUMBENTS	AM	CM	WM	IF	CF	WF	PERCENTAGE OF DESIGNATED GROUP
Senior management	3	1	-	1	-	1	-	67%
Professionally qualified	3	-	1	1	-	1	-	67%
Skilled	34	-	16	16	1	-	1	53%
Semi-skilled	57	2	5	5	-	4	1	91%
Unskilled	8	1	-	-	-	-	-	100%
Total	**105**	**4**	**23**	**23**	**1**	**6**	**2**	**78%**


PIETER
KAAPSTAD

Corporate Governance Report

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 (Companies Act); the King Committee Report on Corporate Governance for South Africa, 2002 (King II Report); international best practice; and recommendations of previous corporate governance and internal control investigations carried out at Alexkor, which were commissioned by the shareholder.

Alexkor upholds the principles contained in the King Report and Code of Governance in South Africa, 2009 (King III Report), which was launched in September 2010. Since the launch of the King III Report, Alexkor has endeavoured to apply the principles and guidelines in the report that it deems appropriate for the Company.

Shareholding

Alexkor remains a state-owned enterprise with 100% shareholding by the Government of the Republic of South Africa, with the Minister of the Department of Public Enterprises (DPE) being the executive authority. As required in the Deed of Settlement, it is intended that the ownership of the land mining rights in the Richtersveld Community will be transferred to the local community.

Alexkor Board of Directors

The incumbent Board of Directors was appointed in September 2008 for a three-year term, which expires in 2011. An annual general meeting is scheduled for 14 September 2010 where the directors' performance will be reviewed. The Board comprises five non-executive directors and the Company's Chief Executive Officer. The Board is equipped with both the skills and experience to lead the Company through the challenges it currently faces.

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, national legislation and international best practice in corporate governance. The Board provides the executive management with clear strategic direction, as laid out in the Company's strategic and corporate plans.

In receiving quarterly reports that detail all significant operation, risk, financial and non-financial activities, the Board is able to monitor all managerial and Company decisions and transactions. Active monitoring is also facilitated through regular Board and sub-committee meetings. Details of the number of Board meetings and meeting attendance are contained in the table on page 18.

In accordance with Company policy, the Board delegates certain powers and functions to management, while retaining material decision-making powers. Due regard is also given to those powers that should be exercised in consultation with, or with the approval of the shareholder and/or the Minister of Finance, as prescribed by legislation.

In addition to monitoring operational performance, the Board monitors the performance of management through the Remuneration Committee. It is envisaged that the Board will continue this role, including in relation to the PSJV Board (the Joint Board), which is to operate as a sub-committee 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 directors have undertaken site visits at Alexkor and are therefore familiar with the internal operations of the Company.

The Company provides Alexkor's directors and officers with insurance cover for liability, loss or damage sustained in the normal course of the exercise of their duties as directors. Standard legal exclusions such as fraud and recklessness apply.

The Board is committed to operating to the highest standard of professional ethics by ensuring that all material and potential conflicts of interest between directors and the Company are recorded and addressed in accordance with provisions in the Companies Act. These issues are 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 Sub-Committees

The Board has appointed the following sub-committees:
Audit and Risk Committee – Chairperson: Ms S Ngoma
Tender Committee – Chairperson: Mr C Towell
Remuneration Committee – Chairperson: Mr RT Muzariri

Rehabilitation Committee – Chairperson: Dr R Paul
Implementation Committee – Chairperson: Representative of the Department of Public Enterprises

Audit and Risk Committee

The Audit and Risk Committee comprised of three non-executive directors of the Alexkor Board and chaired by non-executive Board member Ms Simangele Ngoma. During the financial year under review one member of the Committee resigned from the Board and Committee.

The Audit and Risk Committee has been established in accordance with the guidelines contained in the King II Report. The Committee, in keeping with duties contained in the King II Report and the PFMA, considers all financial requirements prior to them being presented to the Board for approval and onward submission to the shareholder and/or National Treasury and other stakeholders.

The Committee monitors the internal and external audit functions, and considers and signs off the annual financial statements prior to submission to the Board. 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 19.

Remuneration Committee

The Remuneration Committee consists of three non-executive directors of the Board and is chaired by non-executive Board member Mr Reginald Muzariri.

The current remuneration structure of the Board and sub-committees is based on the State-Owned Enterprises' Remuneration Guidelines, issued by the shareholder. The remuneration structure is considered by the Remuneration Committee and approved by the Board.

The table on page 19 lists the Remuneration Committee members and meeting attendance for the year under review.

Rehabilitation Committee

The Rehabilitation Committee is comprised of four non-executive directors and is chaired by Dr Roger Paul. The Committee administers the Environmental Rehabilitation Trust Fund and oversees the amendment of the Environmental Management Plan and its submission to the Department of Mineral Resources. The table on page 19 lists the Rehabilitation Committee members and meeting attendance for the year under review.

Tender Committee

The Tender Committee consists of four non-executive directors of the Alexkor Board and is chaired by Mr Claude Towell.

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

The table on page 19 lists Committee members and meeting attendance for the year under review.

Implementation Committee

The Implementation Committee was set up to oversee the implementation of the provisions of the Deed of Settlement. Details of the number of Committee meetings and meeting attendances are contained in the tables on page 19.

Shareholder/Stakeholder Communication

The financial year under review was characterised by continuous interaction and engagement between the shareholder and the Board through the Government's Portfolio Committee on Public Enterprises. As a result of this level of interaction and engagement, the shareholder was kept informed of all significant business activities, restructuring and progress on the implementation of the Deed of Settlement. The shareholder was also able to monitor the performance of the Company and the activities of the Board.

The Board expresses its appreciation for the consistent support offered by the Minister, the Director-General and the officials of the DPE.

Alexkor also consults and communicates with all other stakeholders, including local communities in its areas of operation, regional and national political structures, and organised labour.

Directors' Remuneration

The Remuneration Committee considers the remuneration of the non-executive directors and makes recommendations to the shareholder. The shareholder then decides on the remuneration of non-executive directors. The Remuneration Committee evaluates the remuneration of the Chief Executive Officer and senior management and makes proposals regarding these to the Board. The shareholder and the Board jointly determine the remuneration of the Chief Executive Officer, while the Board, in consultation with the Chief Executive Officer, determines the remuneration of senior management.

Details of the remuneration structure appear on page 71.

Company Secretary

The Board appointed a company secretary, Mr Thapelo Kgari, on 21 June 2009. Mr Kgari resigned on 31 March 2010. Ms Nozuko Mxunyelwa is currently acting in this position on a consultancy basis until an appropriate successor is appointed.

The company secretary is independent and empowered by the Board to perform his/her function in that he/she reports directly to the non-executive Chairperson.

Among 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. The company secretary also satisfies the Board that its meeting proceedings and resolutions are properly recorded, communicated and implemented. The company secretary is responsible for providing new directors with appropriate induction and access to a specifically required training programme to help them execute their duties diligently and effectively.

Board Meetings

Board meetings are held at least once a quarter and more regularly when the Board deems it necessary.

Code of Ethics

Alexkor subscribes to the highest levels of professionalism and integrity in its business dealings. The Company continually strives to reinforce a culture of openness, honesty and responsibility to ensure 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 that encompasses:

- Fairness and honesty;
- Transparency to all stakeholders;
- No tolerance for theft, dishonesty or any form of corrupt activity; and
- No conflict of interest in any decision or action affecting the Company.

Corporate Communication

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

SCHEDULE OF ATTENDANCE AT BOARD MEETINGS					
MEMBER	09 JUL 09	16 AUG 09	15 SEP 09	12 NOV 09	23 FEB 10
Mr R Muzariri	P	P	P	P	P
Mr C Towell	P	P	P	P	P
Dr R Paul	P	P	P	P	P
Dr V Makin	P	A	P	P	A
Ms S Ngoma	A	P	A	A	P
Ms K McClain-Maseko	P	P	P	P	P
Ms J Dely	P	P	A	Resigned	Resigned
Mr B Shongwe	P	P	A	Resigned	Resigned
Mr Masha	A	A	P	Resigned	Resigned

SCHEDULE OF ATTENDANCE AT AUDIT COMMITTEE MEETINGS			
MEMBER	02 JUL 09	06 AUG 09	06 OCT 09
Dr R Paul	P	P	P
Ms S Ngoma	P	P	P
Ms K McClain-Maseko*	P	P	P
Mr B Shongwe	P	P	RESIGNED

* Permanent invitee

SCHEDULE OF ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS	
MEMBER	02 DEC 09
Mr R Muzariri	P
Mr C Towell	A
Dr V Makin	P
Ms K McClain-Maseko	P

SCHEDULE OF ATTENDANCE AT TENDER COMMITTEE MEETINGS					
MEMBER	15 SEP 09	02 DEC 09	13 JAN 10	28 JAN 10	25 FEB 10
Mr R Muzariri	P	P	P	P	A
Mr C Towell	P	P	P	P	P
Dr R Paul	P	P	A	P	P
Dr V Makin	n/m	P*	n/m	P*	n/m
Ms S Ngoma	n/m	A*	n/m	A*	n/m
Ms K McClain-Maseko	P	P	P	P	P

* These directors received a special invitation
n/m = not members

SCHEDULE OF ATTENDANCE AT REHABILITATION COMMITTEE MEETINGS	
MEMBER	19 AUG 09
Mr R Muzariri	P
Mr C Towell	P
Dr R Paul	P
Ms K McClain-Maseko	P
Ms J Dely	P

SCHEDULE OF ATTENDANCE AT IMPLEMENTATION COMMITTEE MEETINGS		
MEMBER	17 SEP 09	24 SEP 09
Mr R Muzariri	P	P
Ms McClain-Maseko	P	P

P = Present
A = Apololgy

Report on Predetermined Objectives

OBJECTIVE	MEASURE/ INDICATOR	TARGET	ACTUAL	COMMENTS
STAKEHOLDER PERSPECTIVE				
Contribute towards the socio-economic upliftment of the region.	Socio-economic upliftment.	Not specified.	R160 190	Alexkor contributed in social activities, namely donations, sponsorships, soup kitchen and Matthys Voedselhulp. Alexkor also employed members of the community on a contract basis to assist with house maintenance, small-scale road maintenance and unskilled labour for the township establishment project.
Implement the court order of 9 October 2007 which incorporates the Deed of Settlement between the Richtersveld Community, the Government and Alexkor, while implementing strategies to return the mine's operations to a profitable status.	Infrastructure of the "Town" must be upgraded to municipal standards.	Not specified.	Completed survey of township.	A rigorous tender process was entered into to identify the main supplier of the services required to upgrade the town. The process was delayed because it was necessary to ensure a right and fair process had been followed. The contract will begin in the new financial year.
	Formation of the PSJV.	Not specified.	Not yet done.	The PSJV has not yet been formed. The formation of the PSJV is subject to a number of suspensive conditions, not all of which have been fulfilled.
	Pending the implementation of the PSJV the business plan is focused on maintaining the mine's infrastructure and mining operations.	Throughout.	Achieved.	Mining operations occurred during the year.

OBJECTIVE	MEASURE/ INDICATOR	TARGET	ACTUAL	COMMENTS
Finalising the exiting of non-core business activities relating to Alexander Bay Trading (ABT) and Alexander Bay Town. The strategy of exiting the non-core businesses will be finalised with the transfer of the land to the Richtersveld Community. In the meantime Alexkor must still manage these functions and try to maintain them.	Town establish-ment to incur net costs.	R3 730 000	R519 213	The actual loss decreased by approximately R3.2 million. The main reasons for this were: • Depreciation of R2.1m was incorrectly budgeted for the town (assets held for sale) • The budgeted income for water and electricity was R2.6 million compared to actual income of R4.1 million.
	The guesthouses are budgeted to achieve a profit for the year.	R 370 000	R140 773	The recession put a dampener on proceedings and led to a lower than expected profit for the year.
	The fuel station had budgeted a profit for the year.	R1 510 000	R335 669	The recession was the main reason that income was lower than the budgeted amount. The reduced number of tourists in the area resulted in lower volumes at Alexkor's fuel station. A material decrease in production on land also meant that fuel sales within the mine decreased rapidly.
Completion of the conversion of the mine's old order mining rights to new order rights.	Convert mining rights.	Before the end of the financial year.	Achieved.	Conversion was granted on 28 January 2010.
Transfer of such right to the Richtersveld Mining Company (RMC).	Transfer of mining rights.	Before the end of the financial year.	Rights have not been transferred.	The conversion of land mining rights from old order to new order rights was granted on 28 January 2010. The ceding of these rights to the RMC is subject to ministerial approval which has not yet been given but is expected in the next financial year.

Report on Predetermined Objectives

OBJECTIVE	MEASURE/ INDICATOR	TARGET	ACTUAL	COMMENTS
FINANCIAL PERFORMANCE				
The maintenance of production capacity on marine and land mining operations.	Achievement of budgeted carat production.	25 750 carats.	33 363 carats.	The marine operations performed better than expected.
Budget based on financial Information.	Cash outflow.	R8 300 000	R1 115 043	Strict cost-cutting exercises and a better than expected carat production led to a possible variance in cash for the year.
	Continuous operating losses resulted in the distributable reserves being increased.	R311 800 000	R275 425 155	Distributable reserves were reduced as a result of a profit being made in the 2010 financial year.
	Budgeted revenue.	R128 785 000	R163 889 539	Increase in revenue is due to an increase in the number of carats produced against budget. It is also due to the increased sales price received for actual sales.
Consolidated capital and funding requirements.	Replacement of equipment on the mine.	R6 700 000	R4 551 566	Due to cost cutting exercises and better cost control.
LEARNING AND GROWTH PROSPECTIVE				
Safety - minimise accidents/ injuries.	LTIFR Reportable accidents/ incidents. Fatal accidents.	<0 0 0	0.95 0.13 0	Finalisation of critical procedures and implementation of internal management audits contributed to the positive mindset towards safety. Although there was improvement on reportable and loss time injuries, the minor injuries are still at an unacceptable level. The review of the Health, Safety and Environmental Management Plan was considered to have addressed this.

OBJECTIVE	MEASURE/ INDICATOR	TARGET	ACTUAL	COMMENTS
Alexkor's mining operations are executed in recognition of the requirements of the mine's Environmental Management Programme (EMP).	Restoring the visual impact of mining in the vicinity of the Boegoeberg and stabilisation of the Muisvlak dust plumes.	Not specified.	R2 795 091	Represents the amount spent on addressing the main issues in the rehabilitation of Boegoeberg.

Annual Financial Statements

Statement of Directors' Responsibility

The Board is responsible for the preparation, integrity and fair presentation of the financial statements of Alexkor Limited. The financial statements, presented on pages 36 to 71, 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 and available resources. 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 pages 28 to 31.

The financial statements were approved by the Board of Directors on 30 July 2010 and are signed on its behalf by:

RT Muzariri
Chairman

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 2010, 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 such returns are true, correct and up to date.

T Kgari
Company Secretary

Statement from the Audit and Risk Committee

Report of the Audit and Risk Committee in Terms of Section 270A(1)(f) of the Companies Act No. 61 of 1973

The Audit and Risk Committee performs its functions in accordance with section 270A(1) of the Companies Act No. 61 of 1973, as amended, and the provisions of the Public Finance Management Act No. 1 of 1999, as amended (PFMA). It has adopted appropriate formal terms of reference as its charter and has regulated its affairs in compliance with this charter. The Committee has discharged all its responsibilities as contained therein.

The Audit and Risk Committee of the Company, which reports to the Board of Directors, comprised of three independent non-executive directors.

The Committee held three scheduled meetings for the year ended 31 March 2010.

In the conduct of its duties, the Audit and Risk Committee has:

- Agreed to proceed with the current registered auditor for the Company that, in the opinion of the Committee, is independent of the Company;
- Determined the fees to be paid to the auditor and the auditor's terms of engagement;
- Ensured that the appointment of the auditor complied with the Companies Act and any other legislation relating to the appointment of auditors;
- Determined the nature and extent of any non-audit services that the auditor provided to the Company;
- Pre-approved any proposed contract with the auditor for the provision of non-audit services to the Company;
- Considered the independence and objectivity of the external auditor and ensured that the scope of additional services provided to the Company did not impair the auditor's independence;
- Received and dealt appropriately with any complaints (internal or external) relating either to accounting practices and the internal audit, or to the content or auditing of its financial statements, or to any related matter;
- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the Company's internal control environment, systems and processes;
- Reviewed the reports of both internal and external auditors detailing concerns arising out of their audits and requested appropriate responses from management, which resulted in their concerns being addressed;
- Considered the effectiveness of internal audits, approved the one-year operational internal audit plan and monitored the adherence of the internal auditor to its annual programme;
- Reviewed and recommended for adoption by the Company's Board such financial information that is publicly disclosed, which for the year included the annual report for the year ended 31 March 2010;
- Made appropriate recommendations to the Company's Board regarding the corrective action to be taken as a consequence of audit findings;
- Reviewed the company's compliance with legal and regulatory provisions; and
- Reviewed the adequacy, reliability and accuracy of the financial information provided to management and other users of such information.

In the opinion of the Audit and Risk Committee, the internal controls of the Company are considered appropriate to:

- Meet the business objectives of the Company;
- Ensure the Company's assets are safeguarded; and
- Ensure that transactions undertaken are recorded in the Company's accounting records.

Where weaknesses in specific controls have been identified, management has undertaken to implement the appropriate corrective action to mitigate the weaknesses identified.

The internal and external auditors have unlimited access to the chairperson of the Committee. The chairperson of the Committee attends the annual general meeting and is available to answer any questions.

The Audit and Risk Committee has evaluated the annual report for the year ended 31 March 2010 and considers that it complies, in all material respects, with the requirements of the PFMA, the Companies Act, and international financial reporting standards.

The Committee agrees that the adoption of the going-concern premise is appropriate in preparing the annual financial statements. The Committee acknowledges that Alexkor has made significant progress in addressing the control weakness identified previously and looks forward to the future control environment, which will provide a sound basis for Alexkor to meet its obligations to its stakeholders.

The Audit and Risk Committee recommends the adoption of the annual financial statements by the Board of Directors.

Simangele Ngoma
Chairperson
Audit and Risk Committee

Independent Auditor's Report to the Members of Alexkor Limited

Report on the Financial Statements

Introduction
We have audited the annual financial statements of Alexkor Limited, which comprise the statement of financial position as at 31 March 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 32 to 71.

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, the Companies Act of South Africa and in the manner required by the Public Finance Management 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. 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 at 31 March 2010, 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 Public Finance Management Act.

Emphasis of matter
Without qualifying our opinion, we draw attention to point 13 in the directors' report, 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 Pooling and Sharing Joint Venture as determined in the Deed of Settlement with the local community and commencement of sustainable mining activities.

Report on Other Legal and Regulatory Requirements

In terms of the Public Audit Act No. 25 of 1994 (PAA) and General notice 1570 of 2009, issued in *Government Gazette No. 32758 of 27 November 2009* we include below our findings on the report on predetermined objectives, compliance with the PFMA, Companies Act, applicable enabling legislation and financial management (internal control).

Findings

1. Predetermined objectives

1.1. Non-compliance with regulatory and reporting requirements

Shareholder's compact

The Company did not, in consultation with its executive authority, conclude a shareholder's compact for the year under review, as required by Treasury Regulation 29.2.1. The shareholder's compact should contain the mandated key performance measures and indicators to be attained by the public entity, as required by Treasury Regulation 29.2.2. The predetermined objectives included in the shareholder's compact concluded for the 2009 financial year were rolled forward.

Effective, efficient and transparent systems and internal controls regarding performance management (applicable at an overall performance management level)

The accounting authority did not ensure that the Company has and maintains an effective, efficient and transparent system and internal controls regarding performance management, which describe and represent how the entity's processes of performance planning, monitoring, measurement, review and reporting will be conducted, organised and managed, as required in terms of section 51(1)(a)(i) of the PFMA.

Quarterly reporting on performance information

The quarterly reports of the Company did not track progress against outputs, indicators and targets as per the approved corporate plan and therefore did not facilitate effective performance monitoring and evaluation, as required by Treasury Regulation 29.3.1.

Submission of performance information for audit

The reporting on performance information was not submitted to the Independent Auditor and National Treasury within two months after year-end as required by section 51 (1) (f) of the PFMA.

1.2. Usefulness of information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved corporate plan i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well-defined and verifiable, and are targets specific, measurable and time bound?

The following audit findings relate to the above criteria:

Planned and reported performance targets are not specific, measurable and time bound

For the following objectives the planned and reported targets were not specific in clearly identifying the nature and the required level of performance, were not measurable in identifying the required performance and were not time-bound in specifying the time period or deadline for delivery.

- Contribute towards the socio-economic upliftment of the region.
- Implement the court order of 9 October 2007 which incorporates the Deed of Settlement between the Richtersveld Community, the Government and Alexkor, while implementing strategies to return the mine's operations to a profitable status.
- The execution of Alexkor's mining operations in recognition of the requirements of the mine's Environmental Management Programme (EMP).

Planned and reported indicators/measures not well-defined

For the following objectives the planned and reported indicators/measures were not clear, with an unambiguous

Independent Auditor's Report to the Members of Alexkor Limited

definition to allow for data to be collected consistently.
- Contribute towards the socio-economic upliftment of the region.
- Implement the court order of 9 October 2007 which incorporates the Deed of Settlement between the Richtersveld Community, the Government and Alexkor, whilst implementing strategies to return the mine's operations to a profitable status.
- The execution of Alexkor's mining operations in recognition of the requirements of the mine's Environmental Management Programme (EMP).

1.3 Presentation of reported information

Lack of reporting on all predetermined objectives in the annual report

The Company has not reported on all the predetermined objectives included in the corporate plan, as required by Treasury Regulation 28.2.2. The following were not reported on:
- Reliable and timeous information for decision-making purposes.
- Continuity in middle and senior management structures.
- Good corporate governance.
- Skills development.

2. Compliance with laws and regulations

Public Finance Management Act No. 1 of 1999 and Treasury Regulations of 2005

The following matters resulted in non-adherence to both the PFMA and Treasury Regulations:

Corporate plan

The corporate plan for the year under review and the corporate plan submitted for the 2011 financial year did not cover a period of three years as required by Treasury Regulation 29.1.1 and section 52(b) of the PFMA. This was as a result of the expected implementation of the PSJV during the 2010 financial year.

Supply chain management

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

Treasury Regulations of 2005

The following matters resulted in non-adherence to Treasury Regulations:

Shareholder's compact

A shareholder's compact was not concluded for the 2010 financial year between the Company and the Department of Public Enterprises as required by Treasury Regulation 29.2.1.

Risk management strategy

An approved risk management policy and strategy as required by Treasury Regulation 27.2.1 was not in place during the year under review. A risk management strategy was not used to direct internal audit effort and priority awnd to determine the skills required of managers and staff to improve controls and to manage the risks. The strategy was not communicated to all employees to ensure that the risk management strategy is incorporated into the language and culture of the Company.

Companies Act No. 61 of 1973

The following matter resulted in non-adherence to the Companies Act:

Company secretary

The Company did not appoint a company secretary within 90 days of the casual vacancy occurring and the required returns have not yet been lodged for the previous acting company secretary as required by section 268C of the Companies Act of South Africa.

3. Internal control

We considered internal control relevant to our audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, Companies Act and other applicable enabling legislation, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during our audit of predetermined objectives.

Leadership

Oversight responsibility

This is the first year that the Company has reported on performance objectives. As a result the following was not in place throughout the year:

- Signed employment contracts that demonstrate the allocation of duties, responsibilities and lines of reporting on predetermined objectives.
- Documented systems, policies and procedures to be adhered to with regard to reporting on predetermined objectives.

Financial and performance management

Controls were not in place throughout the year to ensure that:

- The performance information report is submitted to the independent auditors within two months after the year-end for auditing purposes.

Governance

Risk identification and management

Controls were not in place throughout the year to ensure that:

- The Company has a documented Risk Management Policy and Strategy that has been approved by the Board of Directors.
- Risks relating to the achievement of performance objectives, as identified by management and the Board of Directors, are identified, documented and managed.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: TD Shango
Registered Auditor

Sunninghill
30 July 2010

Directors' Report for the year ended 31 March 2010

The Board of Directors has pleasure in presenting its report, which forms part of the audited financial statements of the Company, for the financial year ended 31 March 2010. 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 principles 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". The name remained unchanged 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 five non-executive directors (2009: eight) 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 sub-committees, directors' membership to the sub-committees and schedule of attendance at Board meetings is 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 71.

4. Share Capital

There has been no change in the authorised and issued share capital for the period under review. Details of the authorised and issued share capital are disclosed in note 8 of 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 page 36 to 71 reflect the financial performance, position and cash flow results of the Company's operations for the year ended 31 March 2010.

The main strategic objectives defined by the Board of Directors in the 2010 Corporate Plan resolved that Alexkor's core objectives are to implement the court order of 9 October 2007 which incorporates the Deed of Settlement between the Richtersveld Community, the Government and Alexkor, while implementing strategies to return the mine's operations to a profitable status. These initiatives included, inter alia:

- Finalising the exiting of non-core business activities relating to Alexander Bay Trading (ABT) and Alexander Bay Town.
- The maintenance of production capacity on marine and land mining operations, and the achievement of a budgeted carat production of 25,750 carats.
- Completion of the conversion of the mine's old order mining rights to new order rights and the transfer of such rights to the Richtersveld Mining Company (RMC).

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 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 financial year because its implementation is dependent on the fulfilment of all the suspensive conditions in the Deed of Settlement. The suspensive conditions include the conversion of the mining rights and the completion of a business plan by the PSJV. The conversion of the mining rights from old to new order mining rights did take place before the year-end. The execution of these rights took place after year-end and the transfer of the land mining rights to the community are in process. A business plan by the PSJV was not finalised at year-end.

The Company continued to develop and implement cost cutting strategies, which included minimising the use of earth moving equipment and maintaining the reduced number of mining shifts of 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 Communal Property Association (CPA).
- Certain erven and erected buildings within the prospective 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, while the Company will retain its marine mining rights.

Alexkor will retain its marine mining rights and remaining mining assets. These assets will be pledged to a PSJV with the CPA until the said venture is dissolved.

The Board was compelled in the 2008 year to impair the assets of the Company to such fair values as considered appropriate compensation in terms of the Restitution Act. These assets are classified as non-current assets classified as held for sale. Further details of these assets are provided in note 7 to the annual financial statements.

6.3 Discontinued operations

As part of the Company's strategy to exit the non-core business activities, the Alexander Bay Trading operations are in the process of being discontinued. The process started during the 2008 financial year and management expects it to be completed by the 2012 financial year when the township establishment has been completed.

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. The Company currently does not have any borrowings.

9. Internal Control

The Board is responsible for the Company's systems 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 and Risk Committee, the external auditors and management for their consideration and remedial action.

Internal audit did however not function effectively throughout the previous year and targets set in the previous internal audit plan were not achieved. The Board appointed new internal auditors on 17 August 2009 and the risk areas identified from this date to year-end have been presented to the Audit and Risk Committee subsequently in April 2010.

10. Shareholder's Compact

A shareholder's compact was not signed between the Board and the Executive Authority for the period under review due to the uncertainty surrounding the strategic direction of the Company. The predetermined objectives included in the shareholder's compact concluded for the 2009 financial year were rolled forward.

11. Litigation Statement

Nabera Mining

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. The matter is ready for, but has not proceeded to, trial because Nabera has failed to apply for a trial date. 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 Company is claiming for the loss of potential revenue. The application for dismissal of Ruslyn's claim and amendments of pleadings were argued during November 2009. During March 2010 judgment was delivered, and the application for amendment brought by Ruslyn was refused, and Alexkor's application for dismissal of the second claim was granted. Ruslyn has appealed the decision and the appeal is pending. 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 sub-committee 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 estimated the gross liability to amount to R193.3 million at the end of the 2005 financial year and has been escalated to R256.6 million as at 31 March 2010 (2009: R239.6 million). The Company makes monthly contributions towards a duly registered Rehabilitation Trust and the funds held in trust amounted to R32.8 million as at 31 March 2010 (2009: R 27.8 million), resulting in a currently unfunded rehabilitation liability of R223.8 million (2009: R211.8million). Further details with regard to the rehabilitation liability are provided in note 10 to the annual financial statements.

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

The re-vegetation research project in the vicinity of the Boegoeberg has been completed, but the long-term effectiveness of the process remains uncertain. The Company responsible for the project has estimated that the costs for revegetating all affected areas will be substantial. The extent to which the rehabilitation guarantee by the state in the Deed of Settlement covers extensive revegetation may require legal interpretation.

13. Going Concern

The Board took cognisance of the losses suffered during the past number of financial years and has considered the impact thereof on the solvency of the Company. Due to the 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 10), 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 to the Public Finance Management Act has been identified and/or reported.

15. Auditors

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 1570 of 2009 (which was published in Government Gazette No. 32758 on 27 November 2009. PricewaterhouseCoopers Inc. will continue in office.

16. Company Secretary

This position was vacant from 13 March 2009 until Thapelo Kgari was contracted on 22 June 2009 to fulfil the duties until a permanent appointment was made. Thapelo Kgari resigned on 31 March 2010. Nozuko Mxunyelwa is currently performing the duties of the company secretary until a permanent candidate is secured.

17. Report on Predetermined Objectives

Alexkor produced a Report on Predetermined Objectives for the first time during the 2010 financial year outlining their targets and achievements for the period. The audit report of PricewaterhouseCoopers Inc. noted non-compliance with regulatory and reporting requirements due to the fact that the performance targets were not approved by the shareholder (refer to paragraph 10 above), and therefore not managed throughout the year as required. The Board is, however, pleased to disclose the Report on Predetermined Objectives for the first time and the Company will endeavour to comply with all the regulatory and reporting requirements for the 2011 financial year.

18. Risk Management

The relevant risks in Alexkor have been identified during the current financial year. A risk matrix was drawn up and responsible individuals have been allocated to those risks. Alexkor is in the process of putting together policies and procedures to address the relevant risks. These policies and procedures will indicate how these risks are managed and mitigated in future.

K McClain-Maseko Chief Executive Officer	RT Muzariri Chairman

Statement of Financial Position as at 31 March 2010

	Notes	2010 R	2009 R
ASSETS			
Non-current assets		**56 302 137**	47 898 919
Property, plant and equipment	**3**	**22 988 280**	19 885 039
Cash held in rehabilitation trust	**19.2**	**32 829 874**	27 793 640
Intangible assets	**4**	**483 983**	220 240
Current assets		**437 840 230**	295 262 066
Inventories	**5**	**15 113 688**	8 993 412
Trade and other receivables	**6**	**4 112 617**	9 412 380
Cash and cash equivalents	**19.2**	**418 613 925**	276 856 274
Non-current assets classified as held for sale	**7**	**162 434 882**	176 764 882
TOTAL ASSETS		**656 577 249**	519 925 867
EQUITY AND LIABILITIES			
Capital and reserves		**(67 340 263)**	(103 453 354)
Share capital	**8**	**50 000 000**	50 000 000
Accumulated loss		**(275 425 155)**	(324 268 246)
Revaluation reserve	**7**	**158 084 892**	170 814 892
Non-current liabilities		**346 837 980**	374 964 000
Retirement benefit obligations	**9**	**90 180 000**	135 321 000
Environmental rehabilitation liability	**10**	**256 657 980**	239 643 000
Current liabilities		**377 079 532**	248 415 221
Trade and other payables	**11**	**377 079 532**	248 415 221
TOTAL EQUITY AND LIABILITIES		**656 577 249**	519 925 867

Statement of Comprehensive Income for the year ended 31 March 2010

	Notes	2010 R	2009 R
Revenue	12	**163 889 539**	127 517 726
Cost of sales		**(169 917 377)**	(154 199 892)
Gross operating loss		**(6 027 838)**	(26 682 166)
Administration expenses		**(6 353 690)**	(1 775 575)
Other expenses	13	**(5 827 695)**	(10 519 061)
Other income	14	**17 071 779**	24 373 523
Provision for environmental rehabilitation liability	10	**(17 014 980)**	(4 728 000)
Provision for retirement benefit obligations	9	**45 141 000**	(58 262 000)
Net operating profit/(loss)	15	**26 988 576**	(77 593 279)
Net finance income		**8 961 221**	13 306 999
Finance income	16	**23 343 739**	19 634 287
Finance expense	17	**(14 382 518)**	(6 327 288)
Profit / (Loss) before income tax		**35 949 797**	(64 286 280)
Taxation	18	**-**	-
Profit / (Loss) for the year from continued operations		**35 949 797**	(64 286 280)
Discontinued operations (net of income tax)			
Profit / (Loss) for the year from discontinued operation	20	**163 294**	(1 422 081)
Profit / (Loss) for the year		**36 113 091**	(65 708 361)
Other comprehensive income			
Revaluation reserve		**12 730 000**	-
Other comprehensive income for the year, net of tax		**12 730 000**	-
Total comprehensive income for the year		**48 843 091**	(65 708 361)

Statement of Changes in Equity for the year ended 31 March 2010

	Share capital R	Accumulated loss R	Revaluation reserve R	Total R
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)	-	(65 708 361)
Balance as at 1 April 2009	**50 000 000**	**(324 268 246)**	**170 814 892**	**(103 453 354)**
Total comprehensive income for the year	**-**	**48 843 091**	**-**	**48 843 091**
Transfer of reserves	**-**	**-**	**(12 730 000)**	**(12 730 000)**
Balance as at 31 March 2010	**50 000 000**	**(275 425 155)**	**158 084 892**	**(67 340 263)**

Statement of Cash Flows for the year ended 31 March 2010

	Notes	2010 R	2009 R
Cash flows from/(to) operating activities		**8 075 304**	(31 157 597)
Cash flow from operating activities	**19.1**	**(1 049 211)**	(43 042 515)
Cash flow from discontinued operations	**20**	**163 294**	(1 422 081)
Interest received	**16**	**23 343 739**	19 634 287
Interest paid	**17**	**(14 382 518)**	(6 327 288)
Cash flows from/(to) investing activities		**(4 551 566)**	(980 404)
Expenditure to maintain operating capacity			
Replacement of property, plant & equipment	**3**	**(3 976 225)**	(938 598)
Replacement of intangible assets	**4**	**(575 341)**	(100 570)
Proceeds of disposal of property, plant & equipment		**-**	58 764
Cash flows from/(to) financing activities		**143 270 147**	136 305 734
Government funded obligations	**11.1**	**143 270 147**	136 305 734
Net (decrease)/increase in cash and cash equivalents		**146 793 885**	104 167 733
Opening cash and cash equivalents		**304 649 914**	200 482 181
Closing cash and cash equivalents	**19.2**	**451 443 799**	304 649 914

Accounting Policies for the year ended 31 March 2010

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 2010 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. These 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 period. 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.

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 July 2009 or later, which the Company has elected not to early adopt. The following standards, amendments and interpretations were issued but not yet effective:

- IAS 24 (Revised): Related Party Disclosures (effective for financial periods beginning on/after 1 January 2011) – The revision simplifies the disclosure requirements for Government-related entities and clarifies the definition of related party.

  Management is in the process of assessing the impact.

- 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 remeasured to fair value and a gain or loss is recognised in profit or loss.

  This will not be applicable to Alexkor.

- IAS 32 (Amendment): Financial Instruments: Presentation – Classification of Rights Issues (effective for financial periods beginning on/after 1 February 2010) – The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated.

  Management is in the process of assessing the impact.

- 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/or inflation in a financial hedged item.

  This will not be applicable to 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 IFRSs. 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 to 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 entities 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 to Alexkor.

- IFRS 1 (Amendment): First-time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters (effective for financial periods beginning on/after 1 July 2010) – The additional amendment relieves first-time adopters of IFRSs from presenting comparative information for new three-level classification disclosures required by the March 2009 amendments to IFRS 7 Financial Instruments: Disclosures. It thereby ensures that first-time adopters benefit from the same transition provisions that amendments to IFRS 7 provides to current IFRS preparers.

  Management is in the process of assessing the impact.

- 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 remeasured 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.

  Management is in the process of assessing the impact.

- IFRS 9: Financial Instruments (effective for financial periods beginning on/after 1 January 2013) - IFRS 9 addresses classification and measurement of financial assets. It uses a single approach to determine whether a financial asset is measured at amortised cost or at fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The standard requires a single impairment method to be used, replacing the numerous impairment methods in IAS 39 that arose from the different classification categories. The standard also removes the requirement to separate embedded derivatives from financial asset hosts.

  Management is in the process of assessing the impact.

- IFRIC 14 (Amendment): The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayment of minimum funding requirements (effective for financial periods beginning on/after 1 January 2011) – This amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

  Management is in the process of assessing the impact.

- IFRIC 17: Distributions of Non-cash Assets (effective for financial periods beginning on/after 1 July 2009) – This interpretation clarifies that:
  a. a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity;
  b. an entity should measure the dividend payable at the fair value of the net assets to be distributed; and
  c. 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 to Alexkor

- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (effective for financial periods beginning on or after 1 July 2010) – This interpretation provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. It clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

  Management is in the process of assessing the impact.

- Improvements to IFRSs 2008 – IFRS 5 Non Current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary (effective for financial periods beginning on or after 1 July 2009) – This improvement clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.

  Management is in the process of assessing the impact.

- Improvements to IFRSs 2009 and 2010 – Improvements to IFRS is a collection of amendments to International Financial Reporting Standards (IFRSs). These amendments are the result of conclusions the Board reached on proposals made in its annual improvements project.

  Management is in the process of assessing the impact.

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.

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

- Interest income
  Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables 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 is accounted as a credit in profit or loss and disclosed as other income;
- Government grants received/receivable for the purpose of giving immediate financial support to the company, with no related future costs, are recognised as income in the period it becomes receivable; and
- Government grants received for specific purposes are expensed in reporting periods in which the related expenditure is incurred.

Government grants received for specific purposes but are not utilised 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 assets' carrying amount or recognised as separate assets – 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 profit or loss 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 and all other decreases are charged to profit or loss.

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	5 - 10 years
Motor vehicles	3 - 5 years
Furniture, fittings and equipment	3 - 5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and, if appropriate, adjusted.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other (expenses)/income' in profit or loss. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

1.5 Intangible assets

Computer software

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit and loss on a straight line basis over the estimated useful life of the intangible asset. The estimated useful life for computer software is four years.

1.6 Impairment of non-financial assets

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

1.7 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 statement of financial position date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the statement of financial position.

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

1.8 Impairment of financial assets

• Financial assets carried at amortised cost.

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

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

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principle payments.
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.9 Inventories

Inventories are valued as follows:

- Diamonds are valued at the lower of 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 is 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.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on 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 statement of financial position. Cash that is earmarked for specific purposes (restricted cash balances) is included in cash and cash equivalents, but disclosed separately in the notes to the annual financial statements.

1.11 Share capital

Ordinary shares are classified as equity.

1.12 Critical accounting estimates and assumptions

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Impairment of non-financial assets

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

Impairment of financial assets

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

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

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale. Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

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 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 statement of financial position 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.

1.13 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. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Company operates one pension fund for its employees. The scheme is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting 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 calculated 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 equity in other comprehensive income in the period in which they arise.

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, and are amortised on a straight-line basis over the vesting period. Any surplus of plan assets over plan liabilities is 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 an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-retirement obligations
The Company provides post-retirement health-care benefits to their retirees employed before 1 May 1989 and the entitlement to these benefits is conditional on the employee remaining in service up to retirement age. The expected cost of these benefits is 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 are charged or credited to profit or loss in the period in which they arise. Any actuarial gains and losses are recognised immediately in profit or loss. 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 statement of financial position 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 reporting date.

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

Current income tax
Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred income tax
Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes, and the tax bases for tax purposes. However, the deferred income tax is not accounted for if it arises from the initial recognition of

an asset or liability in a transaction other than a business combination, which at the time of the transaction neither affects accounting nor taxable profit or loss. Deferred taxation is calculated using taxation rates that have been enacted or substantially enacted at the reporting date, and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. The effect on deferred taxation of any changes in taxation rates is recognised in the statement of comprehensive income in the year in which the change occurs, except to the extent that it relates to items previously charged or credited directly to equity. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

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

1.15 Non-current assets classified as held for sale

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

1.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

1.17 Trade and other receivables

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Impairment of trade and other receivables is established when there is objective evidence as a result of a loss event that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment is recognised in the profit or loss within "other expenses". When a receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries are credited against "other income" in profit or loss.

1.18 Provisions

Provision for environmental restoration, restructuring costs and legal claims are recognised when the Company has one or more of the following: 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; the amount has been reliably estimated.

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

1.19 Leases

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

Notes to the Annual Financial Statements for the year ended 31 March 2010

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 minimize potentially adverse effects on the Company's financial performance. The Company has various financial instruments such as trade debtors, trade creditors and cash, which arise directly from its operations. It is the Company's policy not to trade in financial instruments.

	Carrying values		**Fair values**	
	2010	2009	**2010**	2009
	R	R	**R**	R
Financial assets				
Trade and other receivables	**3 876 798**	6 718 639	**3 876 798**	6 718 639
Cash and cash equivalents	**418 613 925**	276 856 274	**418 613 925**	276 856 274
Cash held in the rehabilitation trust	**32 829 874**	27 793 640	**32 829 874**	27 793 640
Financial liabilities				
Trade and other payables	**328 791 670**	185 075 995	**328 791 670**	185 075 995

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.

Sensitivity analysis on interest rates
At 31 March 2010 if interest rates on deposits had been 1% lower with all other variables remaining constant, the pre-tax profit for the year would have been R 4,514,438 lower (2009: R3,046,499). Conversely, if interest rates on deposits had been 1% higher with all other variables remaining constant, the pre-tax profit for the year would have been R 4,514,438 higher (2009: R3,046,499).

Other financial risks

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

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.

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

An amount of R3,360,453 (2009: R2,069,358) in trade receivables was determined to be impaired. The Company considered these receivables to be irrecoverable as the defaulted debtors have not reacted to follow-up payment requests and were subsequently handed over to the Company's lawyers. Refer to note 6 for further disclosure.

Liquidity risk
The ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, and by continuously 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. The information is sorted according to maturity periods and on the period remaining from the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Contractual value R	**0 - 3 months R**	**More than 3 months R**
As at 31 March 2010			
Trade and other payables	**328 791 670**	**19 556 067**	**309 235 603**
As at 31 March 2009			
Trade and other payables	185 075 995	185 075 995	-

Capital risk management

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

The Company is in the process of restructuring its operations as a result of the settlement of the land claim by the Richtersveld Community. 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the statement of financial position plus net debt. The Company currently does not have any borrowings.

3. Property, Plant and Equipment

	2010 Cost/ valuation R	2010 Accumulated depreciation R	2010 Carrying value R	2009 Cost/ valuation R	2009 Accumulated depreciation R	2009 Carrying value R
Owned assets						
Land and buildings	**20 610 222**	**1 838 791**	**18 771 431**	34 841 938	16 070 507	18 771 431
Plant and equipment	**50 680 547**	**48 752 434**	**1 928 113**	48 756 423	48 661 881	94 542
Motor vehicles	**15 917 383**	**14 282 997**	**1 634 386**	14 438 631	13 795 550	643 081
Furniture and fittings	**1 109 293**	**964 267**	**145 026**	959 135	858 320	100 815
Computer equipment	**3 765 354**	**3 256 030**	**509 324**	3 342 163	3 066 993	275 170
	92 082 799	**69 094 519**	**22 988 280**	102 338 290	82 453 251	19 885 039

Reconciliation of the carrying values of property, plant and equipment

2010	Carrying value at beginning of the year R	Additions R	Impairments/ Adjustments R	Disposals/ Reclassification R	Depreciation R	Carrying value at end of year R
Owned assets						
Land and buildings	**18 771 431**	**-**	**-**	**-**	**-**	**18 771 431**
Plant and equipment	**94 542**	**1 924 124**	**-**	**-**	**(90 553)**	**1 928 113**
Motor vehicles	**643 081**	**1 478 752**	**-**	**-**	**(487 447)**	**1 634 386**
Furniture and fittings	**100 815**	**150 158**	**-**	**-**	**(105 947)**	**145 026**
Computer equipment	**275 170**	**423 191**	**-**	**-**	**(189 037)**	**509 324**
	19 885 039	**3 976 225**	**-**	**-**	**(872 984)**	**22 988 280**

2009	Carrying value at beginning of the year R	Additions R	Impairments/ Adjustments R	Disposals R	Depreciation 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	565 369	284 295	-	-	(574 494)	275 170
	22 080 886	938 598	-	(12 463)	(3 121 982)	19 885 039

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

4. Intangible Assets

2010	2010 Cost R	2010 Accumulated Amortisation/ Impairment R	2010 Carrying Value R	2009 Cost R	2009 Accumulated Amortisation/ Impairment R	2009 Carrying Value R
Owned assets						
Computer software	**1 594 478**	**1 110 495**	**483 983**	1 019 137	798 897	220 240
	1 594 478	**1 110 495**	**483 983**	1 019 137	798 897	220 240

Reconciliation of the carrying value of intangible assets

2010	Carrying value at beginning of the year R	Additions R	Impairments/ Adjustment R	Disposals/ Reclassification R	Amortisation R	Carrying value at end of year R
Owned assets						
Computer software	**220 240**	**575 341**	**-**	**-**	**(311 598)**	**483 983**
	220 240	**575 341**	**-**	**-**	**(311 598)**	**483 983**

2009	Carrying value at beginning of the year R	Additions R	Impairments/ Adjustments R	Disposals R	Amortisation R	Carrying value at end of year R
Owned assets						
Computer software	243 847	100 570	-	-	(124 177)	220 240
	243 847	100 570	-	-	(124 177)	220 240

	2010 R	2009 R

5. Inventories

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

	2010 R	2009 R
Diamonds	**7 385 934**	2 285 006
Parts and consumable stores	**7 727 754**	6 708 406
	15 113 688	8 993 412

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

6. Trade and Other Receivables

	2010 R	2009 R
Trade receivables *	**2 272 811**	1 003 848
Less: Provision for impairment of receivables	**-**	(19 540)
Loan to the Richtersveld Agricultural Holding Company *	**2 100 443**	3 426 219
Less: Provision for impairment of receivables	**(2 100 443)**	(1 212 841)
Total other receivables *	**2 863 997**	3 286 889
Less: Provision for impairment of receivables	**(1 260 010)**	(836 977)
VAT receivable †	**-**	2 402 909
Government funded obligations *	**-**	1 071 041
Total prepayments †	**235 819**	290 832
	4 112 617	9 412 380

Movement in the provision for impairment of trade receivables

	2010 R	2009 R
Balance at the beginning of the year	**2 069 358**	820 731
Impairment losses recognised	**4 311 540**	1 248 627
Amounts written off as uncollectable	**(3 020 445)**	-
Balance at the end of the year	**3 360 453**	2 069 358

Credit quality of trade and other receivables

All debtors' payment terms are net thirty (30) days after invoice date unless otherwise agreed to by the seller and subject to the seller's determination regarding the buyer's qualification for credit.

* Financial assets

† Non-financial assets

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. The credit quality of trade and other receivables that are neither past due nor impaired can be assessed by reference to historical information about counter party default rates.

	2010 R	2009 R
Counter parties with external credit rating		
New customers	**20 208**	-
Existing customers with no defaults in the past	**5 701**	5 559
Existing customers with some defaults in the past	**3 088 943**	2 604 085
	3 114 852	2 609 644

Trade and other receivables that are less than four months past due are not considered to be impaired. At 31 March 2010, R4 122 399 (2009: R6 178 353) were past due but not impaired. An impairment provision of R3 360 453 (2009: R2 069 358) was recognised against trade and other receivables.

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

	2010		
	Gross amount	**Impairment**	**Net Carrying amount**
Current/fully performing	**3 114 852**	**(78 527)**	**3 036 325**
30 - 60 days	**486 222**	**(114 180)**	**372 042**
60 + days	**3 636 177**	**(3 167 746)**	**468 431**
	7 237 251	**(3 360 453)**	**3 876 798**

	2009		
	Gross amount	**Impairment**	**Net Carrying amount**
Current/fully performing	2 609 644	(900)	2 608 744
30 - 60 days	600 521	(4 253)	596 268
60 + days	5 577 832	(2 064 205)	3 513 627
	8 787 997	(2 069 358)	6 718 639

6. Trade and Other Receivables (continued)

The creation and release of the provision for impaired receivables has been included in operating expenses in the statement of comprehensive income. Where there is no expectation of recovering additional cash, amounts charged to the allowance accounts are generally written off.

The maximum exposure to credit risk at reporting date is the carrying amount of each class of trade and other receivables mentioned above. The Company does not hold any collateral as security.

7. Non-Current Assets Classified as Held for Sale

	2010 Fair Value at the beginning of the year R	**2010 Impairment R**	**2010 Disposal R**	**2010 Fair Value at the end of the year R**
Land and buildings	**176 764 882**	**-**	**(14 330 000)**	**162 434 882**
	176 764 882	**-**	**(14 330 000)**	**162 434 882**

	2009 Fair Value at the beginning of the year R	**2009 Impairment R**	**2009 Disposal R**	**2009 Fair Value at the end of the year R**
Land and buildings	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 Richtersveld Agricultural Holding Company (RAHCO) during April 2009. The value of the asset transferred was R 14,330,000. During 2006 a revaluation was done on the farm from R1,600,000 to R14,330,000 through equity. After the disposal of the farm the R12,730,000 was transferred out of the revaluation reserve.

	2010 R	2009 R
8. 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

9. 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 date 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 2010 using certain actuarial assumptions. A roll forward was done on 31 March 2010 from estimates received from the 2009 actuarial valuation report as no material adjustments were identified during the financial year that would indicate a material change in the actuarial assumptions for the 2010 financial year.

Membership data as 31 March 2010

Active members:	**102** (2009: 109)
Pensioners:	**196** (2009: 224)

Valuation method

The actuarial valuation method used to value the liabilities is the Projected Unit Credit Method prescribed by IAS19. Future benefits values are projected using specific actuarial assumptions and the liability for in-service members is accrued over the expected working lifetime. The following principal assumptions were used for the current valuation:

9. RETIREMENT BENEFITOBLIGATIONS (CONTINUED)

	2010 %	2009 %	2008 %	2007 %	2006 %
Key economic assumptions					
Discount rate	**9.00**	9.00	9.25	7.75	7.50
Inflation rate	**5.25**	5.75	6.25	4.75	4.50
Salary increase rate	**6.25**	6.75	7.25	5.75	5.50
Expected rate of return on assets	**9.25**	9.25	10.25	9.00	8.00
Pension increase allowance	**4.46**	4.89	5.31	4.04	3.83

Demographic assumptions

Mortality

The assumed rates of mortality are as follows:

Pre-retirement: SA85-90 ultimate mortality table
Post-retirement: -

Income group (Rand per annum)	**Current mortality per annum**	**Future improvements**
0 - 15,000 a(55)	0.50%	
15,000 - 30,000	PA(90)	0.50%
30,000 - 45,000	PA(90)-1	0.75%
45,000+ PA(90)-2	1.00%	

Withdrawal

It was assumed that withdrawals would be in accordance with the following table:

Age group	**Annual rate of withdrawal**
20 - 24	15%
25 - 29	10%
30 - 34	7%
35 - 39	4%
40 - 44	2%
>45	0%

Proportion married

It was assumed that 90% of members would be married at retirement with the wife four years younger than the husband.

	2010 R	2009 R	2008 R	2007 R	2006 R
Fund Status					
Fair value of plan assets	**93 943 000**	198 926 000	234 259 000	277 693 000	2 17 634 000
Present value of obligations	**(64 470 000)**	(141 595 000)	(141 918 000)	(155 846 000)	(147 927 000)
Surplus	**29 473 000**	57 331 000	92 341 000	121 847 000	69 707 000
Unrecognised actuarial gains/(losses)	-	-	-	-	(12 099 000)
Unrecognised Surplus	**29 473 000**	57 331 000	92 341 000	121 847 000	57 608 000
Movement Analysis					
Opening balance of recognised asset	**-**	-	-	-	-
Net (expense)/income recognised in the income statement	**(526 000)**	(493 000)	(1 830 073)	(1 229 000)	(1 242 000)
Company contribution	**526 000**	493 000	1 830 073	1 229 000	1 242 000
Closing balance of recognised asset	-	-	-	-	-

The FSB 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 has been rolled forward to 31 March 2010 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 Alexkor is therefore not necessarily entitled to a contribution holiday. The asset was therefore limited to nil in the valuation by the actuaries.

9. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2010 R	2009 R	2008 R	2007 R	2006 R
Defined benefit obligation at the beginning of the year	**141 595 000**	141 918 000	155 846 000	147 927 000	119 229 000
Service cost	**748 000**	841 000	1 230 000	2 196 000	1 733 000
Member contributions	**219 000**	205 000	403 000	1 058 000	1 069 000
Liability settled	**(115 603 000)**	-	(39 891 000)	-	-
Interest cost	**10 707 000**	12 869 000	9 551 000	11 077 000	9 985 000
Actuarial (gain)/loss	**7 314 000**	(4 903 000)	34 709 000	1 522 000	24 349 000
Benefits paid	**(5 517 000)**	(9 008 000)	(19 288 000)	(6 799 000)	(7 768 000)
Risk premiums	**(349 000)**	(327 000)	(642 000)	(1 135 000)	(670 000)
Past service cost	**25 356 000**	-	-	-	-
Defined benefit obligation at the end of the year	**64 470 000**	141 595 000	141 918 000	155 846 000	147 927 000

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

	2010 R	2009 R	2008 R	2007 R	2006 R
Assets at fair market value at the beginning of the year	**198 926 000**	234 259 000	277 693 000	217 634 000	172 100 000
Expected return on assets	**15 796 000**	23 660 000	24 612 000	17 252 000	15 213 000
Member contributions	**745 000**	698 000	875 000	2 287 000	2 311 000
Risk premiums	**(349 000)**	(327 000)	(642 000)	(1 135 000)	(670 000)
Benefits paid	**(5 517 000)**	(9 008 000)	(59 862 000)	(6 799 000)	(7 768 000)
Settlement	**(115 603 000)**	-	-	-	-
Actuarial gain(/(loss)	**(55 000)**	(50 356 000)	(8 417 000)	48 454 000	36 448 000
Assets at fair market value at the end of the the year	**93 943 000**	198 926 000	234 259 000	277 693 000	217 634 000

Estimated asset composition as at 31 March 2010	
Cash	31.79%
Equity	48.87%
Bonds	3.61%
Property	0.00%
Other	1.32%
International	14.41%
	100.00%

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 31 March 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 9.00% per annum. The expected long-term rate of return on equities was set at a level of 3% above the bond rate, while the expected long-term rate of return on cash was set at a level of 2% below the bond rate. Adjustments were made to affect the expenses.

Future expected contributions

The future expected contributions for the period 1 April 2010 to 31 March 2011 is R421,000.

9.1 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: **2010: 35** (2009: 36)
Continuation members: **2010: 173** (2009: 174)

	2010 R	2009 R	2008 R	2007 R	2006 R
Fund Status - Trend information					
Fair value of plan assets	**-**	-	-	-	-
Present value of obligations	**90 180 000**	35 321 000	77 059 000	73 737 000	108 007 000
Present value of unfunded liability	**90 180 000**	135 321 000	77 059 000	73 737 000	108 007 000
Unrecognised actuarial gains/losses	-	-	-	-	-
Liability recognised in balance sheet	**90 180 000**	135 321 000	77 059 000	73 737 000	108 007 000
Experience adjustments					
In respect of Present Value of obligations	**-**	39 322 000	-	(59 269 000)	44 446 000
In respect of Fair Value of Plan Assets	**-**	-	-	-	-

9.1 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 2010 (previous valuation: 31 March 2009).

Valuation method

The actuarial valuation method used to value the liabilities is the Projected Unit Credit Method prescribed by IAS19. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service members is accrued over expected working lifetime. Any actuarial gains and losses are recognised immediately in profit or loss. The following principal assumptions were used for the current valuation:

Valuation date	**31 March 2010**	31 March 2009	31 March 2008	31 March 2007	31 March 2006
Discount rate	**9.25% p.a.**	9.00% p.a.	7.75% p.a.	7.75% p.a.	7.5% p.a.
Health care cost inflation	**7.50% p.a.**	7.50% p.a.	6.75% p.a.	6.75% p.a.	6.5% p.a.
Expected retirement age *	**60**	60	60	60	60
Membership discontinued at retirement *	**0%**	0%	0%	0%	0%

* These assumptions were set in consultation with Alexkor

	2010 R	2009 R	2008 R	2007 R	2006 R
Carrying value at the end of the year	**135 321 000**	77 059 000	73 737 000	108 007 000	96 568 702
Expensed to post-retirement employee benefits	**(38 040 000)**	61 432 000	6 634 090	(30 550 575)	15 667 673
Current service cost	**470 000**	771 000	722 000	1 218 000	-
Interest on liability	**11 841 000**	5 850 000	5 912 090	7 803 000	9 460 000
Net actuarial (gain)/loss	**(50 351 000)**	54 811 000	-	(39 571 575)	6 207 673
Less: Actual contributions by the Company	**(7 101 000)**	(3 170 000)	(3 312 090)	(3 719 425)	(4 229 375)
Carrying value at the beginning of the year	**90 180 000**	135 321 000	77 059 000	73 737 000	108 007 000

The actuarial gain experienced during the 2009/2010 financial year is mainly attributable to the fact that the pensioners were shifted to a lower subsidy level within the Bonitas Medical Fund. The new level provides similar benefits at lower contribution rates. This approach resulted in lower monthly contributions by the Company as well as having a positive impact on future contributions. The average contributions payable to the standard plan within Bonitas Medical Fund is approximately 39% lower than the 2009 average contribution paid to comprehensive plan within Bonitas Medical Fund.

Sensitivity analysis

The sensitivity analysis is based on the actuarial valuation performed for the 2010 year and the assumptions that was applicable then.

	Health-Care Cost Inflation		
	Central assumption 7.50%	-1%	+1%
Accrued liability 31 March 2010 (R'million)	-	79.954	102.587
% Change	90.180	-11.3%	+13.8%
Current service and interest cost 2010/11 (R'million)	-	7.511	9.791
% Change	8.538	-12.0%	+14.7%

	Health-Care Cost Inflation		
	Central assumption 7.50%	+5% for 5 years	+10% for 5 years
Accrued liability 31 March 2010 (R'million)	-	109.995	133.454
% Change	90.180	+22%	+48.0%

	Discount Rate		
	Central assumption 9.25%	-1%	+1%
Accrued liability 31 March 2010 (R'million)	-	102.683	80.038
% Change	90.180	+13.9%	-11.20%

	Expected Retirement Age		
	Central assumption 60 years	1 year younger	1 year older
Accrued liability 31 March 2010 (R'million)	-	91.162	89.201
% Change	90.180	+1.1%	-1.1%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

10. ENVIRONMENTAL REHABILITATION 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.

	2010 **R**	2009 R
Opening balance	**239 643 000**	234 915 000
Movement during the year	**17 014 980**	4 728 000
	256 657 980	239 643 000

The cash held in the Environmental Rehabilitation Trust, to the amount of R32,829,874 (2009: R27,793,640) can only be utilised towards environmental rehabilitation. The Department of Public Enterprises has guaranteed any shortfall between the monies held in the Environmental Rehabilitation Trust Fund and the historical portion of the rehabilitation liability. The unfunded liability at year-end is R223,828,106 (2009: R211,849,360).

11. TRADE AND OTHER PAYABLES

Trade payables *		**11 313 813**	6 413 350
Other payables *		**521 819**	151 252
VAT payable †		**7 051 895**	-
Income received in advance †		**41 235 967**	63 339 226
Government-funded obligations *	11.1	**309 235 603**	171 793 003
Accruals *		**7 720 435**	6 718 390
Accrued leave *		**1 945 066**	2 445 480
Other accruals*		**5 775 369**	4 272 910
		377 079 532	248 415 221

* Financial liability
† Non-financial liability

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.

11.1 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 follow.

	Opening balance at beginning of the year R	Transfers received R	Utilised during the year R	Interest earned on investment of funds R	Closing balance at the end of the year R
Rehabilitation of Boegoeberg	**2 701 385**	**-**	**(557 658)**	**185 020**	**2 328 747**
Township establishment	**51 411 875**	**29 090 000**	**(2 449 884)**	**4 885 371**	**82 937 362**
Costs related to Deed of Settlement	**17 422 053**	**-**	**(2 820 005)**	**1 401 435**	**16 003 483**
Revegetation project	**33 997**	**-**	**-**	**2 448**	**36 445**
PSJV recapitalisation	**100 223 693**	**100 000 000**	**-**	**7 705 873**	**207 929 566**
Total Government-funded obligations	**171 793 003**	**129 090 000**	**(5 827 547)**	**14 180 147**	**309 235 603**
Restructuring cost	**1 071 041**	**-**	**(1 071 041)**	**-**	**-**
Total Government-funded receivables	**1 071 041**	**-**	**(1 071 041)**	**-**	**-**

		2010 R	2009 R
12. Revenue			
Diamond sales		**163 889 539**	127 517 726
All revenue from continuing operations was generated through the sale of diamonds.			
13. Other Expenses			
Government transfers - specific expenditure incurred		**5 827 547**	10 517 447
Other expenses		**148**	1 614
		5 827 695	10 519 061
14. Other Income			
Government transfers - specific expenditure incurred		**5 827 547**	10 517 447
Other income		**11 244 232**	13 856 076
		17 071 779	24 373 523
15. Operating Profit/(Loss)			
(Profit) / loss on disposal of property, plant and equipment		**-**	(46 301)
Depreciation		**1 184 582**	3 246 159
Split contractors		**97 581 580**	75 348 850
Auditors' remuneration		**1 083 630**	1 028 397
External audit fees		**723 634**	832 081
Fees for other services		**359 996**	196 316
Internal audit fees		**210 938**	148 281
Fuel and oil		**1 425 822**	2 577 877
Electricity and water		**2 465 401**	2 101 179
Staff costs		**26 007 622**	28 690 754
Directors' emoluments	**24**	**3 990 901**	3 598 804
Security costs		**10 466 367**	10 040 253
Insurance		**694 012**	997 133
Impairment losses recognised		**4 311 540**	1 248 553
Consultations		**4 295 927**	3 152 384
Accounting services		**1 486 561**	1 325 206
Occupational health services		**1 693 553**	947 203
Other consultations		**1 115 813**	879 975

The amounts disclosed in the 2009 annual financial statements included amounts relating to the discontinued operations which were disclosed in note 20. The comparative figures for the current year have been adjusted to exclude these amounts relating to the discontinued operations.

	2010 R	2009 R

16. Finance Income

	2010 R	2009 R
Investment income from cash held in rehabilitation trust	**2 276 234**	2 656 046
Sundry interest	**-**	5 983
Interest received on Government funds	**14 180 147**	6 305 734
Interest received from cash held in bank	**6 887 358**	10 666 524
	23 343 739	19 634 287

17. Finance Expenses

	2010 R	2009 R
Interest received on Government funds	**14 180 147**	6 305 734
Sundry interest expense	**202 371**	21 554
	14 382 518	6 327 288

18. Taxation

No taxation has been provided in the current year as the Company has an estimated tax loss. 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 2010 are as follows:

Estimated tax losses and unutilised capital allowances

	2010 R	2009 R
Estimated tax losses	**9 719 301**	17 081 924
Estimated unutilised capital allowances	**59 576 364**	55 736 584
	69 295 665	72 818 508

19. Notes to the Cash Flow Statement

19.1 Cash generated by operating activities

	2010 R	2009 R
Net profit/(loss) before taxation	**35 949 797**	(64 286 280)
Adjustments for:		
Depreciation	**1 184 582**	3 246 159
Investment income	**(23 343 739)**	(19 634 287)
Finance costs	**14 382 518**	6 327 288
Movements in retirement benefit obligations	**(45 141 000)**	58 262 000
Movements in environmental rehabilitation liability	**17 014 980**	4 728 000
Government funding utilised	**(5 827 547)**	(9 446 406)
Profit/(Loss) on disposal of property, plant and equipment	**-**	(46 301)
Movement in working capital		
(Increase)/Decrease in inventories	**(6 120 276)**	3 845 767
Decrease/(Increase) in accounts receivable	**5 299 763**	(3 895 724)
Increase/(Decrease) in accounts payable	**5 551 711**	(11 734 344)
Movements in other accruals	**-**	(10 408 387)
	(1 049 211)	(43 042 515)

19.2 Cash and cash equivalents

	2010 R	2009 R
Restricted cash and cash equivalents		
Cash held in call account – Government related funds	**313 013 531**	170 721 962
Cash held in trust – rehabilitation cost	**32 829 874**	27 793 640
Cash held in trust – ongoing litigations	**9 653 045**	9 071 920
Unrestricted cash and cash equivalents		
Cash held in call account	**95 947 349**	97 062 392
Total cash and cash equivalents at the end of the year	**451 443 799**	304 649 914

The Government funds received will be utilised for specific projects (refer to note 11.1). If these funds are not utilised they will be repaid to Government. The cash held in the rehabilitation trust will be utilised to fund the rehabilitation liability (refer to note 10). 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).

20. Discontinued Operations

	Alexander Bay Trading R	Hospital R	Airport R	Total R
Results from discontinued operations for the year ended 31 March 2010				
Revenue	**14 418 803**	**324**	**12 000**	**14 431 127**
Expenditure	**(14 167 019)**	**(69 070)**	**(31 744)**	**(14 267 833)**
Results from operating activities	**251 784**	**(68 746)**	**(19 744)**	**163 294**
Taxation	**-**	**-**	**-**	**-**
Profit/(Loss) for the period	**251 784**	**(68 746)**	**(19 744)**	**163 294**
Results from discontinued operations for the year ended 31 March 2009				
Revenue	14 272 908	224 223	68 034	14 565 165
Expenditure	(15 931 901)	(37 589)	(17 756)	(15 987 246)
Results from operating activities	(1 658 993)	186 634	50 278	(1 422 081)
Taxation	-	-	-	-
Profit/(Loss) for the period	(1 658 993)	186 634	50 278	(1 422 081)

Cash flow from discontinued operations	**2010 R**	**2009 R**
Net loss before taxation	**163 294**	(1 422 081)
	163 294	(1 422 081)

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. The matter is ready for trial, but has not proceeded to trial because Nabera has failed to apply for a trial date. 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. During March 2010 judgement was delivered, and the application for amendment brought by Ruslyn was refused, and Alexkor's application for dismissal of the second claim was granted. Ruslyn has appealed the decision and the appeal is pending.

	2010 R	**2009 R**

22. Guarantees

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

	2010 R	**2009 R**
Eskom	**165 000**	165 000
Department of Minerals and Energy	**40 000**	40 000
Total	**205 000**	205 000

23. Related Parties

	2010 R	**2009 R**
SAA	**503 711**	607 808
Department of Mineral Resources	**5 468 218**	4 178 569
Eskom	**6 148 768**	5 330 176
SA Post Office	**1 317 778**	1 907 297
Sentech	**65 270**	54 310
Total	**13 503 745**	12 078 160

The Company is a state owned entity and transactions with the following state entities occurred during the financial year on an arm's-length basis:

- SAA
- Department of Mineral Resources
- Eskom
- SA Post Office
- Sentech

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

24. Directors' Remuneration

Name	Capacity	Fee for services as members	Basic Salary	Total 2009/2010	Total 2008/2009
Executive					
C K N McClain-Maseko	Chief Executive Officer	-	2 343 559	**2 343 559**	2 366 171
Non-executive					
N D Moloi	Non-executive director	-	-	**-**	15 979
V Mahlati	Non-executive director	-	-	**-**	31 959
R Muzariri	Chairman	646 976	-	**646 976**	485 275
Dr R Paul	Non-executive director	205 235	-	**205 235**	196 230
Dr V Makin	Non-executive director	142 537	-	**142 537**	142 537
S Ngoma	Non-executive director	227 584	-	**227 584**	62 319
C Towell	Non-executive director	195 906	-	**195 906**	77 899
B Shongwe	Non-executive director	95 517	-	**95 517**	77 899
G Masha	Non-executive director	62 319	-	**62 319**	80 217
J Dely	Non-executive director	71 268	-	**71 268**	62 319
Total				**3 990 901**	3 598 804

25. Soccer World Cup Expenditure

Alexkor did not incur any expenditure relating to the Soccer World Cup in the financial year ended 31 March 2010.

Applicable Legislation

Alexkor is regulated by the following principal Acts, ordinances and 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 the Republic of South Africa, Act No 108 of 1996
- Diamond Act No. 56 of 1986
- Environmental Laws Rationalisation Act No. 51 of 1997
- Income Tax Act No. 58 of 1962
- 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. 25 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 to observing and complying with all legislation, regulations and policies pertaining to it, and makes every endeavour to do so.

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