ALEXKOR

People Matter

COMMUNITY
UPLIFTMENT

INTEGRATED REPORT
20 SIXTEEN


PASSION
COMMUNITY
COMMITMENT
UPLIFTMENT
People Matter
INSPIRATION
PROGRESS

Contents


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SECTION 1

Introduction

ALEXKOR'S APPROACH TO INTEGRATED REPORTING

The board and management of Alexkor are committed to providing our shareholder, the South African Government, and all stakeholders with reporting that is aligned to good corporate governance practice and integrated reporting frameworks. Our shareholder in this instance is represented by the Minister of Public Enterprises. Key stakeholders are the Richtersveld community from which Alexkor run its operations with the Pooling and Sharing Joint Venture (PSJV), the community at large, customers, suppliers and our employees.

Our adherence to integrated reporting standards has provided a transparent, comprehensive report reflecting the financial, operating, social and sustainability performance of Alexkor for the year ended 31 March 2016. This enables stakeholders to understand and appreciate Alexkor's mandate and how it has implemented its strategy to fulfill its mandate.

Alexkor is very cognisant of both its commercial and social objectives. Balancing these objectives requires judgement and wisdom. The pre-determined objectives agreed to between Alexkor and its shareholder and how Alexkor has performed against these pre-determined objectives are detailed on page 24 to 26 of this report to enable stakeholders to have an appreciation of Alexkor's performance.

The chairperson's report and the chief executive officer's report on pages 08 and 16 respectively, articulate the future strategy of Alexkor, as approved by its shareholder, to enable stakeholders to appreciate a journey that Alexkor has set itself for the foreseeable future in value creation.

OVERVIEW – A PERSONAL PERSPECTIVE

Dr. Roger Paul

"It started operations in 1928 as the 'Staats Alluviale Delwerye' to extract diamonds along South Africa's arid west coast. The mine was commercialised in 1989, changing its name to the Alexander Bay Development Corporation.

The Company's operations and strategic outlook significantly changed when the Richtersveld community successfully instituted a land claim against Alexkor and its shareholder, the South African government. On 14 October 2003 the Constitutional Court held that the community was entitled to restitution. The parties agreed on the nature and extent of the intended restitution and signed a formal and binding Deed of Settlement on 22 April 2007, which was made an order of court later that year."

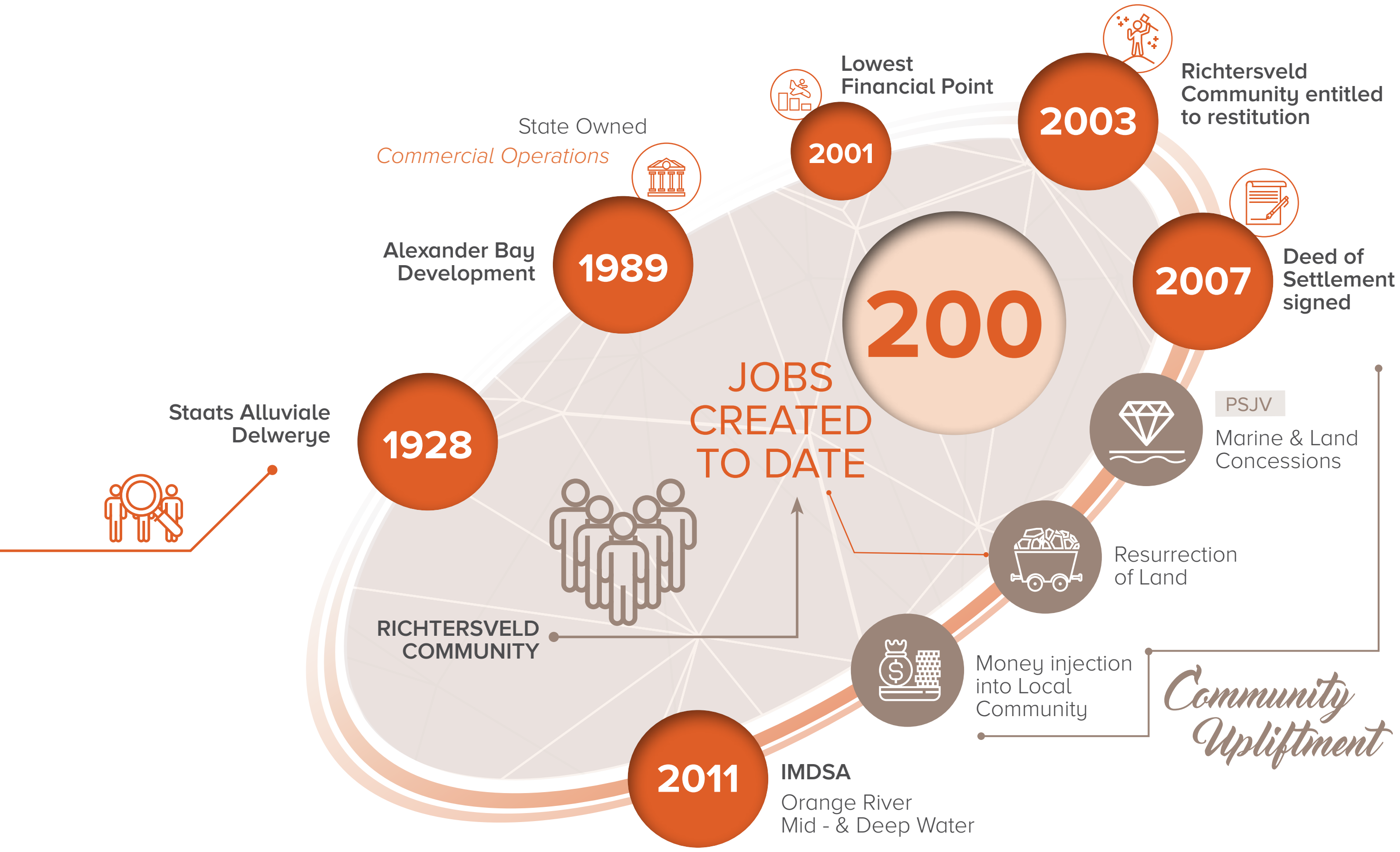
Although technically correct, surely a Company that has been in operation for 88 years has more to say than that? Indeed it does, but where to find the really interesting parts? Since my first involvement with Alexkor in May of 2001, I have met and talked about the "early days" with employees who started their mining careers with the Company in the mid-1970s.

I have always wondered where those diamonds were sold, and who or what benefitted from the derived revenue during the apartheid years. Bear in mind that production in those days of one million carats of gem quality stones averaging 0.6 carats per stone would, at today's prices, fetch in the region of one billion US dollars – a not inconsiderable sum of money!

Mining companies retain a considerable portion of their cash reserves for on-going exploration and modernising their equipment, so as to ensure the sustainability of their operations. Sadly, this did not occur during these times, as the diamonds produced by Alexkor just disappeared into the belly of a C-130 aircraft, and the Company was allocated an operating budget that was just adequate to support further short-term production, but inadequate for the long-term sustainability of the Company.

Fast forward to 1989 – The conversion of the Staats Alluviale Delwerye (State Alluvial Diggings) from a "staatdiens" (a State Service) to the Alexander Bay Development Corporation (a state-owned company) pushed the Company into commercial operations for which it was ill equipped. Exploration had not been undertaken for years. Earth-moving equipment was old

...I cannot hope to cover the experiences of the roller-coaster ride that is Alexkor and the PSJV since 2001 – it was a trip that I would not have missed for the world!



and unserviceable. Alexkor limped along, sustained primarily by the production from the shallow water marine concessions.

Fast forward to 2007 – The land restitution settlement, governed by the Deed of Settlement, required the conversion of the old order mineral rights to new order rights, and the subsequent granting of a state licence to Alexkor and the Richtersveld Mining Company allowing them to mine the marine and land concessions respectively under the control of the Pool and Sharing Joint Venture (PSJV).

The PSJV has been using the profits from the marine operations to assist in resurrecting the land operations, as this is where large numbers of jobs will be created (approximately 200 jobs created to date), injecting money into the local community. The difficulties associated with the resurrection of a profitable and sustainable land mining operation are considerable, given the derelict condition of the land mining infrastructure inherited by the PSJV – a true consequence and a legacy of apartheid.

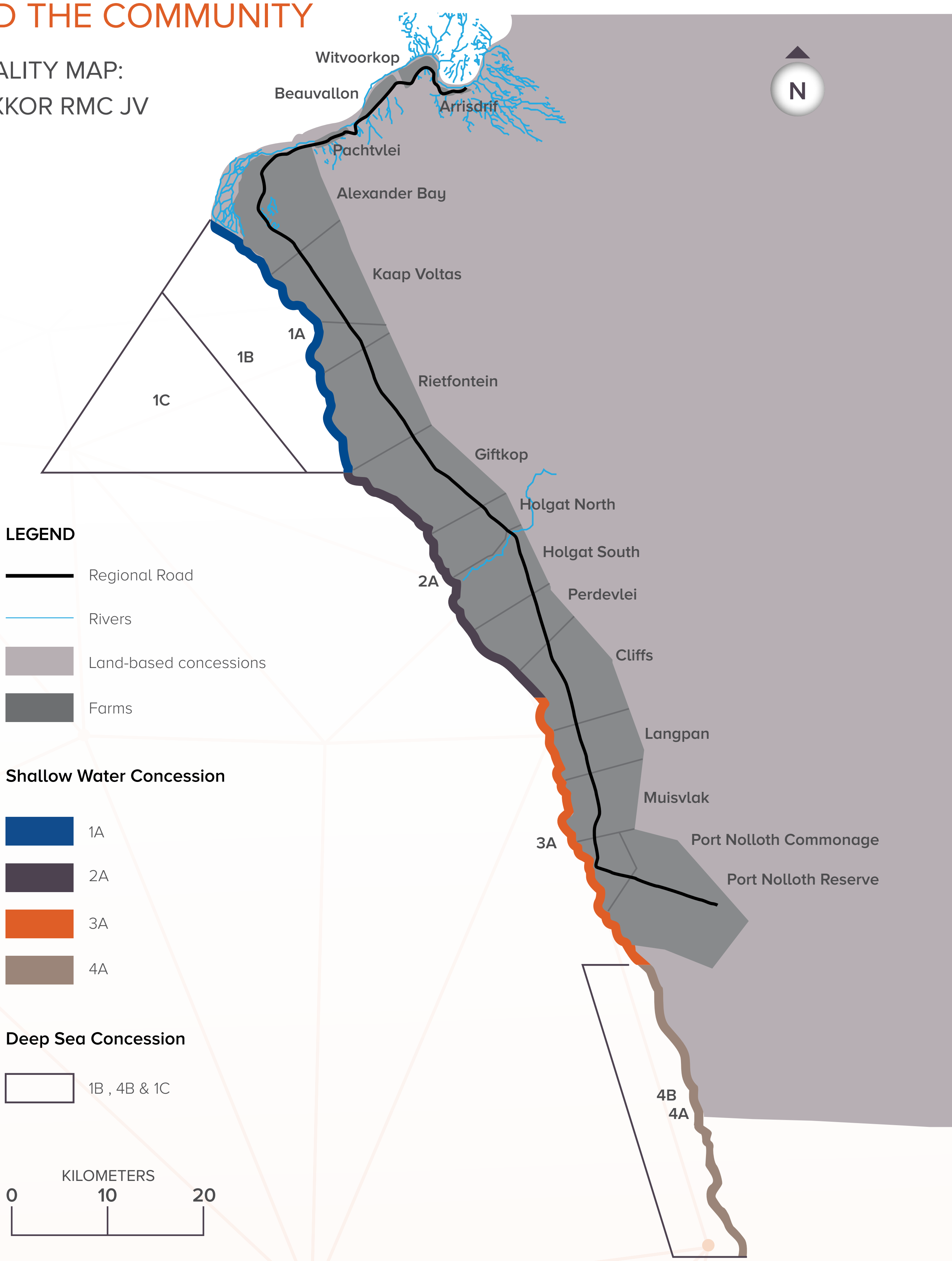
In closing this short history of Alexkor, I will end with some personal comments of my association with Alexkor since 2001. The darkest years were 2001 and 2002, when I recall that Alexkor had, in August 2001, cash in its bank accounts to pay the employee wage bill for one month only. Somehow we pulled through. I was part of the creation of the operating structure of the PSJV after 2007, and was required, for the first time, to interact with the Richtersveld community – a novel and enlightening experience indeed! In 2011, negotiations started with IMDSA (International Mining and Dredging) on mining the mid- and deep-water concessions off the mouth of the Orange River, and the commencement of mining operations by the Ya Toivo in May this year is both satisfying and exciting.

At the conclusion of my term as non-executive director, I cannot hope to cover the experiences of the roller-coaster ride that is Alexkor and the PSJV since 2001 – it was a trip that I would not have missed for the world! I would like to thank the current Honourable Minister Lynne Brown and the previous Ministers who have afforded me the opportunity to serve on the board of Alexkor, the current and previous members of the board, the staff of Alexkor and the PSJV for their commitment and the directors of the Richterveld Mining Company. You all leave me with fond memories. Finally, I wish to thank the board of Alexkor in offering me the opportunity to write this Overview, and end with my best wishes to Alexkor and the PSJV for every success in the challenging years ahead.

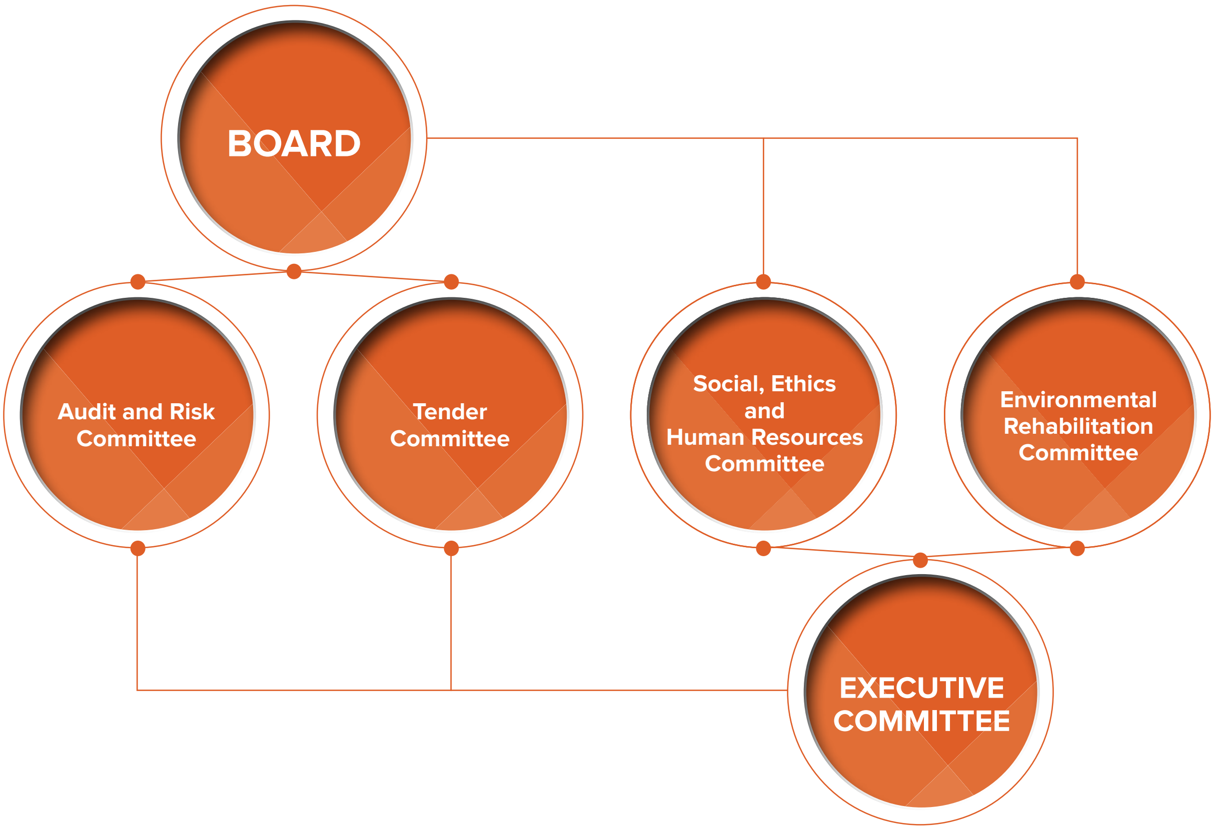
Dr Roger Paul
INDEPENDENT NON-EXECUTIVE DIRECTOR

MAP OF OPERATIONS REPRESENTING THE POOLED ASSETS OF BOTH ALEXKOR SOC AND THE COMMUNITY

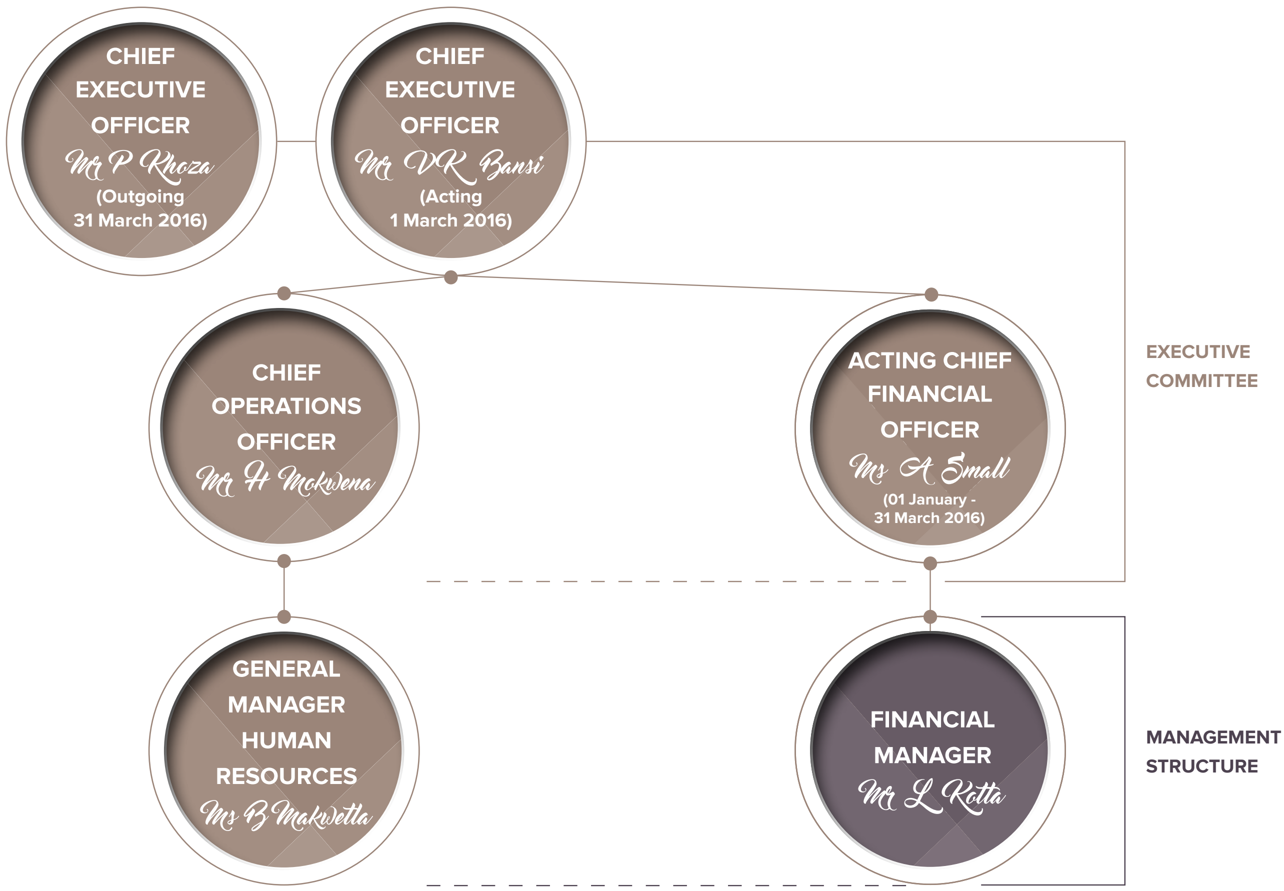
LOCALITY MAP: ALEXKOR RMC JV



ORGANISATIONAL STRUCTURE



OPERATIONAL STRUCTURE AS AT 31 MARCH 2016



SECTION 2

Ethical Leadership and Corporate Citizenship

CHAIRPERSON'S OVERVIEW

Ms H Matseke

In the past year, Alexkor, together with the rest of the diamond mining industry, continued to face unremitting headwinds that have impacted and eroded margins.

However, the Company is committed to taking the necessary action to create a sustainable, competitive and profitable business for all its stakeholders.

INTRODUCTION

We, the board, whose credentials appear on pages 12 to 14, undertook a comprehensive review of the business, which indicated that the Company's operational and financial performance needs to be placed on a firmer footing than it currently is. This review was conducted across the entire value chain of the business, to address structural challenges that have impacted performance over time. Building on the varied and effective steps taken to contain operational costs in recent years, the objective of the proposed action was to create a safe, sustainable, competitive and profitable business for the long-term benefit of all our stakeholders.

In order to achieve the above, it was necessary to align baseline production with long-term demand expectations and focus on a high-quality portfolio of assets, to produce diamonds on an economically sustainable basis, both on land and marine operations. Overheads have been reviewed and reduced while a new organisational design is in the process of being developed to ensure that the operations are appropriately supported.

Our commercial strategy has been revised to guarantee value and stability for diamonds and its customers, while also examining our participation in other mineral exploration and supply, including thermal coal to have a diversified portfolio.

PSJV

Alexkor continues to ensure that the PSJV is operated within a sound governance framework and on commercial terms, through both oversight by management of its activities and Alexkor board representation on its board. Alexkor has fulfilled most of the Deed of Settlement conditions, the remaining conditions are at the final stages of implementation.

EXTERNAL ENVIRONMENT

The external environment in which the Company operates, not only impacts the way the Company relates to external stakeholders, but it also changes the focus of the work of the Company. At the global level, economic recession and the slow-down in growth have led to changes, reduced demand for industrial commodities, including precious gemstones such as diamonds. However, the weak exchange rate compensated for reduced production and demand.

Domestically the South African economy experiences high levels of poverty and unemployment. These realities drive policy requirements, and have placed job creation and economic growth as the highest priorities for all public sector organisations.

SOCIO-ECONOMIC DEVELOPMENT

Alexkor's CSI initiatives are focussed on the social upliftment and development of local communities in the Richtersveld. Our Company invested a significant amount on various community corporate social investment initiatives which included partnerships with schools and community organisations.

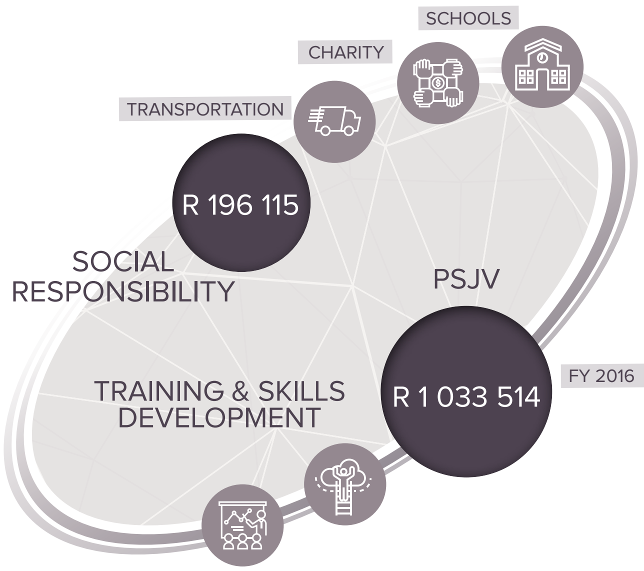
We are proud to announce that one of our flagship youth enterprise initiatives, aimed at developing commercial diving skills locally was successfully completed. This resulted in our sponsored candidates completing their Class III diving course at a reputable diving school in Saldanha Bay. These individuals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

As a further initiative to enhance the education transformation process in the Richtersveld area, the mine partnered with local schools by sponsoring salaries of teachers with the emphasis on mathematics and science.

At the PSJV, a further amount of R 2 523 437 was spent on various social responsibility initiatives such as transportation, donations to charities and partnership with schools and other local community organisations.

Our six bursary students from the various provinces are progressing well with their studies, with one student having successfully completed her studies, graduating in April 2016 with a Mechanical Engineering Degree from the Vaal Technical College.

During the year under review, an amount of R 1 033 514 was invested by the PSJV on training and skills development initiatives in line with our skills development plans.



LOOKING AT THE YEAR AHEAD

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

APPRECIATION

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

I am particularly indebted to our shareholder representative, the Minister of Public Enterprises, the Honourable Ms Lynne Brown (MP), for her unconditional support and wise counsel at all times to myself, the board and the management of Alexkor.

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

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

I specifically wish to thank Dr Paul for his sterling contribution and wise counsel to the current and the previous board over the past nine years, as his final term of office expires on 30 September 2016.

Our Chief Executive Officer, Mr Percival Khoza resigned effective 31 March 2016. The board thanks him for his contribution to the Company. Mr Vimal Bansi, an independent non-executive director, was appointed as the Acting Chief Executive Officer with effect from 1 March 2016 to ensure a smooth handover process. After two successive Acting Chief Financial Officers, Ms Tsundzukani Mhlanga and Ms Adele Small, the Company has pleasure in welcoming Ms Ntombizodwa Mbele as Chief Financial Officer effective 1 April 2016.

Last but not least, I wish to thank Alexkor's executive management team and all our committed members of staff for their hard work and dedication during the review period. I look forward to a fulfilling 2016/17 financial year in striving towards contributing to the sustainable and economic development of all our stakeholders.

Ms Hantsi Matseke
CHAIRPERSON
26 July 2016

Relationships can be built only if you invest time in people.

Katie Kacvinsky

BOARD OF DIRECTORS

Ms H B Matseke (46)

Independent non-executive director and Chairperson
Appointed August 2015

New Managers Programme, Wits

Ms Hantsi Matseke is the Chief Executive Officer of Maono Construction and Property Development firm. Her career of over 7 years in the industry includes controlling multi-million rand projects and budgets.

Hantsi started her career in the then Health Workers Congress and then moved to the oil industry, Total S.A. where she worked in the distribution department. She later joined the financial services sector, where she held various positions at Absa and African Bank. Hantsi brings financial, business administration and stakeholder relations experience to the Company. During her tenure in the finance sector, her clients ranged from individual private banking clients to large corporate clients.

Hantsi's passion is now more in business development and facilitation. As a result of her vast experience in a number of sectors and leadership qualities Hantsi was appointed an independent non-executive chairperson of both Alexkor SOC Ltd and the Free State Development Corporation.

Mr VK Bansi (52)

Acting Chief Executive Officer
Appointed March 2016

BSc, PrSciNat, MSAIMM

Mr Vimal Bansi is a multi-commodity resource geologist with over 25 years in the exploration and mining industries, complemented with significant and extensive Pan-African experience. He was originally appointed as an independent non-executive director on the board of Alexkor in August 2015. Due to restructuring, he took up the challenge of Acting Chief Executive Officer in March 2016.

Mr JS Danana (58)

Independent non-executive director
Appointed August 2015

B.Journalism, BA. Hons, MBA

Mr John Sembie Danana has vast experience in construction. He worked for Harmony Gold Mining Company and was the co-founder of First Uranium Corporation. He is currently involved in property development.

He was a previous chairman of the Pretoria Technikon, a SABC board member, a director of Ubunye Cement Distribution and Mbambushe Investment Enterprises Proprietary Limited.

Mr TM Haasbroek (52)

Independent non-executive director
Appointed August 2015

Electronic Engineer Diploma

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

Ms M Lehobye (42)

Independent non-executive director
Appointed August 2015

B.Com, Higher Diploma in accounting, CA (SA)

Ms Mamoroke Lehobye is a founder and executive chairperson of MyCFO, a financial management compliance and governance solution for SMEs. Prior to founding the Company in 2012, she was an internal audit director of Sekela Consulting. She spent five years after completing her articles in a financial management position at SCMB and Stanbic Africa.

Ms Lehobye is an independent non-executive director and audit committee chair of Gauteng Enterprise Propeller.

Mr TJ Matona (54)

Independent non-executive director
Appointed August 2015

BSc Hons; M.A Development Economics (University of East Anglia (U.K.)

Mr Tshediso Matona is currently the head of the National Planning Commission Secretariat and Acting Director-General of the Department of Planning, Monitoring and Evaluation. He was the Chief Executive of Eskom from October 2014 until May 2015, after being the Director-General (DG) of the Department of Public Enterprises (DPE) since January 2011. An economist by training and an experienced public administrator, he has held several senior positions in government throughout his career, and served as a trade diplomat at the S.A .Embassy to the United Nations (UN) and World Trade Organisation (WTO) in Geneva, Switzerland from 1996 to 1998.

Tshediso served on boards of a number of public policy bodies and has been a member of the Chartered Secretaries South Africa (CSSA) since 2011.

He has 21 years of senior management experience and skills in the fields of international trade and diplomacy, export promotion, investment promotion, industrial development, enterprise development, economic regulation and corporate governance.

Ms Z Ntlangula (43)

Independent non-executive director
Appointed September 2012

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

Ms Zukiswa Ntlangula is an attorney and conveyancer at Ntlangula Inc., a property and corporate commercial law firm she established in 2006, based in Sandton. She has served in various strategic positions at Ntsebeza Inc. Attorneys; Bowman Gilfillan Inc attorneys; Deloitte Consulting South Africa as a change management specialist, and at Thebe Investment Corporation as group Company secretary.

Ms Ntlangula serves in various leadership roles:

- Social Housing Regulatory Authority (independent non-executive director - Audit Committee and Investment Committee Member)
- National Empowerment Fund (independent non-executive trustee - Audit Committee and Investment Committee member)
- Alexkor SOC Limited (independent non-executive director - Social and Ethics Committee member)
- Glencore South Africa (independent non-executive director - Social and Ethics Committee)
- Department of Home Affairs (independent non-executive director - Audit Committee member)
- Black Conveyancers Association (President)

Dr RL Paul (66)

Independent non-executive director
Appointed June 2007

BSc (Hons), MSc, PhD, MBA

Dr Paul has extensive experience in technology, mining and metallurgy acquired during a career in the minerals industry for 40 years. He serves on the boards of Rados International Services SA Proprietary Limited and Kruger Park Lodge Share Block Limited.

APPOINTMENT SUBSEQUENT TO YEAR-END

Ms N P Mbele (45)

Chief Financial Officer and Executive Director
Appointed 1 April 2016

CA (SA), Executive Development Programme (USB), Management Advanced Programme (WBS)

Zodwa is a chartered accountant with more than 19 years of experience in the financial services and infrastructure development sectors. She has a proven and demonstrable track record in the fields of project finance, treasury management, financial management and risk management. Zodwa has served in the capacity of chief financial officer and executive manager in both the private sector and state-owned entities.

She currently serves on the following boards:

- Sentech SOC Limited
- Vergenoeg Mining (Pty) Ltd
- Independent credit committee member of Stanlib Infrastructure Fund

EXECUTIVE COMMITTEE

Mr VK Bansi (52)

Acting Chief Executive Officer
BSc, PrSciNat, MSAIMM

Ms N P Mbele (45)

Chief Financial Officer
CA (SA)

Mr H Mokwena (39)

Chief Operations Officer
MBA, B.Tech Mining Engineering

ACTING CEO'S REPORT

Mr VK Bansi

Upon accepting my appointment as Acting CEO of Alexkor, I recognised that while my primary duty is that of ensuring the sustainability of the Company, I also have an equally important duty to ensure the sustainability of the communities in which we operate.

No matter what we are able to achieve at Alexander Bay, we always need to be cognisant of the fact that what we have is a finite resource and, as such, all our decisions need to be driven around creating a lasting legacy for the people of this part of South Africa. It is this dual commitment that will guide my role as Acting CEO in the decisions I undertake on behalf of Alexkor.

A new board was appointed on 14 August 2015 and I am confident that with their wealth of experience and clear commitment, we are in a far stronger position to deliver on Alexkor's mission of "operating a growing, profitable and sustainable mining organisation that contributes to the development needs of the communities."

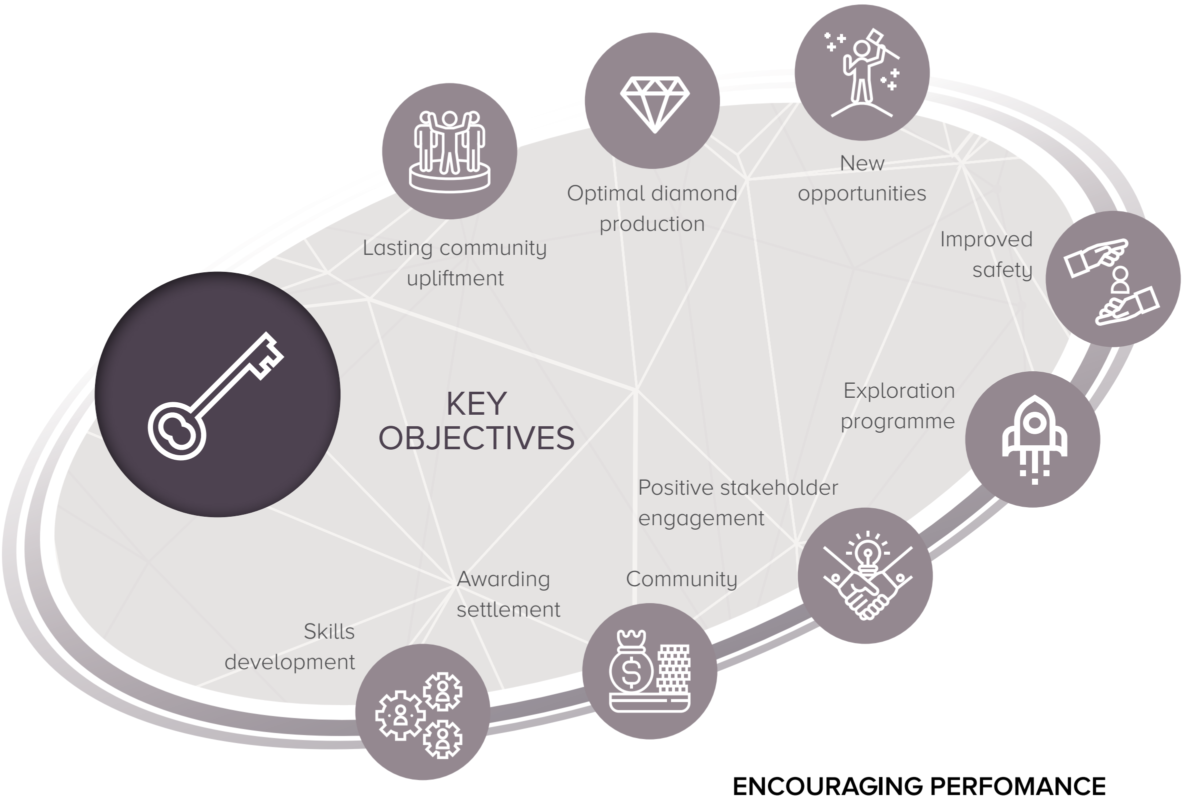
Key to this will be reaching optimal diamond production at our Alexander Bay operations by streamlining our current operations, as well as pursuing a mid- to long-term strategy that will see Alexkor optimise its expertise to pursue new opportunities, enabling the diversification of our value offering.

MAKING SAFETY A PRIORITY

It is with deep regret and sadness that I report the death of one of our contractor employees in a light vehicle incident at our mine in October last year. I extend our deepest sympathies to his family, friends and colleagues.

Following the incident a thorough review of all our safety procedures took place. We have since implemented a vehicle key control system at the mine and all vehicles have been fitted with rollover protection bars to improve on vehicle safety systems. In addition, the Department of Mineral Resources regularly undertakes safety audits at the mine. During this process every aspect of personnel safety is addressed; adhering to this receives the highest priority.

Alexkor remains committed to ensuring a safe workplace for all.



ENCOURAGING PERFOMANCE

Shallow water marine operations

RARE DIAMONDS OF HIGH VALUE

OPERATING ENVIRONMENT

In 2015 the diamond industry suffered from a mild decline in consumer demand. That said, the long-term outlook is good with the diamond mining industry expected to grow steadily over the next ten years due to increasing jewellery demand from Asian countries, and a diminishing supply of rough diamonds, estimated at 1% to 2% a year until 2030.

OPERATIONAL PERFORMANCE

Carat production was impacted by a lack of quality exploration data in the Muisvlak target area where the bulk of mining efforts were focussed for the year under review. To optimise the mine plan the JV has implemented a comprehensive exploration programme driven by industry specialists and the mine's team of geologists. To complement the programme, and to improve production at our land-based operations, we have invested a further R10 million in an exploration/prospect plant. The value of accurate data cannot be underestimated in order to drive our future efforts. While we can expect an initial lag time on this investment, I am certain that we will begin to reap rewards of the exploration programme sooner than can be expected.

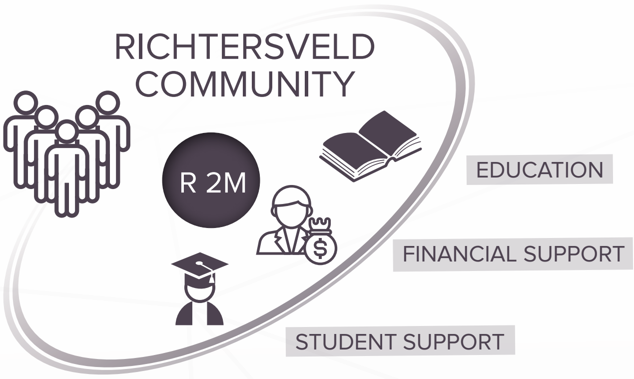
However, while carat production was down, I am pleased to report that the performance of the shallow water marine operations has been extremely encouraging; both the boat and shore units are yielding some unusually rare diamonds of high value.

DEED OF SETTLEMENT UPDATE

As per the 2007 Deed of Settlement, Alexkor and the Richtersveld Mining Company hold a 51 and 49 per cent interest respectively in the PSJV. The agreement allows for a R45 million payment following transfer of Alexkor–owned property to the Commercial Property Association (CPA). It is of paramount importance to Alexkor that the communities of the Richtersveld receive their rightful award of the R45 million. We will continue to work through the correct legal and governance structures to ensure that the handover of these ring-fenced funds are effectively concluded. The board and executive management team remain committed to working with the Department of Rural Development and Land Reform and the constituted community structures in order to resolve the local governance issues so that this process is concluded as a matter of priority.

DEVELOPING POSITIVE STAKEHOLDER RELATIONSHIPS

Fostering sound and positive engagement with all our stakeholders is important to Alexkor. We believe collaboration is vital to building the future success of our mining operations with optimal benefits for community development. To deliver on our social responsibility mandate we are committed to playing our part in developing a secure, sustainable livelihood for the community in the area in which we operate and to enhancing the capacity and abilities of our employees.



ALEXKOR'S TURNAROUND STRATEGY

In order to turn around the business we will focus our efforts on optimising the utilisation of existing diamond assets and on unlocking the value within the PSJV.

As already mentioned, we recognise that this is a finite resource and as such we need to diversify our offering in order to build a sustainable, diversified, profitable mining company. In order to diversify our business we will focus on exploring the coal beneficiation and supply opportunity.

Furthermore we are exploring mutually beneficial cross-border mining opportunities in the SADC region and further afield.

Further consideration is mining of the high potential mid-water concessions independently or via joint ventures with new or existing marine contractors.

Another focus area was a cost containment initiative at head office. In this regard, we have significantly downsized our head office human resource structure.

ALEXKOR'S TURNAROUND STRATEGY

Long-term Sustainability

THE YEAR AHEAD

Looking to the immediate future we will forge ahead with our coal strategy and anticipate completing the feasibility study by Q3 2017. We will continue to expand our land exploration programme in which future mining is supported by sound geoscientific data. I have confidence that marine diamond mining presents a big opportunity for Alexkor, and we will therefore continue with our efforts to access the valuable mid–water assets.

As a new leadership team we are committed to ensuring that our engagement with the community is purposeful and impactful. Most importantly, we will focus our collective efforts on improving stakeholder relationships in the Northern Cape area so that we are able to unlock the PSJV value.

While I can conclude that this has been a challenging year, there were moments of delight when diamonds of exceptional size and quality were discovered in our concessions. Discovering diamonds of truly high quality should remind all of the immense potential that lies in the arid beauty of the Richtersveld.

APPRECIATION

In closing, I wish to extend my thanks to the Minister of Public Enterprises, the Honourable Ms Lynne Brown, for her support and guidance on the way forward for Alexkor. Further, my heartfelt thanks goes to the Alexkor board and staff who have supported my task as Acting Chief Executive, providing me with valuable advice in helping me to steer the business in these challenging times.

My profound thanks also goes to the mine executive and operational team who have kept diamond production at sustainable levels.

Given the value, skills and expertise of the Alexkor team, I am confident that while we have another challenging year ahead, we can deliver on the plans we have set ourselves in our goal to deliver value for all our stakeholders.

Mr Vimal Bansi
ACTING CHIEF EXECUTIVE OFFICER
25 July 2016

Every successful individual knows that his or her achievement depends on a community of persons working together.

Paul Ryan

CHIEF FINANCIAL OFFICER'S REPORT

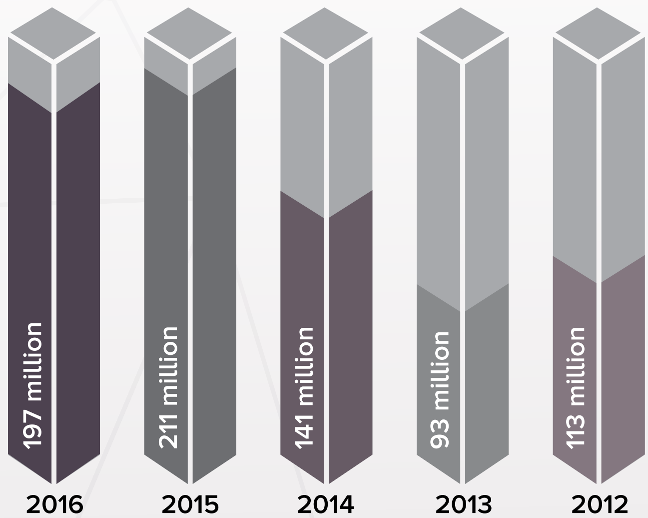
Ms N P Mbele

The financial results for the financial year 2015/16 have been characterised by a decline in material figures in comparison with the previous financial year.

FINANCIAL PERFORMANCE

REVENUE

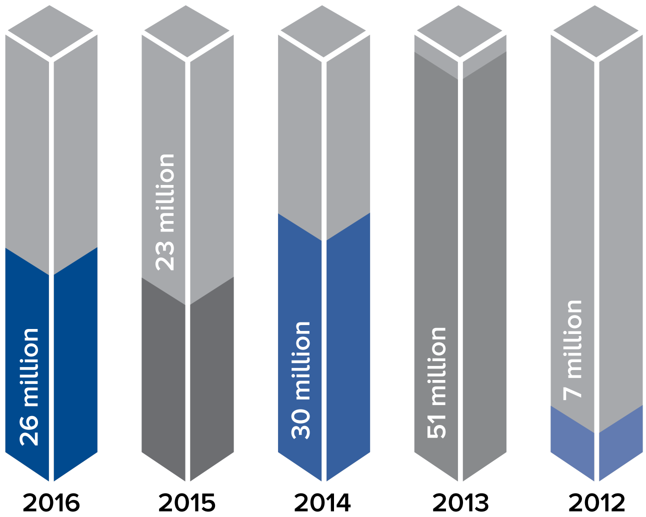
The main reason for the decline in revenue was the carat production of 45 492, which was lower than the previous year carat production of 74 387. This was largely driven by Muisvlak operations which underperformed by 64% of its targeted production. The reason for the under performance is addressed under the CEO's report. However this under-performance was offset by a weak USD/ZAR exchange rate resulting in 6% reduction of revenue from R 211.2 million to R 197.1 million. This was further aided by a higher than expected average carat price of USD 602.2 compared to USD501.98 per carat of the previous year.



REDUCTION OF REVENUE BY 6%

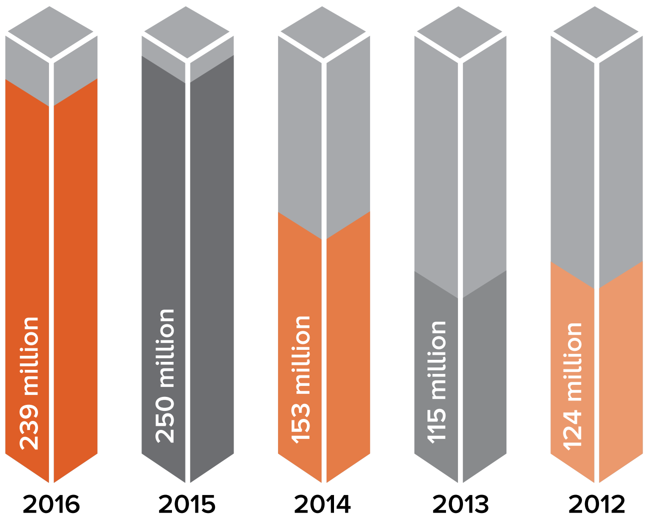
NET INTEREST INCOME

The net interest income increased by 11% from R 23,8 million to R 26.4 million due to favourable interest rates.



COST OF SALES

In line with the lower carat production, the cost of sales reduced by 4% compared to the previous financial year.

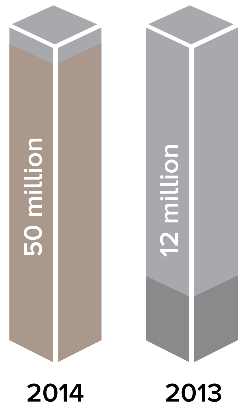


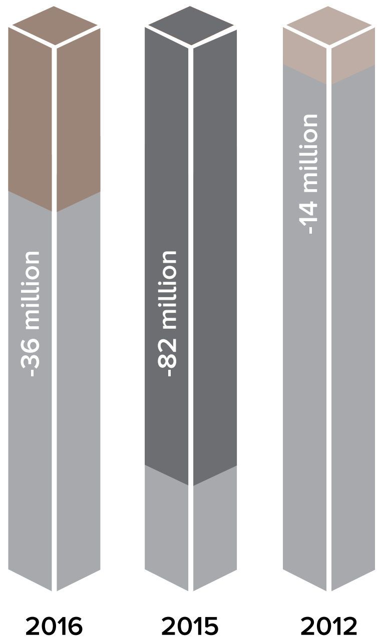
OTHER INCOME AND EXPENDITURE

The other expenses reduction from R 174.4 million to R 7.9 million was due to the recognition of a once-off impairment loss of R 162 million in the 2014/15 financial year. Other income reduction of 82% from R 67.2 million to R 12.5 million was due to less being advanced to the PSJV to fund the Muisvlak operations (2016: R 10 million compared to 2015: R 57.7 million). Government grants utilised are being accounted as a credit in profit or loss and disclosed as other income.

COMPREHENSIVE LOSS

Alexkor reported a loss of R 35.5 million which has narrowed by 56.8% compared to the previous year loss of R 82.2 million. This has resulted in a comprehensive loss of R 40.6 million compared to the comprehensive income of R 71.4 million.





FINANCIAL POSITION

ENVIRONMENTAL REHABILITATION LIABILITY

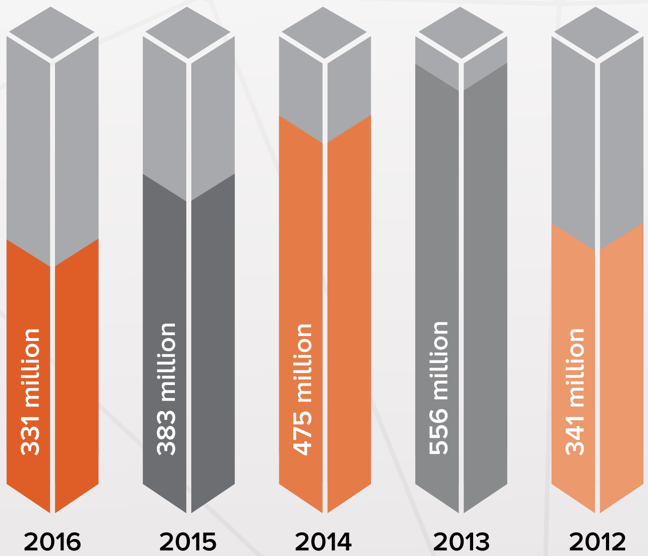
The environmental rehabilitation liability quantum is re-assessed on an annual basis by an independent expert. For the period under review, there was an upward adjustment of R 11.3 million resulting in a R 244 million closing balance. This upward adjustment is attributable to an inflationary increase of 4.6%.

INTANGIBLE ASSETS

The main driver for an increase in intangible assets is the exploration costs incurred during the current financial year amounting to R 17.5 million. This is comparable with R 12.7 million of the previous financial year. When the plant moves into the production stage, the capitalisation of exploration and evaluation costs cease, then the costs are expensed.

CASH AND CASH EQUIVALENTS

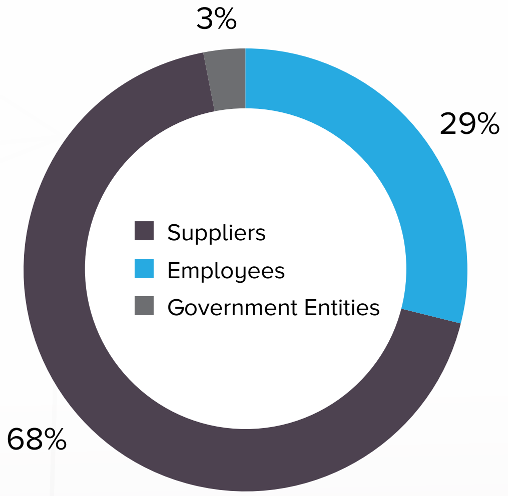
Cash and cash equivalents decreased by 14% (R 52 million) compared to the previous financial year. This is largely due to the fact that the restricted cash was deployed for its intended use, whilst operational cash was not replenished by cash distributions from the PSJV.



VALUE ADDED STATEMENT

WEALTH DISTRIBUTED TO VARIOUS STAKEHOLDERS

Despite sustaining operating losses during the past two years, Alexkor being a state-owned company, has fulfilled its development mandate of creating and distributing value to various stakeholders listed below:



CONCLUSION

The board and management have taken cognisance of the declining state of the financial affairs of the Company. In addressing the challenges, the board has approved a number of financial strategies aimed at the short to medium term cash operational requirements. These financial strategies underpin the going concern of the Company. As for a long-term financial strategy, it is largely driven by a two-pronged strategy of diversification and expansion of diamond operations as indicated in the CEO report.

MS NP Mbele
CHIEF FINANCIAL OFFICER
25 July 2016

SECTION 3

Strategy

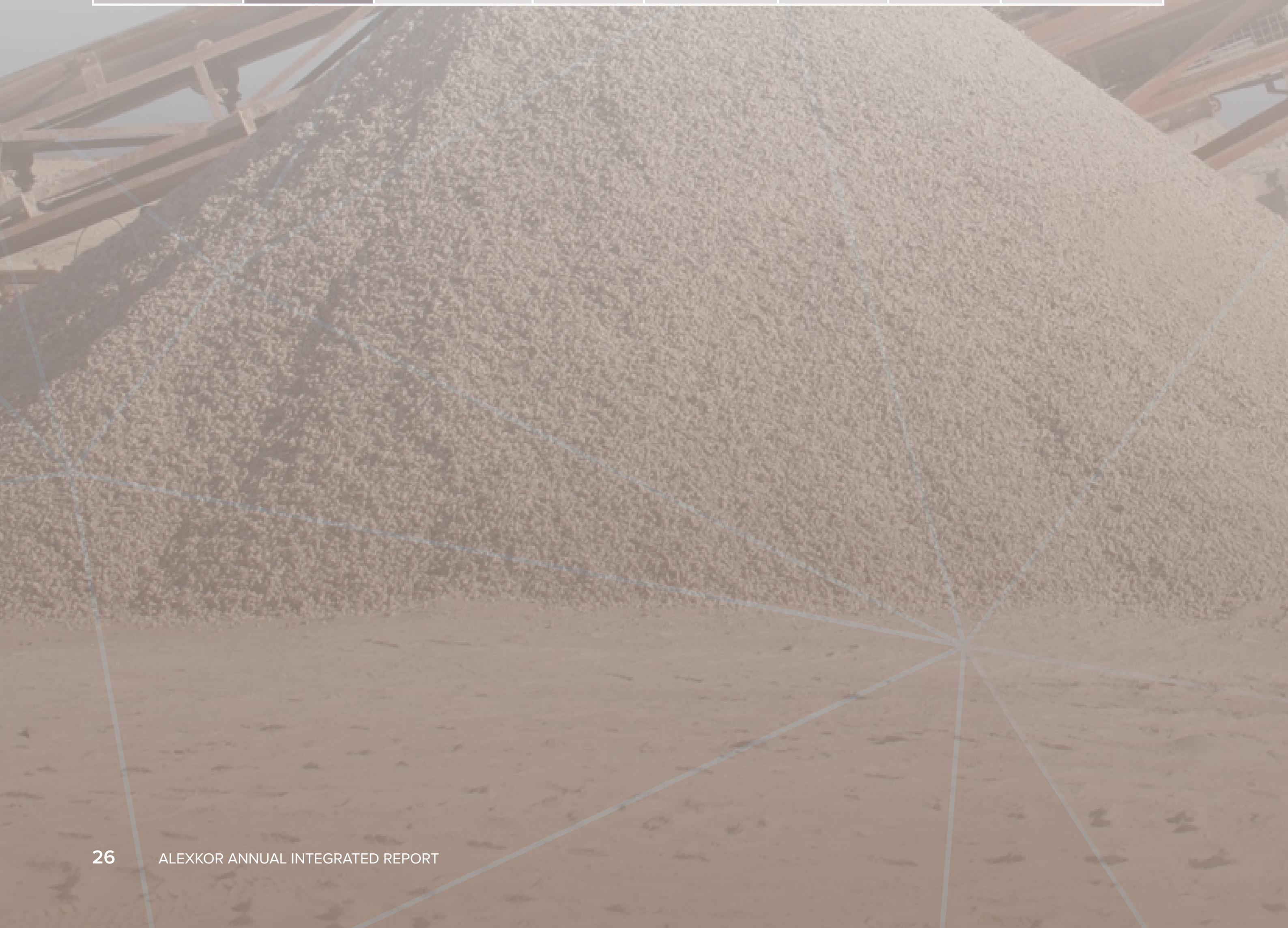
PREDETERMINED OBJECTIVES

Alexkor's presence in the Northern Cape goes back nearly ninety years when the first alluvial diamonds were discovered and mined. Alexkor's Predetermined Objectives (PDOs) for financial year 2015/16 and as set by the shareholder have been mostly achieved, as depicted below.

Element of Strategic Intent	Key Performance Area	Key Performance Indicator	Unit of Measure	2015/16 FY Target	2015/16 FY Actual	Variance: Actual vs. Target	Comments
Alexkor / PSJV sustainability	Diamond production	Ramp up to full Muisvlak production	Carats produced	80 320 carats	45 492 carats	34 828	Not achieved. Mining opeartions impaired by lack of accurate geological information. Exploration programme initiated to upgrade the confidence level of the inferred resource
		Initiate exploration of the remaining mining nodes	Board approval	Commence exploration on Node 2 (Voltas / Kortdoorn) by 31 March 2016	Independent contractor has been appointed to drive the exploration process		Achieved
		Implementation of IMDSA contract	Mining rights approval / carats produced	120 000 carats	0	(120 000)	Partly achieved. The contract was signed and approved, even though the target for carat production was not achieved
		Exploration of shallow water channels	Signed contract	Commence mining shallow water channels and determine the average grades and extent by 31 March 2016	Two companies have been appointed on the exploration of coffer dams in the shallow water channels.	N/A	Achieved

Element of Strategic Intent	Key Performance Area	Key Performance Indicator	Unit of Measure	2015/16 FY Target	2015/16 FY Actual	Variance: Actual vs. Target	Comments
Alexkor/PSJV sustainability	Financial ratios	Current ratio	Ratio	> 2:1	3.9:1	1.8:1	Achieved
		Cash ratio	Ratio	> 1:1	3.8:1	2.7:1	Achieved
Rehabilitation obligation	Implement and execute a five-year rehabilitation plan	Finalise and approve rehabilitation plan by the Committee. Execution of the plan	Deadline	Execute the plan as per the approved plan	Process with DEA has begun and within the timelines	N/A	Achieved
PSJV Sustain	Safety	Lost time injury frequency rate	Rate	0.57	0.18	0.39	Achieved.
		Fatalities	Number	Zero	1	1	Not achieved. A contractor employee was fatally injured whilst driving a light vehicle when he lost control and overturned the vehicle
	Revenue	EBITDA	Rands	R10 million	R25 million	R15 million	Achieved

Element of Strategic Intent	Key Performance Area	Key Performance Indicator	Unit of Measure	2016 FY Target	2016 YTD Actual	Variance: FY Actual vs. Target	Comments
Socio-economic Indicators	Skills development	Training spend	% of personnel costs	3%	3%	-	Achieved
	Total procurement	Local BEE % of total spend	%	60%	62%	2%	Achieved
		Local content	%	80%	100%	20%	Achieved
	CSI	CSI policy	Deadline / Rands	R 3 million	R 3.8 million	R 800 000	Achieved



OUR BUSINESS MODEL

NATURE OF BUSINESS

The Pooling and Sharing Joint Venture (PSJV) commenced on 7 April 2011 and was named the Alexkor RMC JV. The financial year of 2012 was the first year that the two entities, Alexkor Corporate and Alexkor RMC JV, operated as two separate entities.

The PSJV is controlled by an independent board of six directors (three nominated by each party to the joint venture) and managed by an independent executive management team that resides in Alexander Bay. This management team reports directly to the independent PSJV board. The members representing Alexkor on the PSJV board are also members of the Alexkor board.

Alexkor only shares in profits or losses that may arise in the joint venture operations but has no outright control of the joint venture. Alexkor and the PSJV are two distinct and separate entities and operate independently of each other.

The main business of the PSJV is the economic exploitation of diamonds from the pooled marine and land mining rights in the Alexander Bay area. The current mining operations comprise low-scale land operations, due to exploration activities, and shallow and deep water marine mining that are currently performed by mining contractors appointed by the PSJV.

Success is the result of perfection, hard work, learning from failure, loyalty, and persistence.

Colin Powell

OUR BUSINESS MODEL

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

INPUTS
SOURCES OF CAPITAL
The resources used by our operations to create value are:

1. INTELLECTUAL CAPITAL
Mining expertise and experience
- Innovation (geological model, new mining technologies, exploration programme)
- Safety controls
- Training
- Environmental management plan

2. SOCIAL AND RELATIONSHIP CAPITAL
Stakeholder relationships
- Government (license and networking opportunities)
- Community (consent)

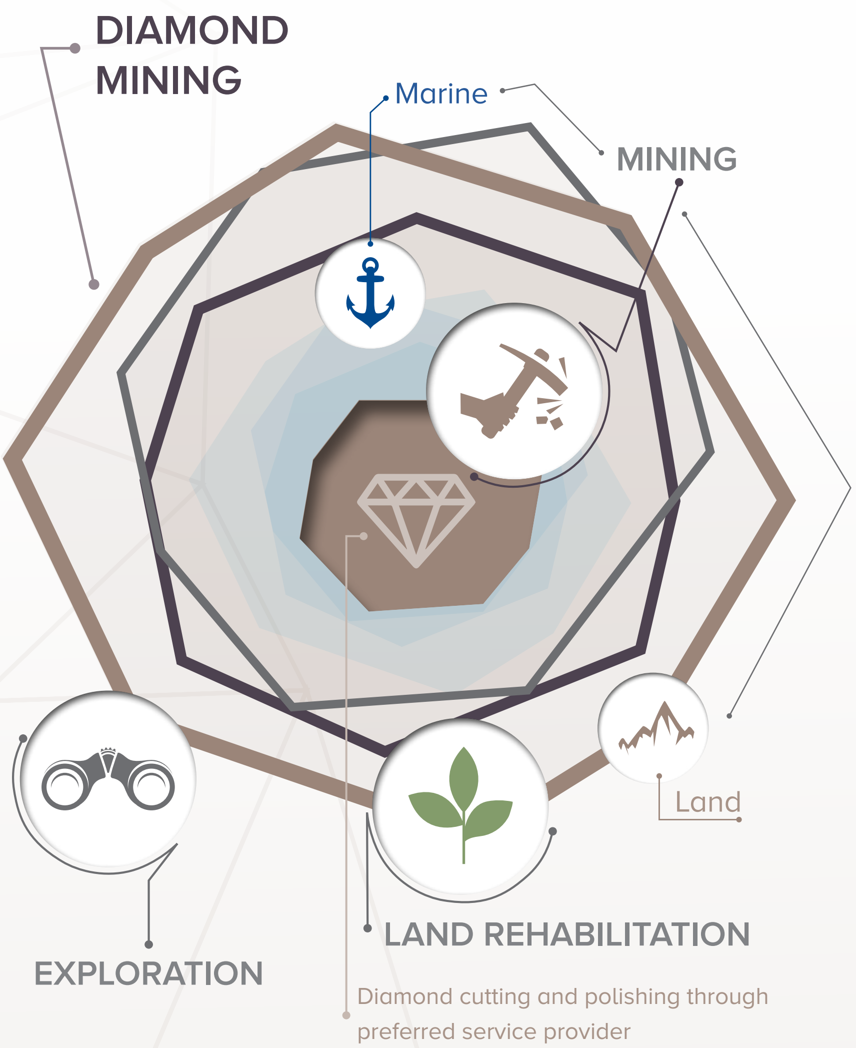
3. MANUFACTURED CAPITAL
Mining assets
- Mining equipment
- Ancillary support services (residential services, community services, outside engineering services, external transport services, airport, fuel station and guest houses)

4. HUMAN CAPITAL
Our workforce
- Good governance through an experienced executive team and board
- Our team
- Our suppliers

5. NATURAL CAPITAL
Water, energy, land
- To enable mining operations
- PSJV and land diamond reserves
- Marine diamond reserves

6. FINANCIAL CAPITAL
Our financial model
- Government investment
- PSJV

BUSINESS ACTIVITIES
WHAT WE DO
Our day to day activities are focused on:



NEW OPPORTUNITIES
- Coal beneficiation
- Cross-border alluvial diamond opportunities (SADC & beyond)

CREATING BUSINESS EFFICIENCIES
- Cost containment strategies
- Technological innovation

OUTPUT
WHAT WE PRODUCE

The products and services we deliver to our stakeholders are:

DIAMONDS

FY 2015/16

45.492 carats = R368.5 million in revenue for PSJV

NEW MINING-RELATED STRATEGIES

- Coal beneficiation strategy

LEANER BUSINESS
Cost containment strategy

FY 2015/16

R 12 Million saved

OUTCOMES
WHAT WE CREATE

As a result of our operations we create:

EMPLOYMENT OPPORTUNITIES

- Total workforce (direct and indirect) - in excess of 1 200
- 80% of jobs allocated to individuals in the Richtersveld area

SOCIO-ECONOMIC DEVELOPMENT

- R 2.5 million spent on social investment interventions as at 31 March 2016 (CSI)
- R 934 202 invested in our education transformation programmes
- R 560 000 spent on bursary programme for disadvantaged students
- R 2 million invested in community upliftment through SLP as at 31 March 2016
- More than R 500 000 paid to local businesses and suppliers

BETTER TRAINED AND TRANSFORMED WORKFORCE

- R 1 million spent on training in 2016
- Employment equity programme delivering on transformation objectives

MINE WASTE

- To be rehabilitated through our environmental management programmes including disposing of asbestos-containing buildings

SHARED CAPITAL

- PSJV (49% RMC, 51% Alexkor)

ABOUT US

OUR PURPOSE

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

OUR VISION

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

OUR MISSION

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

OUR VALUES

Integrity
we will always deliver on our promise

Professionalism
we will always strive for the highest standards possible

Accountability
we will always take full responsibility for the outcomes of our behaviours

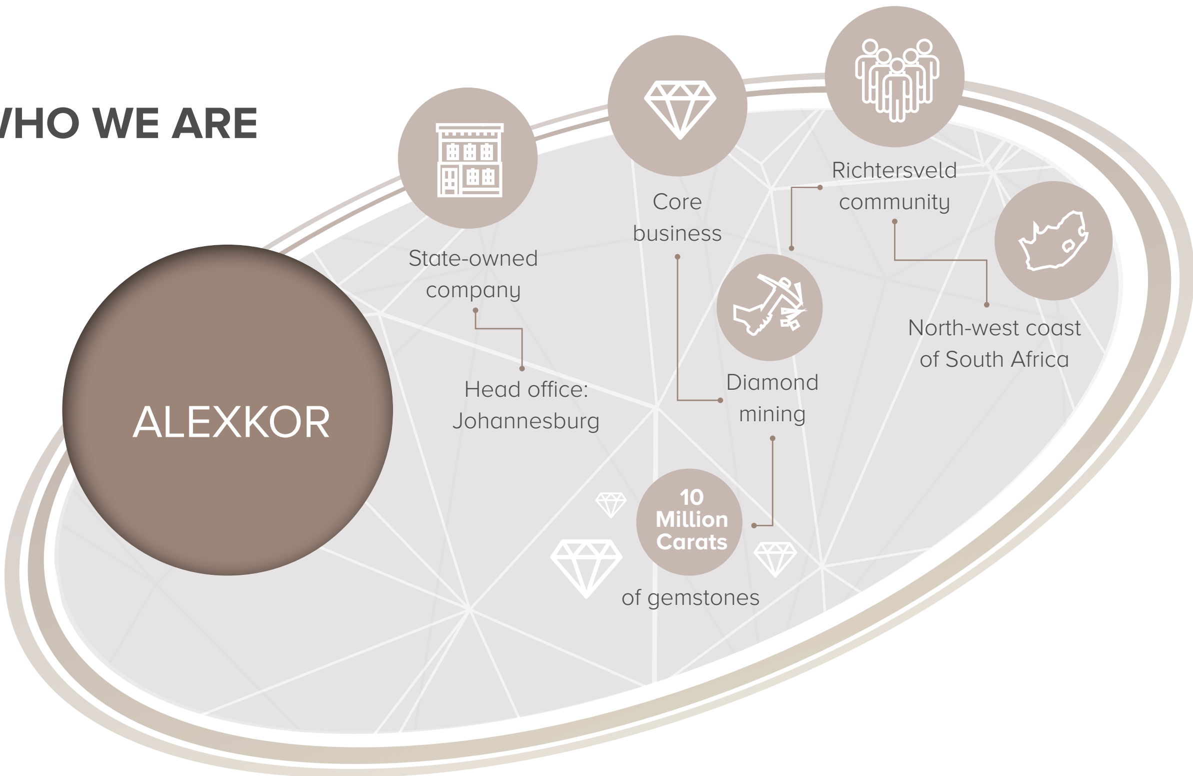
Dedication
we will be focused, goal-orientated and not sidetracked

Dynamic
we will be highly energetic, creative and innovative

WE DELIVER ON OUR VISION AND MISSION BY:

- Enhancing our mining operations through innovation and technology to *enable organic growth at Alexander Bay*
- Utilising procurement spend to stimulate local economies and *benefit the community*
- Providing training to *develop our workforce*
- Ensuring good governance and credible processes to *provide sound leadership*
- Working towards a leaner and more efficient business to *maximise the utilisation of our resources*
- Using our mining expertise to explore other mining related opportunities in order to *turn Alexkor into a viable, dynamic mining company*
- Leveraging cooperation between state-owned companies to *create shared value*

WHO WE ARE



Alexkor is a state-owned company; its core business is the mining of land and alluvial diamonds. Its mining efforts focus predominantly on the Richtersveld area on the north-west coast of South Africa and over 10 million carats of gemstone quality diamonds have been recovered during the course of its operations. By utilising its mining expertise, Alexkor is exploring other mining-related opportunities in order to become a sustainable, dynamic and profitable mining company. Alexkor's head office is in Johannesburg.

STAKEHOLDER ENGAGEMENT

Stakeholders are defined as any individual or group that has a material interest in or is in some way affected by the business of Alexkor.

Our main stakeholder interactions are with: Government, through our shareholder which is the Department of Public Enterprises (DPE); the Richtersveld Mining Community (RMC), our partner in the PSJV; Parliament, national and provincial departments and municipalities; communities, and investors; suppliers and contractors; management, employees and organised labour; business groups, civil society and non-governmental organisations (NGOs), as well as industry experts and the media.

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

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

STAKEHOLDER COMMUNICATION PRINCIPLES

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

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

The main stakeholder interactions during the year under review were:

STAKEHOLDER GROUPS:	ISSUES:	HOW:	OUTCOMES AND ACHIEVEMENTS
RSA Government represented by DPE	Alexkor's strategic direction • Achievement of set KPIs • Achievement of short- and long-term business objectives.	Shareholder's Compact engagements and quarterly meetings with DPE	Approval of Alexkor's business strategy and initiatives.
Portfolio Committee	Support for Alexkor's challenges.	Board engagements with the shareholder.	Transparency and accountability to SA on Alexkor's business dealings.
National Treasury	Guidance on finance related matters.	Submission of corporate plans, budgets, financial statements and integrated reporting.	Ensuring overall sound financial accountability and governance.
CPA/RMC	Regularising the community governance structure.	Regular meetings and engagements with CPA representatives • Regular board meetings	Resolution of all community issues and strengthened relations between Alexkor and CPA.
DMR	Transformation and advances in EE, B-BBEE and Enterprise Development	• Annual statutory reports to DMR • Regular meetings and site visits with senior DMR official	Ensuring implementation of Social and Labour Plan (SLP) commitments
Organised labour (unions)	Maintaining good relations between union and employees	• Regular meeting to discuss all relevant issues, eg: salary increase negotiations	Ability to avoid protest that could affect production and overall sustainability of Alexkor.
Major contractors	Ensuring collaboration in maximising production and developing employees	Service-level agreements between major contractors and Alexkor	Sustainability of production
Department of Rural Development	Implementation of the Deed of Settlement (DoS)	Obtaining assistance from Department of Rural Development with regards to effectively implementing DoS	Effective implementation of DoS
Richtersveld Municipality	• Township handover • Community projects	• Providing guidance on priority community projects	Successful township handover as per DoS.
Diamond marketers	• Marketing and selling Alexkor diamonds	• Obtaining maximum value on the market for Alexkor diamonds	• Maximising profit on behalf of Alexkor
Rehabilitation Trust	Management of rehabilitation funds	Prudent investments and regular monitoring	Asset liability matching

SECTION 4

Governance and Compliance

HOW WE ARE GOVERNED

PURPOSE AND FUNCTIONS OF GOVERNANCE

Alexkor is a state-owned company (SOC). Its sole shareholder is the Government of South Africa, with the Minister of Public Enterprises exercising executive authority on behalf of the government.

Alexkor endorses good governance throughout the Company as it provides an enabling environment for the Company to fulfill its objectives as articulated in the Shareholder Statement of Intent. Alexkor ensures that it adheres to its mandate in its founding documents, the relevant provisions of the Companies Act 2008, the PFMA and any other applicable legislation, including regulations and guidelines issued by National Treasury and/or the shareholder representative.

GOVERNANCE STRUCTURES

The board is primarily responsible for driving the strategic direction of the Company whilst ensuring the optimal allocation of resources is underpinned with effective risk management and ongoing stakeholder communication and engagement.

The board is committed to best practice principles that include ethical fairness, accountability, transparency and responsibility.

The composition of the board underwent a significant change during the financial year under review with only two independent non-executive directors being re-appointed at the 2015 annual general meeting, being Ms Zukiswa Ntlangula and Dr Roger Paul. Ms Hantsi Matseke was appointed as the new chairperson. The other new independent directors are Mr Trevern Haasbroek, Mr Tshediso Matona, Mr John Danana, Mr Vimal Bansi and Ms Mamoroke Lehobye. Their brief biographies are contained on pages 12 to 14 of this integrated report.

The two executive directors of the board, being *ex officio* appointments, were the Chief Executive Officer, Mr Percival Khoza and the Acting Chief Financial Officer (Acting CFO), Ms Tsundzukani Mhlanga. On 8 January 2016 Ms Tsundzukani Mhlanga resigned as Acting Chief Financial Officer (Acting CFO) and Ms Adele Small was appointed Acting Chief Financial Officer in her place as an interim step until the recruitment process for a new CFO was finalised. Mr Percival Khoza elected to accept a voluntary severance package as part of a head office restructuring process to significantly reduce head office costs following the board's commitment to cost containment. Mr Vimal Bansi, an independent non-executive director, took up the challenge of Acting Chief Executive Officer on 1 March 2016. The current structure with the Acting Chief Executive Officer being primarily responsible for the head office functions, supported by the finance team and the Chief Operating Officer having a primary function of overseeing the PSJV operations, supports the ability of Alexkor to achieve its objectives.

Ms Adele Small, the Acting CFO, completed her interim appointment on 31 March 2016. At year-end, the Company had a unitary board complement of seven independent non-executive directors and three executive directors, being a total of ten directors. The outgoing CEO and the Acting CEO jointly managed the Company in March 2016 as part of the handover process. In line with King III recommendations, the position of Chairperson and Acting CEO are separate.

Subsequent to year-end, Ms Zodwa Mbele was appointed as Chief Financial Officer of the Company effective 1 April 2016.

Both the change in management and the down-sizing of the head office required a re-alignment of head office roles, responsibilities, structures and governance documentation to enable the management team to effectively and efficiently deliver on its mandate.

RESPONSIBILITY AND ACCOUNTABILITY OF THE BOARD

In addition to the basic tenets of board duty discussed above, the board is also responsible for managing the Company and ensuring its long-term economic, social and environmental sustainability. Adhering to legal requirements and ethical principles ensures that the board acts to a standard higher than merely legal compliance and focuses on being a good corporate citizen. This is evident through the skills and experience of the board members, which qualify them to effectively deliver on their social responsibility mandate. The board delegates responsibility to various committees whose members are specialists in their respective fields. This enables the committees to meet their objectives as defined in the Terms of Reference, as well as adhering to corporate governance codes and best practice. The board seeks to establish and maintain operational excellence across the entire organisation informed by global best practice and driven by a performance culture that is entrenched within the Company. The board is also mindful of its ongoing compliance obligations in relation to policy and regulation to support government in driving regional integration, economic transformation, beneficiation, industrialisation, aggressive job creation and the development of a supplier base that meets Broad-Based Black Economic Empowerment (B-BBEE) criteria. The board oversees the implementation of global best practices in regard to safety, skills development and procurement as a fundamental affirmation of the value of human life and resources. Skills development and developing intellectual capacity, both within the Company and externally,

Ms L Brown, MP
Honourable Minister

Mr B Magwanishe, MP
Honourable Deputy Minister

are highly valued to support the growth of the economy and the empowerment of communities. Alexkor is committed to improving its procurement process to enable a wide range of suppliers to respond to tender invitations, with an emphasis on awarding contracts to B-BBEE organisations that demonstrate the necessary competitiveness.

Alexkor's macro mandate requires it to pursue strategies that seek a more effective alignment between the Company and government policy, with particular focus on industrialisation, job creation and skills development.

The board ensures that it effectively monitors the implementation of board resolutions and Company decisions and transactions by receiving and interrogating quarterly reports detailing all significant operational risks, financial and non-financial activities.

Board meetings are held at least once a quarter with additional meetings being held to address special business needs. The board also holds one strategy meeting within a financial year.

The table on page 42 reflects directors' attendance at board meetings for the year under review.

The board ensures the implementation of its statutory, commercial and social objectives by approving and monitoring its strategic and operational objectives and assessing the Company's performance against the pre-determined objectives. The executive committee assists the board in fulfilling its objectives as prescribed by the Alexkor Limited Act, the PFMA, the Companies Act and King III. The Board Charter articulates the board's responsibilities, including the delineation of roles, functions, responsibilities and powers of the board, its committees and that of executive management.

During the year under review, the board attended to the following key matters:

- Reviewed and approved the quarterly reports
- Reviewed and approved the budget
- Reviewed and developed its long-term strategy for sustainability
- Monitored performance against targets agreed to in the Shareholder Compact
- Reviewed and approved the Corporate Plan
- Reviewed and approved various human resources and governance policies, in particular focusing on risk mitigation in various areas
- Reviewed and approved its mandate and that of its committees
- Reviewed and approved key contracts with various service providers
- Reviewed and approved the Delegation of Authority
- Reviewed and approved the annual financial statements and integrated report.

The board, through the Chairperson, reports to the Minister of the DPE regarding its performance and the execution of its mandate and on its performance against predetermined objectives in terms of the applicable legislative and policy framework. This includes but not limited to the PFMA, the Companies Act and codes of good practice such as the King Code and Report on Corporate Governance in South Africa 2009 and the Protocol on Corporate Governance of the Public Sector.

The Audit and Risk Committee and the Social, Ethics and Human Resources Committee are statutory committees in place in terms of the Companies Act. The other committees, being the Environmental Rehabilitation Committee and the Tender Committee support the board in the fulfillment of the Company's objectives.

The committees review their mandates annually and this also serves as an opportunity for the committees to assess whether they have fulfilled all their duties and obligations. The board committees report on their activities to the board meeting following a committee meeting focusing on key outputs, outcomes and challenges and the fulfillment of long-term key objectives.

BOARD INDUCTION AND SHARING OF INFORMATION

Following the significant change in the board composition in August 2015, the board underwent a comprehensive induction programme, a major portion of which was presented by representatives of the DPE.

In addition, all directors undertook site visits at Alexander Bay to familiarise themselves with the operations of the Company. Regular information sharing sessions are held between management and the DPE. The Company secretary and the internal auditors provide the board with ongoing relevant information relating to governance, legislative and industry developments to ensure that the board's knowledge is continually updated. The board has been informed of the Draft King IV Report and the sector supplements, specifically the one relating to public sector governance and will embrace the new requirements following its implementation, which is scheduled for 2017.

The Company's board induction programme included exposure to the Company's legal and compliance policy, which sets out all the relevant laws and policies relating to the Company as it relates to the principles of the King III Report. The Company applies the 'comply or explain' approach.

The induction programme also includes an understanding of the Company's mandate as set out in its Strategic Intent Statement, as well as an understanding of its Corporate Plan. Management has taken steps to ensure that the board of directors and each staff member has a working understanding of the effect of the laws, rules and standards applicable to the Company and its business, which is aligned to the Alexkor governance framework.

DIRECTORS' AND OFFICERS' LIABILITY

In terms of the directors' and officers' indemnity cover, Alexkor's directors and officers are covered for liability arising from a claim by the shareholder or a third party. This cover excludes the legal exclusions as contained in the Companies Act, such as fraud and reckless trading.

CODE OF BUSINESS CONDUCT AND MANAGING CONFLICTS OF INTEREST

The board is committed to operating within the highest standards of professional ethics by ensuring that all material and potential conflicts of interests between a director and the Company are declared and recorded at every board and committee meeting. Where necessary, a material or potential conflict is addressed according to the provisions of the Companies Act. These matters are also reported to the shareholder at the annual general meeting. For the period under review, directors declared that they had no interests regarding any of the agenda items at either board or committee meetings.

The Company continually strives to reinforce a culture of openness, honesty, responsibility and accountability to ensure the conduct of its directors, executive management and employees is beyond reproach.

The code of business conduct and conflict of interest policy remains in place and the performance of the Company's ethics is assessed, monitored and reported on by the Audit and Risk Committee on a quarterly basis.

BOARD EVALUATIONS AND EFFECTIVENESS

The independence of non-executive directors, the appraisals of the board, its committees and the Company secretary form part of the annual board evaluation process.

An independent external evaluation process was undertaken and the results were presented to the board. The following matters were highlighted for the board's attention:

Transfer of skills following the retirement of Dr Paul at the upcoming annual general meeting and whether having a Tender Committee at both Alexkor and the PSJV is optimal. These matters will be addressed by the board at its next scheduled meeting.

Training and development programmes are arranged for the directors from time to time. The Company secretary provides quarterly reports to the Audit and Risk Committee and the board, which includes updates on directors' duties and corporate governance trends and developments.

EXECUTIVE COMMITTEE

The board has delegated management accountability to the Company's Acting Chief Executive Officer (Acting CEO), Mr V Bansi through its Delegation of Authority Framework to successfully implement the Company's strategy, as approved by the shareholder. To this end, Mr V Bansi is assisted by an executive committee consisting of himself, Ms Z Mbele, the Chief Financial Officer (CFO) and Mr H Mokwena, the Chief Operations Officer. The General Manager Human Resources, Financial Manager and the Company Secretary attend these meetings by invitation. The executive committee also serves as a bid adjudication committee for tenders. This dual function contributes to the efficiency of the head office function. In addition, the executive committee meets monthly to address and monitor material issues that contribute to the smooth ongoing operations of the Company and its long-term sustainability.

BOARD COMMITTEES

The board has appointed the following committees in line with its statutory obligations and the MOI:

- Audit and Risk Committee
- Social, Ethics and Human Resources Committee
- Tender Committee
- Environmental Rehabilitation Committee

These committees are appropriate to enable Alexkor to effectively deliver on its mandate as articulated in the Corporate Plan and pre-determined objectives.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (ARC) is a statutory committee and is established in accordance with the guidelines in the King III Report, the provisions of the PFMA and the Companies Act. The ARC has adopted formal terms of reference, as approved by the board, which are reviewed annually.

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

A report by the ARC chairperson on the duties and activities of the ARC during the financial year under review is contained on pages 72 to 73.

The ARC is chaired by Ms M Lehobye with Mr T Haasbroek, Mr T Matona and Dr R Paul as the other members, all of whom are independent non-executive directors of the Company. All members of the ARC have the financial and risk management skills and expertise to fulfill their mandate. The Acting CEO, CFO and COO have a standing invitation to all ARC meetings. In addition, the internal and external auditors and representatives from the Auditor General's office attend all ARC meetings. The ARC holds annual separate meetings with the internal auditors, external auditors and management to ascertain whether there are any material issues that need to be addressed that have not been raised in the ARC meetings.

Members and attendance at the ARC meetings during the period under review appear in the table on page 44.

Members serve on the ARC for a period of one year, renewable for a maximum of three years. The members are re-appointed at the AGM of each year.

Alexkor regularly informs its shareholder, through quarterly reports and ad hoc communication with the Department of Public Enterprises (DPE) officials, and through the AGM, on the business of the Company, in line with its statutory and regulatory obligations.

The ARC is satisfied that it fulfilled its obligations detailed in its terms of reference for the year under review.

SOCIAL, ETHICS AND HUMAN RESOURCES COMMITTEE

The Social, Ethics and Human Resources Committee (SE&HR) was established in April 2012 in terms of the requirements of section 72(4), read with regulation 43, of the Companies Act, which prescribe the establishment of a mandatory social and ethics committee by various types of companies, including state-owned companies.

The SE&HR has adopted formal terms of reference as approved by the board, which are reviewed annually.

The SE&HR mandate includes monitoring the implementation of the Company's statutory obligations, human resources and remuneration activities and policies.

The table on page 44 depicts members and attendance at the SE&HR committee meetings during the year under review.

The SE&HR is required to report on the activities that it has undertaken during the financial year under review at every AGM. This report was provided to the Minister at the 2015 AGM and this practice will continue in the ensuing years.

Members serve on the SE&HR for a period of one year, renewable for a maximum of three years. The members are re-appointed at the AGM of each year.

Details of the activities of the SE&HR are contained in the SE&HR report on pages 64 to 66.

ENVIRONMENTAL REHABILITATION COMMITTEE

The Environmental Rehabilitation Committee (Rehab Committee) performs all the functions necessary to fulfill its role in respect of environmental rehabilitation responsibilities.

The Rehab Committee has terms of reference approved by the board, which clearly states its roles and responsibilities, which are reviewed annually.

The Rehab Committee oversees the amendment of the EMP and its submission to the DMR, and monitors the on-going historic rehabilitation of the mined areas at Alexander Bay, as required by national environmental legislation.

The Rehab Committee consists of Dr R Paul as the chairperson, with Mr T Matona and Ms Z Ntlangula as the other members, all of whom are independent non-executive directors of the Company. The Acting CEO, CFO and COO have standing invitations to all Rehab Committee meetings. The Rehab Committee members have extensive qualifications and experience to satisfactorily meet their obligations contained in the terms of reference.

The table on page 45 reflects the members and attendance at the Rehab Committee meetings for the year under review.

During the year under review, the Rehab Committee attended to the following key matters:

- Reviewed and approved the scope of work for rehabilitation
- Monitored the reduction in the financial liability for rehabilitation
- Reviewed the 5-year legacy rehabilitation implementation plan for the Alexander Bay area
- Reviewed and approved guidelines for the request for funds from the Rehabilitation Trust Fund
- Reviewed the scope for the tender for the removal and disposal of asbestos and demolition of derelict buildings

Members serve on the Rehab Committee for a period of one year renewable for a maximum of three years.

The members of the Rehab Committee are satisfied that they fulfilled their terms of reference for the year under review.

TENDER COMMITTEE

The Tender Committee assists the board with matters regarding the adjudication and awarding of Company tenders an approved threshold. Depending on the expertise, skills, knowledge and experience required to adjudicate on a specific tender, members of management are invited to attend Tender Committee meetings.

The Tender Committee has terms of reference approved by the board, which states its roles and responsibilities, and which is reviewed annually. The Tender Committee performs all the functions as are necessary to fulfill its role as it relates to supply chain management, procurement of goods and/or services, matters relating to the disposal of State assets and the implementation of the National Industrial Participation programme (where appropriate).

Mr Haasbroek is the chairperson of the Tender Committee, with Mr S Danana and Ms Lehobye as the other members, all of whom are independent non-executive directors of the Company. The Acting CEO, CFO and COO have standing invitations to all Tender Committee meetings. All members of the Tender Committee have the necessary experience and expertise to satisfactorily fulfill their terms of reference.

The table on page 46 reflects the members and attendance at Tender Committee meetings for the year under review.

Members serve on the Tender Committee for a period of one year, renewable for a maximum of three years.

During the year under review, the Tender Committee attended to the following key matters:

- Reviewed the scope of work for the rehabilitation plan
- Reviewed the key elements of the tender documentation for the demolition of derelict buildings, and abatement of asbestos

For the year under review, the Tender Committee is comfortable that it met its obligations articulated in its terms of reference.

THE PSJV

The board also fulfills an oversight role in relation to the PSJV board, which operates as a division of Alexkor for reporting purposes. Governance processes have been implemented to enable regular reporting and sharing of information between the board of Alexkor and the PSJV board. The governance framework of Alexkor has been implemented at the PSJV board.

In terms of the Deed of Settlement (DoS) concluded with the community of Richtersveld, the Alexkor board is required to have three board members serve on the PSJV board.

The DoS has changed the business focus of Alexkor as a diamond mining company. As the implementation of the DoS moves to a conclusion, Alexkor will move in a different direction to remain relevant, support the State's development objectives and ensure its long-term sustainability.

COMPANY SECRETARY

The Company Secretary, Ms Z Kellerman resigned on 30 November 2015 and Ms J Matisonn was appointed as Acting Company Secretary on 1 December 2015. On 1 March 2016, Ms Matisonn was appointed Company Secretary of Alexkor. The Company Secretary is fully empowered by the board to perform this function and reports directly to the independent non-executive chairperson. Amongst other duties, the Company Secretary ensures that the Company adheres to all legislative, regulatory and shareholder requirements by advising the board on all legislation and governance issues affecting the Company.

In addition, the Company Secretary ensures that the content of the various agendas are relevant to the decision making of the board. The Company Secretary ensures that board meeting proceedings and resolutions are properly recorded, communicated and implemented. The Company Secretary also provides new directors with an induction and access to specific training programmes to assist the directors to execute their duties with due care, skill and diligence.

The board is satisfied that the Company Secretary is qualified to perform her duties in accordance with the applicable legislation and is considered by the board to be a fit and proper person for the position. She does not fulfill an executive management function and is not a director. Accordingly, the board is satisfied that she maintains an arm's length relationship with the executive team, the board and the individual directors.

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

DIRECTORS' REMUNERATION

The remuneration of the executive and non-executive directors of the Company remains guided by the State-owned Companies Remuneration Guidelines, 2007 and takes place on a fair and responsible basis.

The SE&HR considers the remuneration of the non-executive directors and makes recommendations through the board to the shareholder at the Company's annual general meeting (AGM). The shareholder then decides on the retainer increases of the non-executive directors and the remuneration packages for the executive directors.

The SE&HR evaluates the performance of the CEO and provides feedback to the board.

Details of the remuneration structure of the independent non-executive directors and of the executive directors appear on page 122.

ALTERNATIVE DISPUTE RESOLUTION

Disputes involving companies are an inevitable part of doing business and provide an opportunity not only to resolve the dispute at hand, but also to address and solve business problems and to avoid recurrences.

Executives of the Company carry out their duties of care, skill and diligence to the Company to ensure disputes are resolved effectively, expeditiously and efficiently.

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

INTERNAL AUDIT

The internal audit function is risk based in line with the recommendations of King III. This function has been outsourced to ORCA. There is an Internal Audit Charter in place which regulates the interaction between Alexkor management, the internal auditors and the board. The Internal Audit Charter is tabled regularly at the ARC to review and approve. Further details of the internal audit are included in the ARC report on pages 72 to 73.

The internal auditors attend all ARC meetings.

The ARC is satisfied that the internal auditors satisfactorily performed their duties during the year under review.

ALEXKOR MEETINGS

SCHEDULE OF ATTENDANCE AT BOARD MEETINGS

Member	24 April 2015	26 May 2015	8 June 2015	20 July 2015	29 July 2015	28 August 2015
Ms. H B Matseke (Chairperson)[2]					P	P
Mr R Bagus[1]	P	P	P	VT	A	
Mr V K Bansi[2,3]						P
Mr M Bhabha[1]	A	P	P	P	P	
Mr J S Danana[2]						P
Mr Grobbelaar[1]	P	P	P	A	P	
Mr T M Haasbroek[2]						P
Mr P Khoza[4]	P	VT	A	P	P	P
Ms M Lehobye[2]						A
Mr T J Matona[2]	A	A	A	P		P
Ms T Mhlanga (Acting CFO)[5]	P	P	P	P	P	A
Dr D Mkhwanazi[1]	P	VT	A	P	P	
Dr N Mohutsioa-Mathabathe [1]	P	VT	P	P	P	
Ms Z Ntlangula		VT	P	A	VT	P
Dr R Paul	P	P	P	P	P	P
Ms A Small (Acting CFO)[6]						
Ms S Zilwa[1]	P	VT	P	VT	VT	

[1] Retired August 2015

[2] Appointed 28 August 2015

[3] Appointed Acting CEO 1 March 2016

[4] Resigned 31 March 2016

[5] Resigned 8 January 2016

[6] Appointed Acting CFO 11 January 2016 and resigned 31 March 2016

	16 September 2015	27 October 2015	13 November 2015	29 January 2016	2 February 2016	24 February 2016	16 March 2016
	P	VT	P	P	P	P	P
	P	VT	A	P	P	P	P
	P	VT	P	P	P	P	P
	P	VT	P	P	P	P	P
	P	VT	P	P	P	P	P
	P	VT	P	P	A	P	P
	P	A	A				
	P	P	P				
	P	A	P	A	A	Ab	A
	P	A	P	P	P	P	P
				P	P	P	P

P = Present **A** = Apology **Ab** = Absent **VT** = via teleconference

SCHEDULE OF ATTENDANCE AT AUDIT & RISK COMMITTEE MEETINGS

Member	24 April 2015	22 May 2015	29 May 2015 VT	31 May 2015 VT
Ms M Lehobye (Chairperson)[2]				
T M Haasbroek[3]				
Mr T J Matona[3]				
Dr Mkhwanazi[1]	A	A	A	A
Ms Z Ntlangula[3]	A	A	A	A
Dr R Paul	VT	P	VP	P
Ms S Zilwa (Chairperson)[1]	A	P	VP	P
Mr P Khoza (CEO)	VT	A	VP	P
Ms T Mhlanga (Acting CFO)[4]	VT	P	VP	P
Ms A Small (Acting CFO)[4]				

[1] Retired 28 August 2015 [2] Appointed member and Chairperson 28 August 2015

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

Member	21 May 2015 VT	01 June 2015	20 July 2015	20 October 2015	02 December 2015	04 February 2016
Mr T J Matona (Chairperson)[3]				VT	P	P
Mr R Bagus[2]	P	P	P			
Mr J S Danana[3]				VT	P	P
Mr B Grobbelaar (Chairperson)[2]	P	A	VT			
M M B Matseke[3]				VT	P	P
Dr N Mohutsioa-Mathabathe[2]	A	A	P			
Ms Z Ntlangula	A	P	P	A	P	Ab
Dr R Paul	A	P				
Mr P Khoza[1]	A	A	P	P	A	P

[1] Ex officio member [2] Retired 28 August 2015 [3] Appointed 28 August 2015

	28 July 2015	23 October 0215	05 November 2015	25 February 2016	17 February 2016
		A	P	P	P
		P	VT	P	P
		A	A	A	A
	P				
	P	A	P	Ab	Ab
	P	P	VT	P	P
	P				
	P	P	VT	P	P
	P	P	P		
				P	P

[3]Appointed member 28 August 2015 [4] By invitation

SCHEDULE OF ATTENDANCE AT ENVIRONMENTAL REHABILITATION COMMITTEE MEETINGS

Member	22 May 2015	20 July 2015	20 October 2015	10 November 2015	04 February 2016
Dr R Paul (Chairperson)	P	P	VT	P	P
Mr V K Bansi[2]			VT	P	P
Mr M Bhabha[1]	P	P	P		
Mr B Grobbelaar[1]	P	P	A		
Dr D Mkhwanazi[1]	A	A	A	P	
Ms Z Ntlangula[2]					A
Mr P Khoza (CEO)[3]	A	P	P	P	P
Ms T Mhlanga (Acting CFO)[3]	P	P	P	P	
Ms A Small[3]					A

[1] Retired 28 August 2015 [2] Appointed 28 August 2015 [3] By invitation

SCHEDULE OF ATTENDANCE AT TENDER COMMITTEE MEETINGS

Member	20 July 2015	20 October 2015	04 February 2016
Dr N Mohutsioa-Mathabathe (Chairperson)[1]	P		
Mr V K Bansi[2]		VT	P
Mr M Bhabha[1]	P		
Mr J S Danana[2]		VT	P
Mr T M Haasbroek[2]		VT	P
Dr R Paul[3]	P	VT	
Mr P Khoza (CEO)[3]	P	P	P
Ms Mhlanga (Acting CFO)[3]	P	P	

[1] Retired 28 August 2015 [2] Appointed 28 August 2015 [3] By invitation

ALEXKOR RMC JV MEETINGS

SCHEDULE OF ATTENDANCE AT BOARD MEETINGS

Member	23 April 2015	27July 2015	23 October 2015	22 January 2016	13 February 2016
Mr MR Bagus	VT	P	VT		
Dr R Paul	VT	VT	VT	VT	VT
Ms Z Ntlangula	VT	A	VT		
Dr J Bristow	VT	A	VT		
Mr D Korabie		P	A		
Mr W Vries	P	P	P	P	VT
Mr M J Carstens	P	P	P	P	VT
Ms R Phillips	P		P	P	P
Ms H Maseke				VT	VT
Mr P Khoza	VT	A	A	VT	A
Mr F Strauss	P		P	VP	VT
Mr V K Bansi				VT	VT
Mr D Farmer					VT

SCHEDULE OF ATTENDANCE AT TENDER COMMITTEE MEETINGS

Member	22 April 2015	16July 2015	04 November 2015	02 January 2016
Dr R Paul	VT	P	P	VT
Mr W Vries	P	P		
Ms Z Nlangula	A	VT	VT	A
Mr M J Carstens	P	P	P	P
Ms R Phillips	P	P	P	P
Mr F Strauss	P	P	P	P
Mr P Khoza		VT		

SCHEDULE OF ATTENDANCE AT TECHNICAL COMMITTEE MEETINGS

Member	20 April 2015	16July 2015	20 January 2016
Dr J Bristow	VT	P	
Dr R Paul	VT	P	P
Mr M J Carstens	P	P	P
Ms R Phillips	P	P	P
Mr D Bowers	P	P	P
Mr J van Dyk	P	P	A
Mr G Cloete	P	P	P
Mr F Strauss	P	P	A
Mr P Khoza			VT
Mr W Vries			VT
Mr V K Bansi			VT

SCHEDULE OF ATTENDANCE AT REMUNERATION COMMITTEE MEETING

Member	20 April 2015
Dr J Bristow	VT
Mr Z Ntlangula	VT
Mr M J Carstens	P

Member	20 April 2015
Ms R Phillips	P
Mr F Strauss	P

SCHEDULE OF ATTENDANCE AT TENDER COMMITTEE MEETINGS

No meetings were held for the year under review.

INTEGRATED RISK MANAGEMENT

Enterprise-wide risk management is embedded in the strategy process, the execution of significant transactions, as well as the mining operations. The risk management process includes the gathering and analysis of global and local trends in order to anticipate, respond to, and align emerging risks and opportunities to inform strategic and operational decisions. A risk assessment is performed by the executive management team, wherein a risk register is developed, along with the necessary mitigating factors.

The board has taken cognisance of the necessity to ensure that the IT strategy of the Company is integrated with the Company's strategic and business processes. A full IT risk assessment has been done previously and issues are addressed as per the Company requirements and organisational structure. Financial risk is managed through the Company financial policies, directives and procedures approved by the board.

The governance of risk takes place through formal processes within each of the committees as well as at the board level. The legal and financial teams of the Company manage the Company's risk management profile.

Through the board may have delegated to the Audit and Risk Committee who in turn recommends to the board to deal with risks related matters, the board is ultimately responsible for risk governance, therefore it has put in place an effective system of internal control to detect and prevent losses. The delegation of authority is in place to ensure effective decision-making and transparency within the organisation.

The Company has identified, in the table below, the top risks that have direct impact in delivering the strategic objectives:

Specific Risk	Impact	Risk Mitigation Measures	Critical Success Factors
Insufficient operational cash	Sustainability of Alexkor	• Cash flow strategies to address both the short, medium and long-term requirements • Strict monitoring and control of all expenditure	Minimum 12 months operational cash flow
Compliance with the Deed of Settlement (DoS) is outside the control of Alexkor and lies with third parties	Reputational damage on Alexkor and Government	• Engagement with various third parties to ensure compliance with the DoS	A final pay-out to the community
Inadequate funds to maintain community services and houses as part DoS	Sustainability of Alexkor	• Additional revenue streams	Well kept infrastructure and habitable structures
Factions within the community affecting the RMC and CPA governance structure	Sustainability of Alexkor through cash distribution	• Continuous engagement with the community • Appointment of a community liaison officer to communicate all potential issues	Stability within the RMC governance structure
Misalignment between Alexkor SOC and PSJV operations	Possible inefficiencies	• Alexkor board representative at the PSJV • Effective implementation & monitoring of PSJV turnaround strategy	Aligned strategy with common purpose

Specific Risk	Impact	Risk Mitigation Measures	Critical Success Factors
Inability to convert diamond resources from Inferred to Indicated level of confidence	Sustainability of Alexkor	• Long and short-term mining plan formulated to focus on economical mineable grade	Utilise Muisvlak plant for both exploration and production
Reneging on contract by contract mining companies	Sustainability of Alexkor	• Regular engagements with contractors to monitor status and progress • Enter into water-tight contracts with contractors	Effective contract management strategies (marine contracts) in place through PSJV
Non-compliance with Mine Health and Safety Act	Possible mine closure	• Regular DMR audits • Regular internal audits	Accident/Incident free mining
Escalating costs of the legacy rehabilitation for the land based mining	Adverse financial impact	• Cash optimisation strategies that match the liability for the legacy rehabilitation • Commencement of the rehabilitation implementation programme	Available cash matches the rehabilitation obligation

SOCIAL, ETHICS AND HUMAN RESOURCES REPORT, 2015/2016

The SE&HR is tasked with ensuring that Alexkor fulfills its social and ethical responsibilities, in how the Company is managed and in its operations, as required by law, in particular by the Companies Act.

The SE&HR is tasked with ensuring that Alexkor fulfills its social and ethical responsibilities, in how the Company is managed and in its operations, as required by law, in particular by the Companies Act.

The year under review was challenging for Alexkor, in terms of both the external operating environment and internal developments within the Company. Variable diamond production and uncertain revenue perpetuates the risk of Alexkor's dependence on a single commodity, and makes it hard for the Company to attain ongoing financial sustainability. This issue is the board's biggest single challenge, and one which affects Alexkor internally, and in particular the Company's plans.

In light of this, Alexkor's management has developed a business case for the Company to enter the coal sector, which the board has recommended to the shareholder, represented by the Minister of Public Enterprises. This will be a complex strategic shift for Alexkor, if approved by the shareholder, and will take time to come about.

In the meantime, the Company has had to undertake a cost-cutting initiative, of which the new SE&HR has been a key part of. More specifically, the SE&HR oversaw the process of voluntary severance packages (VSPs) targeting top echelons of management. In this regard, the SE&HR was guided by considerations of duplication of skills, and the need not to jeopardise ongoing activities, and to target areas where the VSPs could yield the biggest savings. This process will continue beyond the period under review, to ensure the right balance between the VSPs and other imperatives for the business.

During the period under review, the SE&HR also undertook a recruitment process for a permanent Chief Financial Officer, after the resignation of Ms T Mhlanga who previously acted in the position since August 2014. The SE&HR is pleased to welcome to Alexkor Ms Zodwa Mbele as the new CFO, and wishes her well in her responsibilities, at a challenging time for the Company.

The SE&HR is responsible for ensuring that Alexkor has comprehensive and complete policies in respect of all matters within the domain of its mandate, and to review and update them periodically or as warranted. In the period under review, the SE&HR reviewed, and where necessary amended, policies pertaining to Company's assistance for staff housing, the disciplinary code, the duration and remuneration for an employee to act in a position, and the terms of reference of the SE&HR.

In regard to Alexkor's statutory duties detailed in Regulation 43 (5) of the Companies Act, the SE&HR has embarked on a process to obtain the necessary information, primarily from the PSJV, to oversee these specific activities and provide meaningful feedback to the PSJV.

In the period ahead, the challenging strategic and operational environment of Alexkor will continue to preoccupy the SE&HR. In this context, the SE&HR will ensure that while Alexkor becomes a leaner organisation, it retains its core capabilities as a diamond mining company and is adaptable and agile in the face of challenges and opportunities.

SE & HR COMMITTEE

Mr T Matona
Chairperson

Independent Non-Executive Directors

Ms H Matseke

Ms Z Ntlangula

Mr S Danana

Ethics or simple honesty are the building blocks upon which our whole society is based, and business is a part of our society, and it's integral to the practice of being able to conduct business, that you have a set of honest standards.

Kerry Stokes

SECTION 5

Environment and Sustainability

HUMAN RESOURCES REPORT

Ms B Makwetla

1. INTRODUCTION

Following the decision by the board to implement necessary cost-cutting measures across the business, the focus for financial year 2015/16 was to minimise personnel costs without compromising Alexkor's vision to be a competitive, progressive and forward looking organisation with a conscience. For the year under review we have focused on training and developing our employees to ensure they are adequately skilled.

For the period under review, HR focused on the following:

- Training and development;
- Performance management;
- Employment equity; and
- Implementing the social and labour plan.

During the current financial year, HR will continue to implement human resources systems that will maximise the potential of employees and the Company.

2. STAFF COMPLEMENT

As of 31 March 2016 the staff complement was:

Permanent employees at the mine	38
Temporary employees at the mine	24
Permanent employees head office	6
External contractors & other	12
TOTAL	**80**

Over the period of 2015/16, there were no permanent positions filled. Mr Vimal Bansi was appointed as the Acting CEO of the organisation effective 1 March 2016. Mr Bansi replaces Mr Percival Khoza who left the organisation after three years of service. Ms Zodwa Mbele joined the organisation effective 1 April 2016 as Chief Financial Officer.

3. REMUNERATION

Salaries are paid based on the total package concept and the remuneration policy developed by the Company. To maximise our ability to attract the best talent, salaries are benchmarked against industry and market salary trends.

Directors' emoluments and executive remuneration for the period under review amounted to R 11.7 million. Payments for contractors and consultants for the period under review amounted to R 8 million.

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

Our four mining engineering students who were granted bursaries In February 2015 successfully completed their academic requirements for 2015 and will continue with their studies in 2016. The four students who were added onto our bursary programme effective 31 March 2015 are as follows:

3.1. Skills Development Bursaries

An amount of R 600 000 was spent on bursaries and training as at 31 March 2016.

4. EMPLOYMENT EQUITY (EE)

Alexkor views employment equity (EE) as a fundamental strategic business imperative. For our organisation to be truly competitive, we continue to strive to create an environment that enables the development of previously disadvantaged individuals. We will continue developing and training talented and qualified black females, who will form part of our succession plan for the organisation.

The following structures exist to augment EE in the workplace:

- Our EE policy has been approved by the board and will help ensure that Alexkor creates an enabling environment for sustainable transformation.
- Through the SE&HR committee we ensure that we create a workplace that is free from any form of discrimination.
- Other policies that are important to ensure the sustainability of EE progress such as the recruitment and selection policy have been revised and approved.

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

Employee Equity

Occupational Level	Number of Incumbents	Male				Female			% of Designated Group
		AM	CM	WM	AF	IF	CF	WF	
Top management	2	2	0	0	0	0	0	0	100%
Senior management	3	1	0	0	2	0	0	0	100%
Professionally qualified	1	1	0	0	0	0	0	0	100%
Skilled	6	0	1	3	2	0	0	0	71%
Semi-skilled	18	1	16	0	1	0	0	0	100%
Unskilled	14	0	12	2	0	0	0	0	98%
TOTAL	**44**	**5**	**29**	**5**	**5**	**0**	**0**	**0**	**98%**

5. CORPORATE SOCIAL RESPONSIBILITY AND SOCIAL AND LABOUR PLAN

In line with our mission 'to operate a growing, profitable and sustainable mining organisation that contributes to the developmental needs of the communities in which we operate,' all our corporate social responsibility and social and labour plans for both our marine and land mining rights have been positioned to benefit the four towns of Eksteenfontein, Lekkersing, Koeboes and Sandrift, which are nearest to our Alexander Bay mining operations.

PSJV HR & SOCIAL DEVELOPMENT REVIEW

OVERVIEW

Alexkor RMC JV's HR annual forecast is earmarked to support the newly approved exploration project. It focuses on the sustainability of ongoing operations to improve productivity and operational efficiency. The primary aim is to develop and mobilise existing skills in support of operational requirements. Strategic imperatives were focused on the following:

- Transformation
- Talent acquisition and retention
- Talent mobility (portable skills)
- Corporate social investments
- Performance management
- Legal compliance training

OBJECTIVES

- To create a competent and capable workforce through effective people development. This is achieved through enhancing employees' existing skills by providing a solid framework of the methodology behind the process but with ample opportunity to practice and demonstrate new skills through reality based exercises in line with DMR requirements and mining qualification frameworks;
- To ensure sustainable development within the mining sphere and a diverse workforce;
- To ensure efficiency assessment of talent to provide future mobility; and
- To create a high performance culture through the application of the accepted performance management system and effective leadership philosophy.

STAFF COMPLEMENT

As at 31 March 2016 the staff complement was:

Permanent employees	290
Temporary & casual employees	44
External contractors & other	685
TOTAL	**1 019**

We were successful in our attempts to recruit and promote highly qualified and experienced individuals to fill high profile positions. They include: the mining manager, geologists, metallurgist, environmental officer, engineering artisans, contracts coordinator (marine) and several administrative supporting functions in support of the corporate strategy for 2016/2017.

REMUNERATION

Salaries are benchmarked against industry and market trends and are paid based on the total package concept. The remuneration policy developed by the Company is based on a remuneration philosophy that offers equal rates of pay for male and female employees of equal qualifications and experience.

During the period under review personnel expenses amounted to **R 80 261 221**.

Payments to the marine, land based and other contractors for the review period amounted to **R 158 299 317**.

INDUSTRIAL RELATIONS

For the year under review management and the representative union (NUM) engaged on a regular basis in an endeavour to ensure a sound working relationship between the parties.

The 2015/16 wage negotiations were concluded and the parties signed off a two year wage agreement.

There was no industrial action during the review period. Union membership is indicated in the table below:

NUM	74%
UASA	3%
Non-affiliates	23%

For the period under review 70 disciplinary cases were conducted and are detailed in the table below:

NO	OUTCOME
3	Verbal warning
25	Written warnings
35	**Final written warnings**
7	**Dismissals**

HUMAN RESOURCES DEVELOPMENT & TALENT MOBILITY

WORKPLACE SKILLS PLAN AND TRAINING REPORT

We have submitted all statutory reports pertaining to work skills and training reports. For the year under review we have continued to use our policies and procedures to ensure that we are able to achieve significant improvement in our ability to train and develop employees.

Training methodology

The following training interventions and workshops were successfully rolled out:

HEALTH AND SAFETY DEPARTMENT:

	Training Interventions	Number of Candidates	Gender	Gender	Status
			MALE	FEMALE	
1	Occupational health nursing	1	1	0	Complete
2	BAA refresh course	1	1	0	Complete
3	S.A.Q.C.C.	1		1	Complete
4	Oceans training management	1	1	0	Complete
5	Spirometry	1		1	Complete
6	Fast rescue	1	1	0	Complete
	TOTAL TRAINED	**6**	**4**	**2**	

ENGINEERING DEPARTMENT:

	Training Interventions	Number of Candidates
1	Diesel mechanic	2
2	Maintenance planning	4
3	Electrical	1
4	Production /operations	4
5	Welder	1
6	Flow sort course	7
7	RPL – Different trades	13
	TOTAL TRAINED	**32**

MINERAL & RESOURCES:

	Training Interventions	Number of Candidates
1	Geologist honours	1
2	Diamond evaluator	1
3	Education & training - marine	1
	TOTAL TRAINED	**3**

EXECUTIVE DEPARTMENT:

	Training Interventions	Number of Candidates
1	Executive development	2
	TOTAL TRAINED	**2**

MANAGEMENT DEPARTMENT:

	Training Interventions	Number of Candidates
1	Management development programme	1
	TOTAL TRAINED	**1**

FINANCE DEPARTMENT:

	Training Interventions	Number of Candidates
1	Forensic detective	1
2	DMR workshop	1
	TOTAL TRAINED	**2**

CONTRACTOR TRAINING INTERVENTIONS:

Type of Course	Alexkor	Contractors	Total
First aid [1]	17	25	42
Telehandler	4	0	4
First aid level 3			
Diving supervisor	0	26	26
Safety representative	5	49	54
TOTAL TRAINED	**26**	**100**	**126**

HR DEPARTMENT:

	Training Interventions	Number of Candidates	Gender	Gender	Status
			MALE	FEMALE	
1	Wellness programme	1	0	1	Completed
2	DMR workshop	4	1	3	Completed
	TOTAL TRAINED	**5**	**1**	**4**	

TMM (TRACKLESS MOBILE MACHINES) TRAINING INTERVENTIONS:

Type of Machine	Alexkor	Contractors	Total
LDV	118	256	374
Front-end loader	27	20	47
Excavator	7	24	31
Dump truck	41	13	54
Dozer	12	5	17
Telehandler	4	0	4
Tractor	14	69	83
TMM COP related SOP's	38	41	79
TMM COP off-highway	0	15	15
TMM COP on-highway	16	13	29
Code 10-14	4	8	12
	7	10	17
TOTAL TRAINED	**288**	**474**	**762**

FINANCIAL INDICATORS

SKILLS DEVELOPMENT

- Total projected skills development budget for the year 01 January to December 2016 is **R 610 622**
- The actual skills development spend for the period under review amounted to **R 1 033 515**

TRANSFORMATION & EMPLOYMENT EQUITY (EE)

Alexkor RMC JV views transformation and gender equivalences as a strategic priority and monitors progress closely in this regard. Most barriers which impeded on the enhancement of EE numerical and other goals have been eliminated.

Alexkor RMC JV is representative of designated groups in all levels as the table below depicts:

EMPLOYMENT EQUITY RMC JV - MARCH 2016

Occupational Level	Number of Incumbents	Male			Female			% of Designated Group
		AM	CM	WM	AF	CF	WF	
Senior management	9	1	4	2	0	2	0	78%
Professionally qualified	18	0	10	0	0	8	0	100%
Skilled	67	0	47	5	1	11	3	93%
Semi-skilled	159	4	111	4	1	39	0	98%
Unskilled	37	4	10	0	1	22	0	100%
TOTAL	**290**	**9**	**182**	**11**	**3**	**82**	**3**	**96%**

The following structures exist to augment EE in the workplace:

- The EE committee functions at all occupational levels and ethnic groups within the Company. Meetings are well attended and supported.
- A committee has been established to investigate and act on any workplace discrimination; and
- Management investigates any obstructive behavior within its ranks.

EE plans and reports for 2014/2015 were submitted to the Department of Labour, and feedback indicates room for improvement in terms of the number of females in senior and management positions.

We focus on the training of artisan factotums with more than five years' experience (RPL) in a specific occupation to obtain their artisan qualification.

CORPORATE SOCIAL INVESTMENTS

CSI initiatives contribute to the social upliftment and development of local communities in the Richtersveld.

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

Alexkor RMC JV together with Barloworld embarked on a programme to develop commercial diving skills locally and four individuals from the Richtersveld successfully completed their Class III diving course at the SeaDog Diving School in Saldanha Bay on 12 March 2016. Barloworld, as part of their social responsibility, sponsored an amount of **R 277 020** towards this programme.

For the review period, the Company contributed **R 2 523 437** towards social investment interventions. These included transportation, donations to charities, funeral assistance, assistance to sports clubs, partnerships with schools and community organisations, cancer awareness and wellness days.

As a further initiative to enhance the education transformation process in the Richtersveld area, the Alexkor RMC JV partnered with seven local and three nursery schools by sponsoring salaries of teachers with the emphasis on mathematics and science to an amount of **R 934 202**. We remain committed to the general upliftment of not only our employees, but also the communities within which we operate.

As part of our social responsibility initiatives the Company also provided meals to employees and contractors residing in the single quarters to an amount of **R 4 766 784** for the year under review.

SOCIAL AND LABOUR PLAN (SLP)

Alexkor RMC JV's initiatives contribute directly to progressing SLP commitments, which are aligned to Municipal Integrated Development Plans (IDPs). These plans were developed through consultative processes with the Richtersveld Municipality, as well as through interaction with the stakeholders to ensure that the identified projects are sustainable in line with their needs. An amount of **R 2 067 425** was spent on these projects for the period under review.

The following projects were completed:

- Community hall in Eksteenfontein;
- Three ablution facilities for disabled persons in Eksteenfontein;
- Sports facility at Kuboes;
- Upgrading of "VGK Blou Saal" for storage of project equipment;
- Ten ablution facilities in Sanddrift included are two for disabled persons;
- Community hall in Lekkersing;
- Repair of clinic roof in Lekkersing;
- Upgrading of gym facilities in Lekkersing
- Upgrading of one house for a disabled person;
- Upgrading of ablution and kitchen facilities at the primary school in Lekkersing.

Alexkor RMC JV recognises that a workforce with the right skills, experience and training is one of the country's most basic needs and therefore the Company invested a great deal of resources developing the skills of our employees.

Seven adult education (AET) training facilitators were appointed in 2015 and an additional three were appointed in 2016 to enhance the skills of the employees and surrounding community members in order to afford them the opportunity to become functionally literate and marketable.

AET learning area	Age			No of learners
	20-29	30-39	10-49	
Maths literacy	1	2	1	4
Business studies	1	2	2	5
Total				**9**

The table below depicts various amounts spent per town and programmes for the period under review:

Location/programme	Total spent R
Sanddrift	309 811
Kuboes	490 600
Eksteenfontein	276 300
Port Nolloth	6 360
Lekkersing	505 550
Alexander Bay (AET)	189 305
Diving programme (Richtersveld)	96 264
Maths & Science Programme	15 495
TOTAL	**2 067 425**

COMPLETED SLP PROJECTS : 1 APRIL 2015 TO 31 MARCH 2016

Project	Comments	Location	TOTAL SPENT 2015-2016
Upgrading of RDP houses	17 houses completed in May 2015.	Kuboes	R 390 598.85
Upgrading of sport facility	Completed end of September 2015		
Upgrading "VGK Blou Saal"	Storage of project material -Nov 2015		
Upgrading of community hall	Completed 28 August 2015		
Ablution facilities for the disabled	Completed November 2015	Lekkersing	R 215 212.08
Repair of clinic roof	Completed 21 September 2015		
Upgrading of community hall	Completed end of May 2015	Eksteenfontein	R 286 284.85
Repairing of water supply system at sport facility	Completed end of May 2015,		
Upgrading of 3 houses of disabled community members	Completed November 2015		
Upgrading of community hall	Completed on 6 March 2015	Sanddrift	R 209 810.87
Building of ablution facilities	5 houses completed 22 July 2015		
Upgrading of ablutions for community members	5 houses completed January 2016	Port Nolloth	R 65 763.75
LED upgrade of municipal holiday resort	Material transferred from Lekkersing project to caravan park		
			R 715 714.06
ABET	ABET Program Stationery etc.	Alexander Bay	R 89 305.44
Class III divers programme	Completed on March 2016	Richtersveld	R 96 263.56
Amount spent: 1 April 2015 - 30 March 2016			**R 2 067 426.00**

Opportunities don't happen. You create them.

Chris Grosser

HEALTH, SAFETY AND ENVIRONMENT REPORT

Mr H Mokwena

HEALTH AND SAFETY STATEMENT

Safety management is an integral part of Alexkor's responsibility and this includes occupational health, training and competence, emergency preparedness, contractor controls, incident investigation, operational controls and procedures and safety risk management. Constant enhancement of safety standards is key in preventing injuries to employees.

The Company has ensured that safety representatives are elected and trained. These representatives assist the Company in encouraging safe behaviours and improving the well being of all employees. A full-time, union-appointed health and safety representative is in place, while workforce health and safety representatives have been appointed per work area.

Regular inspections are also performed to assess safety behaviours and to test the effective implementation of safety controls. Key elements such as risk assessments, planned inspections, task observations and communications form part of the day-to-day safety management. These plans ensure that a safe culture is promoted within the Company, as Alexkor endorses compliance with health and safety policies and procedures, resulting in a safe, healthy and productive working environment.

HEALTH AND SAFETY PERFORMANCE

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

On 27 September 2015 Alexkor celebrated eight years without a fatality Unfortunately on the 22 October 2015 a contractor employee was fatally injured whilst driving a light vehicle when he lost control and overturned the vehicle.

The Department of Mineral Resources conducted an investigation and the mine was instructed to fit roll-over protection in all mine vehicles and also to implement a vehicle key control system for all mine personnel, including contractors. This was implemented with immediate effect.

Injury / Occ Illness	Actual Apr 2015 / Mar 2016	Actual Apr 2014 / Mar 2015	Variance	% Variance
Minor Injury	5	12	-7	-58%
Disabling Injury	1	2	-1	-50%
Reportable Injury	1	2	-1	-50%
Fatalities	1	0	1	100%
Lost Time Injury	2	4	-2	-50%
Lung disease (PTB)	2	5	-3	-60%
Noise induced hearing loss (NIHL)	3	1	2	200%

There was a decrease in the amount of minor, disabling and lost time injuries in this financial year. However these were overshadowed by the single fatality that occurred after eight years. There was also a concern regarding the noise-induced hearing losses (NIHL). However the Company is working hard at addressing these cases by ensuring that employees wear their protective equipment, through regular audits and continuous training.

The Company maintains that it will endeavour to maintain a safe working environment for all its employees.

ENVIRONMENTAL POLICY STATEMENT

Alexkor's mining area situated on the north-west coast of South Africa in Namaqualand, recognises the importance of environmental protection and is committed to operating its business responsibly and in compliance with all legal requirements relating to the diamond mining industry. Alexkor sets itself above all others in building lasting relationships and consistently exceeding the expectations of guests, employees and relevant stakeholders.

Alexkor takes responsibility in environmental issues ensuring that they are documented, implemented, maintained and communicated. It has policies that are consistent with the relevant legislation, regulations and other requirements to which it subscribes.

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

- Establish an environmental engagement system and conduct regular environmental audits with the objective of striving for continual improvement and prevention of pollution.
- Record our environmental risks on a regular basis and review our performance with our policies, objectives and targets.
- Ensure awareness of environmental issues among employees, customers, contractors, suppliers and other stakeholders.
- Respect fundamental human rights for a safe and healthy environment in which to work and live, and the right to self-esteem, personal growth and respect.
- Involve ourselves with sustainable community projects that contribute to social upliftment.

REHABILITATION

The Alexkor Alexander Bay Rehabilitation Project (AAR-P) was undertaken and as reported in the previous financial year, it resulted in a rehabilitation quantum of R232 million and a rehabilitation implementation plan. This quantum is mainly for the legacy rehabilitation, which is the responsibility of the State, as per the Deed of Settlement (DoS). This quantum was subsequently revalued and calculated to be R244 million as at 31 March 2016. The theoretical component of the project has now been completed and the implementation plan will commence within the 2016/17 financial year. This project was introduced to the community.

Public consultations were held with different communities in order for them to give input in the rehabilitation implementation plan.

There was limited work done on the legacy rehabilitation in the financial year under review and that included backfilling and shaping of some historical trenches in the Muisvlak area. The effect of these activities would not warrant a significant reduction of the liability at this stage.

Whilst the implementation plan was drafted, there was some rehabilitation done in the Alexander Bay town area (smaller projects). Rehabilitation in the town included demolition of the Dove Clubhouse, whereby a local contractor was appointed to rehabilitate structures in the town area and the exercise was successfully completed.

BEFORE:

AFTER:

The adjacent rehabilitation projects that were done in the Alexander Bay were part of the historic rehabilitation and had to be rehabilitated before the town was proclaimed as a municipal town.

The current focus for the new financial year is the rehabilitation of old structures and buildings, which will include the removal of asbestos from buildings (roofs) and the demolition of these old dilapidated buildings and storage in a safe manner. All the asbestos waste will be moved to a safe hazardous site.

Once this has been concluded, the focus will then be on all the mining disturbances that are due for rehabilitation taking into consideration the overlapping with potential future mining areas.

Whilst bigger projects are identified and go out on tender, smaller rehabilitation projects will be initiated in-house. Alexkor has a sound partnership with the Richtersveld Mining Company (Alexkor RMC Pooling and Sharing Joint Venture) and therefore does concurrent rehabilitation in locations where historic and current mining overlaps.

What's the use of a fine house if you haven't got a tolerable planet to put it on

Henry David Thoreau


SEE DELWER VI
DTS 074 D

SECTION 6

Annual Financial Statements

CONTENTS

APPROVAL OF FINANCIAL STATEMENTS

for the year ended 31 March 2016

The Board of Directors is required, by the Companies Act, No 71 of 2008 (Companies Act), and the Public Finance Management Act No 1, 1999, (PFMA), to prepare annual financial statements of Alexkor SOC Limited, comprising statement of financial position at 31 March 2016, comprehensive income, changes in equity and cash flow for the year then ended, and the notes to the financial statements which include the summary of significant accounting policies, and other explanatory notes in accordance with International Financial reporting Standards (IFRS)

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

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

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

The Audit and Risk Committee has evaluated the annual financial statements and has recommended their approval to the board of directors. In preparing the annual financial statements, the Company has complied with IFRS and the Companies Act. In addition, the Company has complied with the reporting requirements of the PFMA.

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

The external auditor, Nexia SAB&T, is responsible for independently auditing and reporting on the annual financial statements in conformity with International Standards on Auditing (ISA). Their unmodified report on the annual financial statements, prepared in terms of the Public Audit Act of South Africa, Act No 25 of 2004 (PAA), appears on pages 74 to 75.

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

The board of birectors are of the opinion that the Company has complied with applicable laws and regulations as disclosed in the Directors' report as set out on pages 76 to 78.

The board of directors are of the opinion that these annual financial statements fairly present the financial position of the Company as at 31 March 2016, and the results of their operations and cash flow information for the year then ended.

The annual financial statements have been prepared under the supervision of the Chief Financial Officer, Ms. N P Mbele CA(SA).

The annual financial statement of Alexkor SOC Limited as identified in the first paragraph were approved by the Accounting Authority on 26 July 2016 and are signed on its behalf by:

Ms H Matseke

CHAIRPERSON
26 July 2016

Mr V Bansi

ACTING CHIEF EXECUTIVE OFFICER
26 July 2016

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 2016, Alexkor SOC Limited has lodged with the Companies and Intellectual Property Commission all such returns as are required in terms of the Companies Act No. 71 of 2008, as amended, and that to the best of my knowledge such returns are true, correct and up to date.

Ms J Matisonn
COMPANY SECRETARY

When money realises that it is in good hands, it wants to stay and multiply in those hands.
Idowu Koyenikan

AUDIT AND RISK COMMITTEE REPORT

for the year ended 31 March 2016

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

REPORT OF THE AUDIT AND RISK COMMITTEE IN TERMS OF SECTION 94(7) OF THE COMPANIES ACT NO. 71 OF 2008

During the year under review, the Audit and Risk Committee (ARC) performed its functions in accordance with section 97(7) of the Companies Act, No. 71 of 2008, as amended, and the provisions of the Public Finance Management Act, No. 1 of 1999, as amended (PFMA). The ARC has adopted appropriate formal terms of reference and has regulated its affairs in compliance with those terms of reference. These terms of reference were also reviewed during the course of the financial year under review to ensure alignment with the provisions of the Companies Act. The ARC has discharged all its responsibilities as contained therein.

During the financial year the term of the previous board came to an end, thus the composition of the Audit and Risk Committee of Alexkor comprises two sets of independent Non-Executive Directors. For the previous term until August 2015, the ARC comprised three independent non-executive directors. For the current term, the ARC comprises four independent non-executive directors.

The ARC held eight scheduled meetings during the year ended 31 March 2016. Attendance is reflected on page 44 of this integrated report.

In the conduct of its duties, the ARC has performed the following activities:

- agreed, in consultation with the shareholder, to proceed with the current registered external auditor for the Company who, in the opinion of the ARC, is independent of the Company;
- determined the fees to be paid to the external auditor as well as their terms of engagement;
- ensured that the appointment of the external 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 which the external auditor could provide to the Company;
- considered the independence and objectivity of the external auditor and ensured that the scope of its additional services provided to the Company, were not as such that they could be seen to have impaired their independence;
- received and dealt appropriately with any complaints (internal or external) relating either to the accounting practices and internal audit, or to the content or auditing of its financial statements, or to any related matter;
- received and reviewed reports from both internal and external auditors concerning the effectiveness of the Company's internal control environment, systems and processes;
- reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management which resulted in their concerns being addressed;
- considered the effectiveness of the internal audit, approved the one-year operational internal audit plan and monitored the adherence of the internal audit to its annual programme;
- reviewed and recommended for adoption by the Company's board, such financial information that is publicly disclosed, which for the year included the annual financial statements for the year ended 31 March 2016;
- reviewed significant accounting practices, judgements and estimates adopted by the Company in the application of the International Financial Reporting Standards and found those to be appropriate;
- concurred that the adoption of the going concern (indicated in paragraph 8 of the Directors' Report) premise in preparation of the financial statements, was appropriate;
- made appropriate recommendations to the Company's board regarding the corrective actions to be taken as a consequence of audit findings;
- reviewed the Company's compliance with legal and regulatory provisions;
- reviewed the adequacy, reliability and accuracy of the financial information provided to management and other users of such information;

- reviewed the effectiveness of the procurement policies and procedures of the Company;
- received regular reports from management regarding the performance of the Company, the tracking and monitoring of key performance indicators, details of budgets, forecast reliability of management information used during the financial reporting process;
- approved the 2016/17 internal audit plan and rolling three-year plan.
- monitored and provided oversight responsibility for management of risks within the Company;
- recommended the risk management reporting framework, risk management plans and reviewed risk management policy; and
- satisfied itself that the fraud and IT risks related to financial reporting had been appropriately addressed.

In the opinion of the ARC, the internal controls of the Company are considered reasonable to:

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

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

Internal audit has given reasonable assurance of the effectiveness of the internal control environment.

The ARC has identified capacity constraints within the finance function of Alexkor as one of the key areas of focus in the coming year.

The internal auditor and the external auditor had unlimited access to the chairperson of the ARC and they regularly held separate meetings with the members of the ARC, at the exclusion of management.

The ARC has further evaluated the integrated report for the year ended 31 March 2016 and considers that it complies, in all material respects, with the requirements of the PFMA, as amended, the Companies Act, and International Financial Reporting Standards. The ARC recommended the adoption of the annual financial statements by the board of directors on 21 July 2016 during its special ARC meeting.

Ms M Lehobye
CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

I have audited the financial statements of Alexkor SOC Limited set out on pages 79 to 126, which comprise the statement of financial position as at 31 March 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

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

AUDITOR'S RESPONSIBILITY

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

OPINION

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alexkor SOC Limited as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with Public Financial Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA) and Companies Act of South Africa, 2008 (Act No. 71 of 2008).

EMPHASIS OF MATTERS

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

FINANCIAL REPORTING FRAMEWORK

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

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of my audit of the financial statements for the year ended 31 March 2016, I have read the directors' report, the audit committee's report and the Company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on my reading of these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non-compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2016:

- Programme 1: Alexkor Sustainability on pages 24 to 25
- Programme 2: Rehabilitation Obligation on page 25
- Programme 4: Socio Economic Indicators on page 26

I conducted our audit in accordance with the International Standards on Assurance Engagements (ISAE) 3000: Assurance engagements other than audits or reviews of historical financial information. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's.

Framework for managing programme performance information (FMPPI)

I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

In my opinion, the reported performance information of Alexkor Sustainability, Rehabilitation Obligation and Socio-economic indicators is useful and reliable, in all material respects, in accordance with the identified performance management and reporting framework.

ACHIEVEMENT OF PLANNED TARGETS

Refer to the annual performance report on pages 24 to 26 for information on the achievement of the planned targets for the year.

COMPLIANCE WITH LEGISLATION

I performed procedures to obtain evidence that the public entity had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Procurement and contract management

Goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51(1) (a) (iii).

Quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by the Preferential Procurement Regulation 14.

Quotations were awarded to bidders based on points given for criteria that differed from those stipulated in the original invitation for quotations, in contravention of the Preferential Procurement Regulation 8.

Expenditure management

Effective steps were not taken to prevent irregular expenditure, amounting to R6 940 150 as disclosed in note 34 of the AFS, as required by the PFMA section 51(1) (b) (ii) and Treasury Regulation 9.1.1.

Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R199 937 as disclosed in note 35 of the AFS, as required by the PFMA section 51(1) (b) (ii) and Treasury Regulation 9.1.1.

Consequence management

Disciplinary steps were not taken against officials who made and/or permitted fruitless and wasteful expenditure amounting to R 199 937, as required by section 51(1) (e) (iii) of the Public Finance Management Act and Treasury Regulation 9.1.3.
Disciplinary steps were not taken against officials who made and/or permitted irregular expenditure amounting to R6 940 150, as required by section 51(1) (e) (iii) of the Public Finance Management Act and Treasury Regulation 9.1.3.

Internal control

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

Leadership

The accounting authority did not take effective steps to prevent irregular, fruitless and wasteful expenditure.

Management did not effectively implement measures to ensure that deviation from procurement processes were viable, reasonable and only in urgent and emergency cases.
Management did not put measures in place to ensure that there was a fair, equitable, transparent, competitive and cost-effective system in procuring of services relating to obtaining the minimum number of quotations.
Management did not effectively implement measures to ensure that all payments made to suppliers were in accordance with the signed contract agreements.

Nexia SAB&T

Nexia SAB&T
Director

S. Kleovoulou
REGISTERED AUDITOR

DIRECTORS' REPORT

for the year ended 31 March 2016

The board of directors is pleased to present its report for the financial year ended 31 March 2016. This report and the audited annual financial statements comply with the requirements of the Public Finance Management Act (No. 1 of 1999), as amended (PFMA), Companies Act (No. 71 of 2008) and international financial reporting standards.

1. BOARD OF DIRECTORS

For the period under review, a full complement of Alexkor's board of directors discharged its duties. The composition of the board, with respect to the independent non-executive directors, comprised eight members during the current financial year, with seven members at year-end due to Mr Bansi taking on the role of Acting CEO.

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

Name	Appointed	Resigned
Dr. R Paul**	June 2007	
Mr R Bagus*	September 2012	August 2015
Dr. N Mohutsioa-Mathabathe*	September 2012	August 2015
Mr M Bhabha*	September 2012	August 2015
Ms. Z Ntlangula**	September 2012	
Mr. D Mkhwanazi*	June 2013	August 2015
Ms. S Zilwa*	June 2013	August 2015
Mr. B Grobbelaar*	June 2013	August 2015
Ms. HB Matseke	August 2015	
Mr. JS Danana	August 2015	
Mr. T Haasbroek	August 2015	
Mr. T Matona	August 2015	
Mr. V Bansi	August 2015	
Ms.M Lehobye	August 2015	
Ms NP Mbele	April 2016	
Ms J Matisonn	December 2015	

*Term ended ** Reappointed

2. OVERVIEW OF FINANCIAL PERFORMANCE FOR THE YEAR

Performance for the year	March 2016	March 2015	% change
Revenue (R million)	197.14	211.24	-7%
Profit / (loss) from continuing operations (R million)	-24.81	-72.53	-67%
Carats produced	45492	74384	-39%
Capital expenditure	27.14	40.44	-33%

Detailed commentary on the financial performance for the year is contained in the Integrated Report on pages 20 to 22.

3. DIVIDENDS

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

4. BORROWINGS

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

5. SHAREHOLDER'S COMPACT

A shareholder's compact was signed between the board and the executive authority for the period under review. Performance objectives are captured within the compact and are reported against the outcomes on a quarterly basis.

The shareholder's compact key performance indicators (KPIs), which are revised annually by agreement between the board of directors and the shareholder representative, serve as the performance monitoring framework for the Company. Performance against the shareholder's compact 2016 financial year targets is outlined in ***section 3*** of the Integrated Report. This performance information has been subjected to audit review and the Company's auditors have reported no adverse findings on the performance against predetermined objectives.

Measuring the Company's performance against the KPI targets of the shareholder's compact, 73% of the targets for the 2016 financial year were achieved.

6. LITIGATION STATEMENT

Nabera (Pty) Ltd instituted legal action against the Company and the government for amounts allegedly owed in respect of a contract wherein Nabera managed the Company's mining assets and operations from 1999 to 2001. The two claims were for management fees alleged to be due in terms of the contract, for the sum of R4.5 million and a claim for alleged value added to the mining assets over the management period. Both the Company and the government have opposed these claims.

The matter has been dormant since 2005 and has prescribed. An application to dismiss the matter is being considered.

Full details of the litigation have been disclosed in Note 28 to the financial statements.

7. 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. The board through the PSJV has entered into a contract with IMDSA (Pty) Ltd (International Mining and Dredging South Africa (Pty) Ltd) to share 12,5% in the carat production in each year. The revenue projected from this contract is R101 million for the PSJV per annum. This in turn will be shared 51% and 49% between Alexkor and RMC respectively; of this amount only 66% is to be distributed to the joint venture partners and the 34% retained for operations. In that respect, Alexkor will receive R34 million per annum. For the financial year 2016/17, being the first year of the IMDSA in operation, Alexkor's conservative revenue share is projected at R17 million. This amount together with R50 million excess MTEF allocation for the rehabilitation liability released for operations, gives a total of R67 million operational cash. This cash will enable Alexkor to adequately cover R59 million of operational budget for financial year 2016/17. The cash distribution agreement is still subject to the PSJV board approval.

For long-term sustainability, there is consideration to perform the due diligence for bankable coal strategy and the implementation thereof. This together with the IMDSA contract will take Alexkor's business operations forward.

The directors have applied the liquidity and solvency test as required by the Companies Act 71 of 2008. The board has every reason to believe that the Company will have adequate resources in place to continue with operations for the foreseeable future subject to the envisaged initiatives yielding the desired results.

8. AUDITORS

In accordance with the provisions of section 90(1) of the Companies Act, 2008, Nexia SAB&T's term comes to an end on 30 September 2016. This is in terms of the tender that had been awarded to them after the approval by the shareholder during the AGM on 30 September 2016. Due process will be followed in appointing an audit firm.

9. EVENTS AFTER REPORTING PERIOD

As previously indicated in the going concern paragraph, on 21 September 2011 Alexkor through the PSJV entered into a contract with IMDSA for deep-sea mining of alluvium diamond, at no cost basis. In terms of this contract and at base case scenario, IMDSA will mine 10 000 carats per month for which the PSJV will share 12,5% yielding 15 000 carats per annum. Alexkor share will be 7 650 carat production translated into an average price of $450 per carat, at the exchange rate of USD/ZAR rate of R15 resulting into a projected R51 million per annum. Only 66% of this equating to R34 million will be distributed to the Alexkor subject to PSJV board approval. To date, IMDSA's operation experienced teething problems, due to being in its infancy, thus missed the monthly targets resulting in less than expected production. The appropriate measures are taken to address the shortfall. Thus it is expected that the operations will recover and make up for the shortfall within the forthcoming months.

STATEMENT OF FINANCIAL POSITION

for the year ended 31 March 2016

	Notes	2016 R	2015 R
Assets			
Non-current assets		313 067 930	293 475 277
Property, plant and equipment	5	83 849 830	86 124 864
Intangible assets	6	28 419 824	15 341 213
Cash held in rehabilitation trust	8	127 269 665	118 552 589
Pension fund surplus	15.1	182 000	5 010 000
Loan to joint venture	9	73 346 612	68 446 612
Current assets		359 658 704	403 779 367
Inventories	10	16 029 019	14 044 172
Trade and other receivables	11	11 915 651	5 760 866
Cash and cash equivalents	26.2	331 714 033	383 974 329
Non-current assets classified as held for sale	12	-	-
Total Assets		672 726 634	697 254 644
Equity and Liabilities			
Capital and reserves		324 611 957	365 264 013
Share capital	13	400 000 000	400 000 000
Accumulated loss		(82 446 043)	(46 945 987)
Actuarial reserve	14	7 058 000	12 210 000
Non-current liabilities		244 441 114	233 092 736
Environmental rehabilitation liability	16	244 441 114	233 092 736
Current liabilities		103 673 563	98 897 895
Trade and other payables	17	103 673 563	98 897 895
Taxation payable	25	-	-
Total Equity and Liabilities		672 726 634	697 254 644

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Notes	2016 R	2015 R
Revenue	18	197 139 088	211 243 105
Cost of sales	19	(238 665 155)	(249 369 209)
Gross loss		(41 526 066)	(38 126 105)
Administration expenses		(3 042 691)	(2 070 776)
Other expenses	20	(7 913 057)	(174 477 860)
Other income	21	12 529 339	67 271 489
Movement in environmental rehabilitation liability	16	(11 348 378)	51 595 242
Operating loss	22	(51 300 853)	(95 808 010)
Net finance income		26 488 097	23 842 545
Finance income	23	32 409 951	26 893 109
Finance expense	24	(5 921 854)	(3 049 564)
Loss before income tax		(24 812 756)	(71 964 465)
Taxation	25	-	-
Loss for the year from continuing operations		(24 812 756)	(72 534 729)
Loss for the year from discontinued operations	27	(10 687 300)	(10 238 619)
Loss for the year		(35 500 056)	(82 203 084)
Other comprehensive income:			
Remeasurement of post-employment benefit obligation		(5 152 000)	(4 526 000)
Reversal of revaluation reserve		-	158 084 892
Other comprehensive (loss)/income for the year, net of tax		(5 152 000)	153 558 892
Total comprehensive (loss)/income for the year		(40 652 056)	71 355 808

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2016

	Share capital	Accumulated loss	Revaluation reserve	Actuarial reserve	Total
	R	R	R	R	R
Balance as at 1 April 2014	400 000 000	(122 827 794)	158 084 892	16 736 000	451 993 097
Total comprehensive income for the year	-	75 881 808	(158 084 892)	(4 526 000)	(86 729 084)
Loss for the year	-	(82 203 084)	-	-	(82 729 084)
Other comprehensive income	-	158 084 892	(158 084 892)	(4 526 000)	(4 526 000)
Balance as at 1 April 2015	400 000 000	(46 945 987)	-	12 210 000	365 264 013
Total comprehensive income for the year	-	(35 500 056)	-	(5 152 000)	(40 652 056)
Loss for the year	-	(35 500 056)	-	-	(35 500 056)
Other comprehensive income	-	-	-	(5 152 000)	(5 152 000)
Balance as at 31 March 2016	400 000 000	(82 446 043)	-	7 058 000	324 611 957
Note:		13		14	

STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Notes	2016 R	2015 R
Net cash (out) / in flow from operating activities		(10 180 615)	47 098 725
Cash flow (to) / from operating activities	26	(25 378 755)	33 621 626
Cash flow from discontinued operations	27	(10 687 300)	(10 238 619)
Interest received	23	31 807 293	26 765 282
Interest paid	24	(5 921 854)	(3 049 564)
Net cash out flow from investing activities		(23 275 626)	(40 279 536)
Expenditure to maintain operating capacity			
Purchase of property, plant & equipment	5	(10 069 725)	(27 696 309)
Disposal of property, plant & equipment		48 916	160 314
Disposal of intangible assets		4 749 433	-
Purchase of intangible assets	6	(18 004 251)	(12 743 541)
Net cash out flow from financing activities		(18 804 054)	(97 960 099)
Loan granted to joint venture	9	(4 900 000)	(30 354 012)
Contributions towards Rehabilitation Trust investment	8	(9 000 000)	-
Rehabilitation Trust funds received	8	(7 000 000)	2 000 000
Interest invested Rehabilitation Trust	8	(6 717 076)	(5 533 634)
Government funded obligations utilised	17.1	(11 096 670)	(67 118 491)
Interest received on government funded obligations	17.1	5 909 692	3 046 038
Net increase / (decrease) in cash and cash equivalents		(52 260 295)	(91 140 910)
Opening cash and cash equivalents		383 974 329	475 115 239
Closing cash and cash equivalents	26.2	331 714 033	383 974 329

The cash and cash equivalents balance is reconciled as follows:

	Notes	2016 R	2015 R
Operational cash		44 554 329	83 939 799
Recapitalisation funds (MTEF)		206 298 995	214 489 985
Cash held in legal trust		11 606 147	11 103 005
Cash held for government funded operations		69 254 561	74 441 539
Total cash and cash equivalents	26.2	331 714 033	383 974 329

ACCOUNTING POLICIES

for the year ended 31 March 2016

1. PRINCIPAL ACCOUNTING POLICIES

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

1.1. STATEMENT OF COMPLIANCE

The financial statements for the year ended 31 March 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations of those standards issued by the International Financial Reporting Interpretations Committee (IFRIC) and applicable legislation.

1.2. BASIS OF MEASUREMENT

The financial statements are presented in South African Rands and all amounts have been rounded to the nearest rand. The financial statements are prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Land and buildings are measured at fair value, being the market value at the date of revaluation
- The defined contribution fund is measured according to the actuarial valuation method.

The financial statements are prepared on the going concern basis.

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

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

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

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

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

1.3. JOINT OPERATIONS

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

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

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

1.4. PROPERTY, PLANT AND EQUIPMENT

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

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2016

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

Plant and equipment	9 - 34 years
Motor vehicles	4 - 28 years
Furniture, fittings and equipment	3 - 34 years
Computer equipment	3 – 26 years
Computer software	2 - 20 years
Building improvements	5 years
Land and building	indefinitely

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

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

Any increase in an asset's carrying amount, as a result of a revaluation, is credited to other comprehensive income and accumulated in the revaluation surplus in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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

1.5. INTANGIBLE ASSETS

Computer software

Intangible assets are initially recognised at cost. An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to profit or loss on a straight line basis over the estimated useful lives of the intangible assets. The estimated useful life for computer software is 4 years. The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Capitalised exploration and evaluation expenditure

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

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

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2016

1.6. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

1.7. FINANCIAL INSTRUMENTS

The Company classifies its financial instruments in the following categories:

- Loans and receivables
- Available for sale financial assets
- Financial liabilities measured at amortised cost

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

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

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

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

1.7.1. TRADE AND OTHER PAYABLES

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

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

1.7.2. TRADE AND OTHER RECEIVABLES

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

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

ACCOUNTING POLICIES

for the year ended 31 March 2016

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

Trade and other receivables are classified as loans and receivables.

1.7.3. CASH AND CASH EQUIVALENTS

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

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

Cash and cash equivalents are classified as loans and receivables.

1.7.4. LOANS TO / (FROM) GROUP COMPANIES

These include loans to and from joint operations and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

1.7.5. CASH HELD IN REHABILITATION TRUST

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

The cash held in the Rehabilitation Trust is a long-term investment and classified as an available for sale financial asset.

1.8. IMPAIRMENT OF FINANCIAL ASSETS

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

Impairments are recognised in profit/loss.

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

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

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

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

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available -for -sale increases in a subsequent period and the increase can be

ACCOUNTING POLICIES

for the year ended 31 March 2016

objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

1.9. INVENTORIES

Inventories are valued as follows:

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

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

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

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

1.10. SHARE CAPITAL

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.11. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

Impairment of financial assets

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

For amounts due to the Company, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment. Impairment losses are recognised in profit or loss.

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

Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing

ACCOUNTING POLICIES

for the year ended 31 March 2016

at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Environmental rehabilitation liability

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

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

Trade receivables and Loans and receivables

The Company assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the Company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

- Any prior knowledge of potential insolvency or other credit risk; and
- Credit checks and assessments by attorneys as to recoverability of disputed receivables

Provisions and contingent liabilities

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

Retirement benefit obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 15.

Taxation

The judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

ACCOUNTING POLICIES

for the year ended 31 March 2016

Allowance for slow moving, damaged and obsolete stock

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

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

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

1.12. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

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

All unauthorised, irregular, fruitless and wasteful expenditure is accounted for in profit/loss in the period in which they are identified.

1.13. EMPLOYEE BENEFITS

Pension fund

The Company only had defined contribution plans during the year. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The Company operates one pension fund for its employees. The scheme is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognised immediately in income.

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

Other post-retirement obligations

The Company provides post-retirement healthcare benefits to their retirees employed before 1 May 1989. IAS 19 states that the current service cost should be recognised as a periodic expense in operating profit and should be matched to the benefit received during the working life of the employee. The current service cost should include the expense for benefits received by the employee currently in service and the cost of funding the employee when no longer in service.

The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. However, the actual experience of the beneficiaries of Alexkor will vary from these assumptions. These variations emerge at each valuation as actuarial gains or losses. IAS 19 allows a number of methods for the recognition of these gains and losses. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to profit or loss in the period in which they arise. Any actuarial gains and losses are recognised immediately in profit or loss. The approach taken in the valuation complies with the guidelines issued by the Actuarial Society of South Africa with regards to reporting on post-employment healthcare provision and is consistent with the requirements of IFRS in terms of IAS 19.

Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the statement of financial position date are discounted to their present value.

ACCOUNTING POLICIES

for the year ended 31 March 2016

Leave accrual

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

If a portion of these benefits is expected to be settled outside the twelve months after the end of the annual reporting period, then the whole of the benefits will be considered 'other long-term employee benefits'.

1.14. TAXATION

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

Current income tax

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

Deferred income tax

Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases for tax purposes. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination, which at the time of the transaction neither affects accounting nor taxable profit or loss. Deferred taxation is calculated using taxation rates that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The effect on deferred taxation of any changes in taxation rates is recognised in the statement of comprehensive income in the year in which the change occurs, except to the extent that it relates to items previously charged or credited directly to equity.

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

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

1.15. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

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

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

A discontinued operation is a component of the Company's business, the operations and cash flows of which can be clearly distinguished from the rest of the Company which:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- Is a subsidiary acquired exclusive with a view to re-sale

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

ACCOUNTING POLICIES

for the year ended 31 March 2016

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

1.16. PROVISIONS AND CONTINGENCIES

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes 28.

1.17. LEASES

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

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

1.18. REVENUE RECOGNITION

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

(a) Sale of diamonds

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

(b) Interest income

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

1.19. COST OF SALES

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

1.20. GOVERNMENT GRANTS

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

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

2. NEW STANDARDS AND INTERPRETATIONS

2.1. STANDARDS AND INTERPRETATION NOT YET EFFECTIVE

The accounting policies adopted are consistent with those of the previous financial period except that the Company has adopted the following new and amended IFRS and IFRIC interpretations as of 01 July 2014:

	Effective for accounting period beginning on or after
- IFRS 3, Business combinations Annual Improvement 2011-2013 Cycle: Amendments to the scope paragraph for the formation of a joint arrangement	01 July 2014
- IFRS 13 Fair Value Measurement - Short-term receivables and payables	01 July 2014
- IAS 16 Property, Plant and Equipment. Annual Improvements 2010-2012 Cycle: Amendments to the Revaluation method – proportionate restatement of accumulated depreciation	01 July 2014
- IAS 19 Employee Benefits Amendments to the Defined Benefit Plans: Employee Contributions whereby the requirements in IAS19 for contributions from employees or third parties that are linked to services have been amended	01 July 2014
- IAS 24 Related Party Disclosure: Annual Improvements 2010-2012 Cycle: Amendments to the definition and disclosure requirements for key management personnel.	01 July 2014

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2016 or later periods:

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

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

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

  Management is in the process of assessing the impact.

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

  Management is in the process of assessing the impact.

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

Management is in the process of assessing the impact.

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

Management is in the process of assessing the impact.

- IFRS 15 Revenue from Contracts with Customers (effective for financial periods beginning on or after 1 January 2018). This standard replaces existing IFRS and US GAAP guidance and introduces a new revenue recognition model for contracts with customers. In addition, companies will now be subject to extensive disclosure requirements. The standard includes new criteria to determine when revenue should be recognised over time, addressing fact patterns such as construction contracts and contracts for services.

Management is in the process of assessing the impact.

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

Management is in the process of assessing the impact.

3. FINANCIAL RISK MANAGEMENT

3.1. FINANCIAL RISK FACTORS

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

	Carrying values		Fair values	
	2016	2015	2016	2015
	R	R	R	R
Financial assets				
Trade and other receivables	10 919 509	4 447 920	10 919 509	4 447 920
Cash and cash equivalents	331 714 033	383 974 329	331 714 033	383 974 329
Cash held in a the rehabilitation trust	127 269 665	118 552 589	127 269 665	118 552 589
Loan to joint venture	73 346 612	68 446 612	73 346 612	68 446 612
Financial liabilities				
Trade and other payables	101 372 031	101 349 897	101 372 031	101 349 897

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MARKET RISK

Foreign currency risk

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

The analysis of the Company's sensitivity to exchange rates is based on an average foreign currency exchange rate for the year seeing as the sales price in Rand (ZAR) is determined on the date of sale and the currency fluctuates throughout the year. The average foreign currency for the year used in the analysis is that which the Company considered reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2016, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below.

As at 31 March 2016 a strengthening of the USD against all other currencies of 12% would have, on average, increased the net profit before tax with R 23.7 million (2015: R25.3 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

As at 31 March 2016 a strengthening of the USD against all other currencies of 9% would have, on average, increased the profit before tax with R17.7 million (2015: R19.0 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

Commodity price risk

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

As at 31 March 2016 a strengthening of the USD price per carat of 8%, with all other variables remaining constant, would have, on average, increased the net profit before tax with R15.7 million (2015 R14.2 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

As at 31 March 2016 a strengthening of the USD price per carat of 10%, with all other variables remaining constant, would have, on average, increased the profit before tax with R19.7 million (2015: R17.9 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

Cash flow and fair value interest rate risk

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

At 31 March 2016, if interest rates on deposits had been 70 basis points higher with all other variables remaining constant, the pre-tax profit for the year would have been R3.2 million higher (2015: R3.5 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

At 31 March 2016, if interest rates on deposits had been 50 basis points higher with all other variables remaining constant, the pre-tax profit for the year would have been R2.2 million higher (2015: R2.5 million). An equal change in the opposite direction would have caused an equal decrease on net profit before tax.

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for the year ended 31 March 2016

OTHER FINANCIAL RISKS

Credit risk

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

• Trade and other receivables

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to internal credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is significant. The Company's maximum exposure is equal to the carrying amount of trade and other receivables.

An amount of R1 766 091 (2014: R4 440 536) in trade receivables was determined to be impaired. The Company considered these receivables to be irrecoverable as the defaulted debtors have not reacted to follow-up payment requests and were subsequently handed over to the Company's lawyers. Refer to Note 11 for further disclosure.

• Cash and cash equivalents

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

The Company's maximum exposure is equal to the carrying amount of cash and cash equivalents.

Funds are held at the following institutions:

	Cash balances	
	2016	2015
	R	R
Momentum	120 381 039	142 269 106.39
Investec Bank Limited	160 521 785	175 050 392
Rand Merchant Bank Limited	161 266 929	150 895 699
First National Bank Limited	14 753 619	15 422 576
Nedbank Limited	660	18 266 121
Total	456 924 032	501 903 894

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for the year ended 31 March 2016

Credit risk

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

	Credit rating	
	2016	2015
	R	R
A+	120 381 039	142 269 106.39
AA	176 021 208	184 584 396
AA-	160 521 785	175 050 392
Total	456 924 032	501 903 894

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 into relevant maturity groupings on the remaining period at the statement of financial position date to the contractual maturity date.

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

	Contractual value	0-3 months	More than 3 months
	R	R	R
As at 31 March 2016			
Trade and other payables	101 372 031	14 292 648	87 079 383
As at 31 March 2015			
Trade and other payables	101 349 897	7 737 194	93 612 703

3.2. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is in the process of restructuring its operations as a result of the settlement of the land claim by the Richtersveld Community and its mandate to pursue other mining opportunities. As a result, the Company is not able to finalise a strategy in managing capital and determining an optimal capital structure. The Company is in the process of determining its capital requirements to fund its continued operations along with new mining ventures.

The Company will, consistent with others in the industry, monitor capital on the basis of the gearing ratio, when the restructuring is completed. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents.

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

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4. DETERMINATION OF FAIR VALUES

The table below analyses recurring assets and liabilities carried at fair value, by valuation method. The different levels have been defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- **Level 3:** Inputs for the assets or liabilities that are not based on observable market data (that is, unobservable inputs).

Financial assets and liabilities that are measured at fair value at 31 March 2016:

Assets	Level 1	Level 2	Level 3	Total
Available -for-sale financial assets				
Cash held in Rehabilitation Trust	127 269 665	-	-	127 269 665
Loan and receivables				
Loan to Joint Operation		73 346 612		73 346 612
Trade and other receivables		10 919 509		
Cash and cash equivalents		331 714 033		
Total assets	**127 269 665**	**415 980 154**	**-**	**200 616 276**

Liabilities	Level 1	Level 2	Level 3	Total
Other financial liabilities				
Cash held in rehabilitation trust		**101 372 031**		**101 372 031**
Total assets	**-**	**101 372 031**	**-**	**101 372 031**

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Financial assets and liabilities that are measured at fair value at 31 March 2015:

Assets	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Cash held in rehabilitation trust	118 552 589			118 552 589
Loan and receivables				
Loan to Joint Operation		68 446 612		68 446 612
Trade and other receivables		4 447 920		
Cash and cash equivalents		383 974 329		
Total assets	**118 552 589**	**456 868 860**	-	**186 999 201**

Liabilities	Level 1	Level 2	Level 3	Total
Other financial liabilities				
Cash held in rehabilitation trust		**101 349 897**		**101 349 897**
Total assets	-	**101 349 897**	-	**101 349 897**

See note 12 for disclosures of the assets held for sale that are measured at fair value.

(a) Financial instruments in Level 1

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

These instruments are included in Level 1. Instruments included in Level 1 comprise the cash held in the Rehabilitation Trust, which is a long-term investment classified as available-for-sale.

(b) Financial instruments in Level 2

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

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

(c) Financial instruments in Level 3

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

- Market approach – uses prices and other relevant information generated by market transactions involving identical or comparable (similar) assets, liabilities, or a group of assets and liabilities (e.g. a business)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

- Cost approach - reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost)
- Income approach - converts future amounts (cash flows or income and expenses) to a single current (discounted) amount, reflecting current market expectations about those future amounts.

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

5. PROPERTY, PLANT AND EQUIPMENT

	2016 Cost R	2016 Accumulated depreciation R	2016 Carrying value R	2015 Cost R	2015 Accumulated depreciation R	2015 Carrying value R
Owned assets						
Land and buildings	23 920 882	-	23 920 882	22 880 382	-	22 880 382
Leasehold improvements	998 906	92 920	905 986	967 429	46 135	921 294
Plant and equipment	104 337 777	52 769 807	51 567 970	96 867 466	43 100 415	53 767 051
Motor vehicles	19 038 587	14 417 463	4 621 124	17 782 784	12 445 203	5 337 581
Furniture and fittings	3 011 161	1 147 177	1 863 984	2 854 802	849 379	2 005 424
Computer equipment	4 140 653	3 170 770	969 884	3 994 560	2 781 428	1 213 132
	155 447 967	71 598 137	83 849 830	145 347 424	59 222 560	86 124 864

Reconciliation of the carrying values of property, plant and equipment

2016	Carrying value at beginning of the year R	Additions R	Disposals / Impairment R	Depreciation R	Carrying value at end of the year R
Owned assets					
Land and buildings	22 880 382	1 040 500	-	-	23 920 882
Building improvements	921 294	31 477	-	(46 785)	905 986
Plant and equipment	53 767 051	7 470 311	-	(9 669 392)	51 567 970
Motor vehicles	5 337 581	1 150 912	-	(1 867 369)	4 621 124
Furniture and fittings	2 005 424	166 402	(8 496)	(299 346)	1 863 984
Computer equipment	1 213 132	210 123	(40 420)	(412 950)	969 884
Total	86 124 864	10 069 725	(48 916)	(12 295 842)	83 849 830

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for the year ended 31 March 2016

2015	Carrying value at beginning of the year R	Additions R	Disposals / Impairment R	Depreciation R	Carrying value at end of the year R
Owned assets					
Land and buildings	22 880 382	-	-	-	22 880 382
Building improvements	-	967 429	-	(46 135)	921 294
Pant and equipment	38 538 385	25 528 133	-	(10 299 466)	53 767 051
Motor vehicles	7 319 802	574 394	(107 360)	(2 449 255)	5 337 581
Furniture and fittings	2 082 985	233 033	(35 411)	(275 184)	2 005 424
Computer equipment	1 247 607	393 320	(17 544)	(409 711)	1 213 132
Total	72 068 621	27 696 309	(160 314)	(13 479 751)	86 124 864

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

6. INTANGIBLE ASSETS

	2016 Cost R	2016 Accumulated amortisation R	2016 Carrying value R	2015 Cost R	2015 Accumulated armortisation R	2015 Carrying value R
Owned assets						
Capitalised exploration and evaluation expenditure	28 004 965	-	28 004 965	15 155 936	-	15 155 936
Computer software	2 310 111	1 895 252	414 859	1 904 322	1 719 046	185 276
Total	30 315 076	1 895 252	28 419 824	17 060 258	1 719 046	15 341 212

Reconciliation of the carrying value of intangible assets

2016	Carrying value at beginning of the year R	Additions R	Disposals R	Armortisation R	Carrying value at end of the year R
Owned assets					
Capitalised exploration and evaluation expenditure	15 155 936	17 598 463	(4 749 433)	-	28 004 966
Computer software	185 276	405 788	-	(176 206)	414 859
Total	15 341 213	18 004 251	(4 749 433)	(176 206)	28 419 825

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2015	Carrying value at beginning of the year R	Additions R	Disposals R	Armortisation R	Carrying value at end of the year R
Owned assets					
Capitalised exploration and evaluation expenditure	2 430 009	12 725 927	-	-	15 155 936
Computer software	413 451	17 614	-	(245 788)	185 276
Total	**2 843 460**	**12 743 541**	**-**	**(245 788)**	**15 341 213**

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011, is available for inspection at the registered office of the Company. No intangible assets have been pledged as security.

7. JOINT OPERATION

The Pooling and Sharing Joint Venture (PSJV) named the Alexkor RMC JV was established on 7 April 2011. 31 March 2016 was its fifth year in existence. All mining operations previously performed by Alexkor are now performed in the joint operation.

7.1. SUMMARY

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

	2016 R	2015 R
Assets		
Non-current assets	**149 468 565**	135 313 405
Current assets	**107 495 915**	105 108 419
	256 964 479	240 421 824
Liabilities		
Non-current assets	**151 622 486**	139 686 963
Current assets	**49 424 766**	40 826 569
	201 047 252	180 513 532
Net assets	**55 917 227**	59 908 292
Revenue	**386 547 232**	414 202 166
Cost of Sales	**(379 312 983)**	(391 327 522)
Gross profit / (loss)	**7 234 249**	22 874 644
Administration expenses	**(4 229 098)**	(3 378 415)
Other expenses	**(1 243 390)**	(3 018 952)
Other income	**2 554 578**	(102 907)
Provision for environment rehabilitation liability	**(1 258 801)**	(216 556)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

7.1. (CONTINUED)

	2016 R	2015 R
Operating profit / (loss)	**3 057 538**	16 157 814
Net finance income	**2 750 974**	1 832 815
Profit before income tax	**5 808 512**	17 990 628
Taxation	**-**	-
Profit for the year from continued operations	**5 808 512**	17 990 628
Profit / (loss) for the year from discontinued operations	**(532 166)**	(907 402)
Net profit for the year	**5 276 345**	17 083 227
Cash flow from operating activities	**27 503 382**	37 999 861
Cash flow to investigating activities	**(25 832 864)**	(80 724 197)
Cash flow from financing activities	**10 000 000**	62 741 189
Net cash flow	**11 670 518**	20 016 853

The amounts stated above reflect 100% of the PSJV adjusted for differences in accounting policies and intercompany transactions. The PSJV generated a gross profit of R7.2 million.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

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

	Notes	Alexkor excluding PSJV R	51% share PSJV R	Alexkor including PSJV
Revenue	18	-	197 139 088	197 139 088
Cost of sales	19	(30 318 328)	(196 847 607)	(228 165 935)
Personal expenses		(17 539 227)	(41 980 318)	(59 519 544)
Consumables and maintenance		11 757 605	(10 602 173)	1 155 432
General expenditure		(13 755 762)	(11 128 523)	(24 884 284)
Depreciation & impairment		(670 733)	(11 503 225)	(12 173 958)
Revenue split contractors		-	(106 115 916)	(106 115 916)
Security services		(485 844)	(8 186 588)	(8 672 431)
Legal costs		(1 546 206)	(543 189)	(2 089 396)
Implement hire		-	(2 414 981)	(2 414 981)
Other specified services		(8 078 161)	(5 372 694)	(13 450 855)
Gross profit / (loss)		(30 318 328)	(708 519)	(31 026 846)
Administration expenses		(885 851)	(2 156 840)	(3 042 691)
Other expenses	20	(7 307 744)	(605 313)	(7 913 057)
Other income	21	11 226 504	1 302 835	12 529 339
Provision for environment rehabilitation liability	16	(10 706 390)	(641 989)	(11 348 378)
Provision for retirement benefit obligations	17	-	-	-
Operating profit / (loss)	22	(37 991 808)	(2 809 825)	(40 801 633)
Net finance income		25 085 101	1 402 997	26 488 097
Taxation	25	-	-	-
Loss for the year continued operations		(12 906 708)	(1 406 828)	(14 313 536)
Discontinued operations (net of income tax)				
Profit / (loss) for the year from discontinued operations	27	(13 101 107)	2 413 807	(10 687 300)
Profit / (loss) for the year		(26 007 815)	1 006 979	(25 000 836)
Other comprehensive income				
Government grants recognised in equity		-	-	-
Re-measurements of post-employment benefit obligations		(5 152 000)	-	(5 152 000)
Other comprehensive loss for the year, net of tax		(5 152 000)	-	(5 152 000)
Total comprehensive loss for the year		(31 159 815)	1 006 979	(30 152 836)

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

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8. CASH HELD IN REHABILITATION TRUST

	2016	2015
	R	R
Opening balance	118 552 589	115 018 955
Contributions	9 000 000	-
Utilities	(7 000 000)	(2 000 000)
Interest received	6 717 076	5 533 634
Total	127 269 665	118 552 589

The cash held in Rehabilitation Trust is a long-term investment and will be utilised to fund the rehabilitation liability (refer to Note 16).

9. LOAN TO JOINT OPERATIONS

	2016	2015
	R	R
Opening balance	68 446 612	38 092 600
Advances	4 900 000	30 354 012
Repayments	-	-
Total	73 346 612	68 446 612

This loan is neither past due or impaired and originated from the 49% of the loan to PSJV which is not controlled by Alexkor Ltd. The loan is unsecured, bears no interest and has no fixed terms of repayment as at 31 March 2016.

The maximum exposure to credit risk at the reporting date is the fair value of the loan.

10. INVENTORIES

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

	2016	2015
	R	R
Diamonds - optical sorter	9 826 824	7 319 987
Diamonds - Muisvlak	2 541 866	2 512 365
Parts and consumable stores	3 660 329	4 211 821
Total	16 029 019	14 044 172

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

11. TRADE AND OTHER RECEIVABLES

	2016	2015
	R	R
Trade receivables*	747 103	304 840
Loan to the Richtersveld Agricultural Holding Company*	392 037	-
Total other receivables*	12 043 541	5 909 170
Less: Provision for impairment of receivables	(2 263 171)	(1 766 091)
Total prepayments**	996 142	1 312 946
Total	11 915 652	5 760 866

*Financial assets **Non-financial assets

Movement in the provision for impairment of trade receivables

	2016	2015
	R	R
Balance at the beginning of the year	1 766 091	4 440 536
Impaired losses recognised / (reversed)	497 081	324 390
Amounts written off as uncollectable	-	(2 998 836)
Balance at the end of the year	2 263 171	1 766 091

Credit quality of trade and other receivables

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

Provision for the impairment of trade and other receivables is based on management's assessment of the recoverability of specific receivables, taking into account the history of default on payments and other available information to support the recoverability. Before accepting any new customers an assessment of the potential customer's credit quality is performed which is also used to set credit limits.

	2016	2015
	R	R
Counter-parties with no external credit rating		
New customers	187 127	144 828
Existing customers with no defaults in the past	157 251	191 390
Existing customers with some defaults in the past	1 651 835	2 160 291
Total	1 996 213	2 496 509

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Trade and other receivables which are less than 4 months past due are not considered to be impaired. At 31 March 2016 R593 975 (2015: R910 910) were past due but not impaired. An impairment provision of R2 263 171 (2015: R1 766 091) was recognised against trade and other receivables.

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

	2016		
	Gross amount	Impairment	Net carrying amount
Current / fully performing	1 996 212	-	1 996 212
30 - 60 days	484 810	-	484 810
60+ days	10 701 658	(2 263 171)	8 438 487
Total	13 182 680	(2 263 171)	10 919 509

	2015		
	Gross amount	Impairment	Net carrying amount
Current / fully performing	2 496 509	-	2 496 509
30 - 60 days	547 395	-	547 395
60+ days	3 170 106	(1 766 091)	1 404 015
Total	6 214 010	(1 766 091)	4 447 919

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

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

12. NON-CURRENT ASSETS CLASSIFIED AS 'HELD-FOR-SALE'

	2016			
	Fair value at the beginning of the year	Impairment	Disposal	Fair value at the end of the year
	R	R	R	R
Land and buildings	-	-	-	-
Total	-	-	-	-

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

The Company instituted a claim against the Government of the Republic of South Africa and others for compensation in respect of assets it transferred to the Richtersveld Community in settlement of a claim instituted by the aforesaid community in terms of the Restitution of Land Rights Act 22 of 1994, in an amount of R552 million.

The parties commenced a process of mediation in an effort to resolve this matter amicably.

A proposed settlement was approved in principle where the funds would have been requested through an MTEF process instead of the initial claim against the State. The Company's MTEF application was partly successful and R350 million was received on 31 December 2012.

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

The land and buildings classified as non-current assets held for sale are those assets specifically identified in the land claim settlement agreement (as discussed above) that will be transferred to the Richtersveld Community once the township upgrade has been completed. The transfer is expected to be made in the 2017 financial year.

During September 2011 a valuation of the properties was done by The Appraisal Corporation. To establish the capital appreciation lost as at the date of the settlement, i.e. 22 April 2007, they had used the same adjustment yardsticks as with their 5 July 2011 submission, namely a factor of effectively 15% per annum to adjust the 2005 values to 22 April 2007 and a factor of 12.5% per annum to adjust the 2007 values to 1 May 1989, when Alexkor obtained these properties.

13. SHARE CAPITAL

	2016 R	2015 R
Authorised		
400 000 000 Ordinary shares	400 000 000	400 000 000
	400 000 000	400 000 000
Issued		
400 000 000 Ordinary shares	400 000 000	400 000 000
	400 000 000	400 000 000

Alexkor received R350 million via its Medium Term Expenditure Framework (MTEF) allocation on 31 December 2012. This was a recapitalisation from the shareholder and shares were issued in this regard. Par value shares were converted to no par value shares to be aligned with Alexkor's amended Memorandum of Incorporation (MOI).

14. ACTUARIAL RESERVE

	2016 R	2015 R
Opening balance	12 210 000	16 736 000
Remeasurement of post employment benefit obligation	(5 152 000)	(4 526 000)
Total	7 058 000	12 210 000

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15. RETIREMENT CONTRIBUTION OBLIGATIONS

15.1 PENSION FUNDS

All employees employed before 1 July 2003 were members of the defined benefit pension fund. However, all defined benefit members have been converted to defined contribution members. There are no defined benefit liabilities left in the Fund. The pension fund is governed by the South African Pension Funds Act of 1956 as amended. All employees appointed after the aforementioned dates are compelled to join the defined contribution fund. The actuarial valuation of the pension fund is performed using the projected unit credit method every third year and updates are performed for each financial year-end.

The assets held for the pension plans are held separately from the Company and administered independently, in accordance with the statutory requirements and are measured using period-end market values.

Defined Contribution Pension Plan

An estimation of the pension plan status was performed by independent consulting actuaries on 31 March 2016 using certain actuarial assumptions. The previous actuarial valuation was performed on 31 March 2015.

The following highlights the significant events or features of the Fund that were taken into account in preparing this report:

- All of the defined benefit members transferred to the Defined Contribution section.
- The Fund had no liabilities as at 31 March 2016.
- Any plan assets are valued at current market value as required by IAS 19. The Company used the actuarial surplus as at 31 March 2014 and projected this with expected cash flows and expected returns to 31 March 2016. The plan assets are creditor remote, meaning that should the Company itself go insolvent, the creditors would not be able to access these assets held to back the post-employment retirement benefit liability.
- The trustees have agreed to allocate the surplus between the Member Surplus Account and the Employer Surplus Account with a 40:60 split. The employer surplus contribution is disclosed in the Statement of Financial Position. The surplus allocation was effected retrospectively at 31 March 2011. The trustees also approved the use of the Employer Surplus Account for the following purposes:
  - An employer contribution holiday in respect of the defined contribution potion of the fund.
  - A disability waiver.

Valuation method

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

The following key assumptions were used for the current valuation:

	2016	2015	2014	2013	2012
	%	%	%	%	%
Key economic assumptions					
Discount rate	-	7.80	8.70	7.00	8.25
Inflation rate	-	5.60	6.40	5.40	5.5
Salary increase rate	-	6.60	7.40	6.40	n/a
Expected rate of return on assets	n/a	n/a	n/a	n/a	8.25
Pension increase allowance	n/a	n/a	n/a	n/a	n/a

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

The salary increase rate was non-applicable. The pension increase rate is non-applicable since there were no defined benefit liabilities (hence no defined benefit active members) left in the fund.

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

	2016	2015	2014	2013	2012
Fund status					
Fair value of plan assets	182 000	6 359 000	15 405 000	17 821 000	32 456 000
Present value of obligations	-	-	-	-	-
Asset	182 000	6 359 000	15 405 000	17 821 000	32 456 000
Unrecognised surplus - Paragraph 65 limit*	-	(1 349 000)	(1 522 000)	(1 470 000)	(32 005 000)
Asset recogised on the balance sheet	182 000	5 010 000	13 883 000	16 351 000	451 000
Movement analysis					
Opening balance of recognised asset	5 010 000	13 883 000	16 351 000	451 000	-
Net income / (expense) recognised in the income statement**	324 000	(4 347 000)	(1 642 000)	(1 662 000)	451 000
Re-measurement recognised in Other Comprehensive Income***	(5 152 000)	(4 526 000)	(826 000)	17 562 000	-
Company contribution	-	-	-	-	-
Closing balance of recognised asset	182 000	5 010 000	13 883 000	16 351 000	451 000

** The "Paragraph 65 limit" ensures the asset to be recognised in the Company's statement of financial position is subject to a maximum of the present value of any economic benefits available to the Company in the form of refunds or reductions in future contributions.*

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

	2016 R	2015 R	2014 R	2013 R	2012 R
Current service cost^	-	(5 126 000)	(2 580 000)	(1 002 000)	-
Net interest on net defined liablity#	324 000	779 000	938 000	(660 000)	-
Expected return on Assets*	-	-	-	-	2 184 000
Amortisations	-	-	-	-	(1 733 000)
(Expense) / income	324 000	(4 347 000)	(1 642 000)	(1 662 000)	451 000

^ Employer contribution holiday in respect of defined contribution benefits.

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

	2016 R	2015 R	2014 R	2013 R
Interest cost on defined obligation	-	-	-	-
Interest income on assets	(346 000)	(911 000)	(1 041 000)	(1 980 000)
Interest on limit	-	132 000	103 000	2 640 000
Net interest	(346 000)	(779 000)	(938 000)	660 000

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

	2016 R	2015 R	2014 R	2013 R
Current year gains / (losses)	(5 152 000)	(4 831 000)	(877 000)	(15 613 000)
Change in paragraph 65 limit	-	305 000	51 000	33 175 000
Remeasurement recognised	(5 152 000)	(4 526 000)	(826 000)	17 562 000

Ownership of surplus in a pension fund has historically been a contentious issue, but has now been addressed by way of the Pension Funds Second Amendment Act.

The effects of the Pension Funds Second Amendment Act, 2001, are quite significant to entities sponsoring retirement funds, in that recognition of any assets in a retirement fund cannot be made by the Company, unless it is either as a result of a surplus apportionment exercise, or if a fund's rules allow it. In terms of paragraph 65 of IAS 19, the asset to be recognised on the Company's balance sheet is subject to a maximum of: the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits shall be determined using the discount rate."

The FSB approved the Fund's surplus apportionment scheme on 7 November 2007. The approved surplus scheme was then overturned by the FSB in December 2009. A new surplus apportionment scheme was submitted and approved by the FSB on 26 April 2011.

The trustees will decide on the allocation of future surplus as and when it arises, hence we have limited the asset to the balance in the Employer Surplus Account which was estimated as R182 000 as at 31 March 2016.

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

	2016 R	2015 R	2014 R	2013 R	2012 R
Assets at fair market value at the beginning of the year	6 359 000	15 405 000	17 821 000	32 456 000	24 271 000
Interest income on assets	346 000	911 000	1 041 000	1 980 000	2 184 000
Member contributions	-	-	-	-	-
Company contributions	-	-	-	-	-
Employer contribution holiday	(22 000)	(5 126 000)	(2 580 000)	(1 002 000)	-
Risk premiums	-	-	-	-	-
Benefits paid	(5 152 000)	(4 741 000)	(3 318 000)	(15 903 000)	-
Release of unrecognised surplus	(1 349 000)	-	-	-	-
Actuarial gain / (loss)	-	(90 000)	2 441 000	290 000	6 001 000
Assets at fair market value at the end of the year	**182 000**	6 359 000	15 405 000	17 821 000	32 456 000

Estimated asset composition was as follows:

	2016 R	2015 R	2014 R	2013 R	2012 R
Cash	10.09%	18.93%	25.91%	38.11%	35.78%
Equity	45.03%	33.57%	33.92%	15.37%	33.76%
Bonds	12.14%	15.92%	14.04%	29.27%	8.41%
Property	5.32%	4.14%	2.34%	0.72%	1.94%
Other	24.42%	2.32%	1.74%	0.47%	1.13%
International	3.00%	25.12%	22.05	16.06%	18.98%
	100.0%	100.0%	100.0%	100.0%	100.0%

The rate used to discount post-employment benefit obligations should be determined by reference to market yields at the balance sheet date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet date) on government bonds should be used.

In Alexkor's opinion, there is no deep market in Corporate Bonds in South Africa and as such we have set our recommended assumption with reference to the Nominal Bond Curve, as compiled by the Johannesburg Stock Exchange of South Africa and obtained from iNet Bridge, at duration of 10 years. This converts into an effective yield of 8.70% as at 31 March 2016. In terms of the accounting standards historical yields are less important and we consequently consider it appropriate to use the discount rate 8.70% per annum.

Alexkor has assumed the underlying future rate of consumer price inflation (CPI) to be 6.40% per annum.

This assumption has been based on the relationship between the current Nominal and Real Bond Curves, as compiled by the Johannesburg Stock Exchange of South Africa. The real bond yield was rounded to the nearest 0.1% as in the case of the discount rate.

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Alexkor calculated the inflation assumption as the difference between the discount rate and the real bond yield and adjusted for an inflation risk premium which was assumed to be 0.5%. The yield on a conventional bond is assumed to equal inflation plus the real yield on an index-linked bond plus an inflation risk premium. There is a premium to compensate the conventional bondholder for the uncertainty regarding future inflation. If inflation is higher than expected, the real yield will be lower than expected. The index-linked bondholder does not require such a premium as their yield is protected against higher than expected inflation.

Alexkor has assumed that the level of annual salary increases to be awarded in the long-term will, on average, be equal to annual inflation plus 1.0%.

16. ENVIRONMENTAL REHABILITATION LIABILITY

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

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

	2016 R	2015 R
Opening balance	233 092 736	284 687 977
Inflationary increases	11 348 378	110 444
Rehabilitation work performed / assessed reduction in liability	-	(51 705 685)
Total	244 441 114	233 092 736

A study conducted by an independent environmental management consultant in April 2016 estimated the gross liability to amount to R244.4 million as at 31 March 2016 (2015: R233.1 million). The funds held in the trust amounted to R127.3 million as at 31 March 2016 (2015: R118.5 million), resulting in a currently unfunded rehabilitation liability of R116.2 million (2015: R114.2 million). The unfunded portion is currently covered by cash managed by Alexkor.

All new environmental disturbances resulting from the Alexander Bay region after the implementation of the PSJV is the responsibility of the PSJV. The PSJV environmental liability as at year-end amounted to R1.94 million (2015: R676 723) (consolidated into Alexkor at 51% resulting in an amount of R987 117 (2015: R345 129).

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

The impact of current mining activities on the environment are minimised with the concurrent backfilling of excavations where possible, minimising of access roads and erecting of nets in order to curb the movement of sand at the base and the toe of the sand plumes. Alexkor will continue to address priority environmental issues around Boegoeberg and other areas as identified. With netting at the Boegoeberg area having achieved its aim through a reduction of decline of sand on the Boegoeberg slopes, Alexkor is satisfied that the annual expenditure on netting and re-vegetation is beginning to achieve the goal of avoiding increased costs for dust plume control.

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17. TRADE AND OTHER PAYABLES

	Notes	2016 R	2015 R
Trade payables *		24 855 214	18 741 385
Other payables *		796 192	1 526 329
VAT payable **		2 249 702	(2 225 588)
Income received in advance **		51 830	(226 414)
Government funded obligations *	17.1	69 254 561	74 441 539
Accruals *		6 466 064	6 640 644
Accrued leave *		3 854 106	4 846 870
Other accruals *		2 611 958	1 793 774
Total		**103 673 563**	**98 897 895**

** Financial liability*
*** Non-financial liability*

17.1. GOVERNMENT FUNDED OBLIGATIONS

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

The government funds received and utilised for specific projects are reconciled as follow:

	Opening balance at beginning of the year R	Transfers received R	Utilised during the year R	Interest earned on investment of funds R	Closing balance at the end of the year R
Township establishment	7 209 541	-	(296 336)	459 890	7 373 095
Costs related to Deed of Settlement	4 735 806	-	(800 334)	423 308	4 358 780
PSJV recapitalisation	62 496 193	-	(10 000 000)	5 026 494	57 522 687
Total government-funded obligations	74 441 539	-	(11 096 670)	5 909 692	69 254 561

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

The project consisted of four phases as disclosed below.

- Phase one of the township upgrade project which comprises water network, sewer network, storm water control network, solid waste disposal and road works was completed in December 2011. Inspection with the municipality was done and all items on the snag list were completed.

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- Phase two included the Electrical Reticulation Upgrade Project and the contractors established the site in March 2011. The project was completed in June 2012 after all the outstanding prepaid meters were installed.
- The tender for phase three, Mechanical and Electrical Pumping, was awarded in February 2011. This phase was completed in February 2012.
- The project for phase four, the Waste Water Treatment Works, was completed in March 2013, which was also the only outstanding phase from the township upgrade projects.

The township upgrade has therefore been completed with the acceptance of the final completion certificate for phase 4 in March 2013. Therefore Alexander Bay complies with the minimum standards of a municipal town in the Republic of South Africa. The retention period for the civil engineering and mechanical engineering projects (phases 1 and 2) has already expired and the snag list has been attended to. The electrical upgrade and engineering works were completed in August 2012.

Alexkor has spent R129 million on the project to date. The quality of the upgrade has been monitored over the retention periods of the phases and virtually all the infrastructure has been in operation for the last 3 years.

Costs related to the Deed of Settlement – Funding was received from the Department of Public Enterprises (DPE) to assist Alexkor and the Richtersveld community (RVC) with the cost to implement the Deed of Settlement. The funds received were allocated as follows:

- Transaction cost: R11 million was received to cover Alexkor's own costs relating to the implementation of the land claim resolution. The balance will be utilised against the intended costs.
- Company establishment: R5 million was received on behalf of the RVC to be administered by Alexkor for the cost relating to the establishment of the business entities for the RVC in which the RVC's assets, mining and other activities will be managed. The balance will be utilised against the intended costs.
- RVC legal costs – R5 million was received on behalf of the RVC to be administered by Alexkor for all the legal costs that the RVC would incur in the implementation of the Deed of Settlement. The balance will be utilised against the intended costs.

PSJV recapitalisation – Funding of R200 million was received in 2009 (R100 million) and 2010 (R100 million) which represents Alexkor's initial cost contribution for the recapitalisation of the PSJV (prospecting, exploration and mining operations). These funds can only be used, with the consent of the Minister of the DPE, once the PSJV has been established and a development plan for the land assets has been accepted. The PSJV commenced during April 2011. R20 million was transferred to the PSJV during the 2012 financial year for working capital to assist the PSJV in their immediate needs towards their operational concerns. A detailed plan is in the process of being developed for the exploration and future mining activities in Alexander Bay. R10 million (2015: R57.7 million) has been transferred during the year to fund the Muisvlak operations.

18. REVENUE

	2016 R	2015 R
Diamond sales	197 139 088	211 243 105

All revenue from continuing operations was generated through the sale of diamonds. All diamond sales were for the account of the PSJV from their operations in Alexander Bay. Alexkor had no other income generating operations apart from its 51% interest in the PSJV.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

19. COST OF SALES

Cost of sales consists of the following items:

	2016 R	2015 R
Employee costs	59 697 846	51 321 616
Consumables and maintenance	8 812 292	14 599 139
General expenditure	25 184 782	24 561 658
Depreciation & impairment	12 226 655	13 123 980
Revenue split contractors cost	106 115 916	113 307 783
Security services	8 672 431	7 582 138
Legal costs	2 089 396	2 943 398
Implement hire	2 414 981	5 578 590
Other specialised services	13 450 855	16 350 908
Total	238 665 155	249 369 210

20. OTHER EXPENSES

	Notes	2016 R	2015 R
Government transfers - specific expenditure incurred		1 096 670	5 171 528
Movement in pension fund surplus	16	(324 000)	4 347 000
Impairment loss on non-current assets held for sale		-	162 434 882
Transfer duty		6 300 000	-
Other expenses		840 387	2 524 450
Total		7 913 057	174 477 860

Transfer duty of R6.3 million was paid in relation to the transfer of the 499 erven to the Richtersveld Property Holding Company as required by the Deed of Settlement. It is expected that the transfer will take place during the next financial year

21. OTHER INCOME

	2016 R	2015 R
Government transfers - specific expenditure incurred	11 096 670	67 118 491
Other income	1 432 669	152 998
Total	12 529 339	67 271 489

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

22. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after:

	Notes	2016 R	2015 R
Auditors' remuneration		1 401 080	938 525
External audit fees		1 296 998	823 004
Fees for other services		104 081	115 521
Internal audit fees		759 906	703 072
Fuel and oil		1 205 353	6 165 817
Electricity and water		2 395 294	2 748 224
Directors' emoluments	32	3 427 579	3 487 141
Mining royalties		981 867	1 056 249
Insurance		1 786 792	1 549 777
Impairment losses recognised		497 081	262 163
Operating lease payments		3 901 249	1 863 028
Consultations		12 466 096	15 209 638
Accounting services		1 251 976	1 838 891
Occupational health services		6 194 698	734 305
Geological services		1 677 013	975 650
Environmental services		111 393	101 180
Other consultations		3 231 017	11 559 612

23. FINANCE INCOME

	2016 R	2015 R
Interest received from cash held in Rehabilitation Trust	6 894 651	6 043 838
Interest received PSJV recapitalisation funds	-	2 535 623
Interest received on government funds	5 909 692	3 046 038
Interest received from cash held in bank	19 605 608	15 267 610
Total	32 409 951	26 893 109

24. FINANCE EXPENSES

	2016 R	2015 R
Interest paid on government funds	5 909 692	3 046 038
Sundry interest expense	12 162	3 525
Total	5 921 854	3 049 564

Interest received on the government funds are shown as finance cost in this note as the interest received on these funds is allocated to the specific government funding obligation and increases the liability (Refer to note 17.1).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

25. TAXATION

	2016 R	2015 R
Major components of the tax expense:		
Estimated tax losses	201 808 525	173 008 284
Estimated unutilised capital allowances	67 540 951	86 157 606
Total	269 349 477	259 165 890

No deferred tax asset has been raised on the assessed loss and other deductible timing differences as the Company has no reasonable expectation that the deductible tax differences will be utilised in the foreseeable future.

Reconciliation of the tax expense:

Reconciliation between accounting profit/ (loss) and tax expense

	2016 R	2015 R
Accounting loss	(35 500 056)	(82 203 084)
Tax at the applicable rate of 28% (2015: 28%)	(9 940 016)	(23 016 864)
Tax effects of adjustments on taxable income		
Income not subject to tax	(1 891 063)	(1 941 500)
Expenses not deductible for tax purposes	6 443 825	(8 962 648)
Deductible contribution to rehabilitation trust	(2 520 000)	-
Wear & tear allowance	-	(1 781)
Recoupment of assets sold	7 044	-
Tax losses carried forward	(48 606 178)	(14 519 527)
Capital expenditure carried forward	(16 014 603)	(16 014 603)
Capital expenditure for the year	(2 896 863)	(8 109 527)
Tax losses for which no deferred income tax asset was recognised	56 506 387	48 442 320
Capital expenditure for which no deferred income tax asset was recognised	18 911 466	24 124 130
Total	-	-

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

	2016 R	2015 R
Estimated tax losses	201 808 525	173 008 284
Estimated unutilised capital allowances	67 540 951	86 157 606
Total	269 349 477	259 165 890

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

26. NOTES TO THE STATEMENT OF CASH FLOWS

26.1. CASH GENERATED BY OPERATING ACTIVITIES

	2016 R	2015 R
Net profit / (loss) before taxation	**(35 500 056)**	(82 203 084)
Adjustments for:		
Depreciation	**12 472 048**	13 725 539
Finance Income	**(32 409 951)**	(26 893 109)
Finance costs	**5 921 854**	3 049 564
Movements in environmental rehabilitation liability	**11 348 378**	(51 595 242)
Movement in pension plan surplus	**(324 000)**	4 347 000
Cash flow from discontinued operations	**10 687 3000**	10 238 620
Cash settlement on medical aid liability	**-**	(95 438)
Revaluation of assets held for sale	**-**	162 434 882
Movement in working capital	**2 425 672**	612 894
(Increase) / decrease in inventories	**(1 984 847)**	7 009
(Increase) / decrease in accounts receivable	**(5 552 126)**	7 747 235
(Increase) / decrease in accounts payable	**9 962 646**	(7 141 350)
Total	**(25 378 755)**	33 621 626

26.2. CASH AND CASH EQUIVALENT

	2016 R	2015 R
Restricted cash and cash equivalents		
Cash held in call account - government related funds	**69 254 561**	74 441 539
Cash held in trust - ongoing litigations	**11 606 147**	11 103 005
Recapitalisation funds (MTEF) funds	**206 298 995**	214 489 985
Unrestricted cash and cash equivalents		
Cash held in call account	**44 554 329**	83 939 800
Total	**331 714 033**	383 974 329

The government funds received will be utilised for specific projects (refer to note 17.1). The cash held in the trust for ongoing litigations will be utilised for legal costs should the Company's defence be unsuccessful (refer to note 30). Cash received from the MTEF allocation will be utilised as approved by the board in conjunction with the shareholder.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

27. DISCONTINUED OPERATIONS

	Alexander Bay Trading	Hospital	Airport	Total
	R	R	R	R
Results from discontinued operations for the year ended 31 March 2016				
Revenue	11 995 449	-	-	11 995 449
Expenditure	(22 681 487)	(1 262)	-	(22 682 749)
Operating loss	(10 686 039)	(1 262)	-	(10 687 300)
Taxation	-	-	-	-
Loss for the period	(10 686 039)	(1 262)	-	(10 687 300)
Results from discontinued operations for the year ended 31 March 2015				
Revenue	13 348 516	-	-	13 348 516
Expenditure	(23 578 968)	(4 439)	(3 728)	(23 587 135)
Operating loss	(10 230 452)	(4 439)	(3 728)	(10 238 619)
Taxation	-	-	-	-
Loss for the period	(10 230 452)	(4 439)	(3 728)	(10 238 619)

	2016	2015
	R	R
Cash flow (to) / from discontinued operations		
Net loss before taxation	(10 687 300)	(10 238 619)
	(10 687 300)	(10 238 619)

28. CONTINGENT LIABILITIES

Nabera Mining

Nabera instituted legal action against the Company and the government for alleged amounts in respect of a contract wherein Nabera managed the Company's mining assets and operations from 1999 to 2001. The two claims were for management fees alleged to be due in terms of the contract, for the sum of R4.5 million and a claim for alleged value added to the mining assets over the management period. Both the Company and the government have opposed these claims. The matter has been dormant since 2005 and has prescribed. An application to dismiss the matter is being considered.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

29. GUARANTEES

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

	2016 R	2015 R
Eskom	18 900	18 900
Department of Mineral Resources	545 129	434 685
Total	564 029	453 585

30. RELATED PARTIES

30.1. RELATED PARTY RELATIONSHIPS

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

- SAA
- Eskom
- SA Post Office
- Sentech
- Department of Transport
- Department of Water Affairs
- Telkom SOC Ltd

30.2. RELATED PARTY TRANSACTIONS

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

	2016 R	2015 R
SAA	638 153	1 909 568
Eskom	5 575 918	11 363 137
SA Post Office	-	750 411
Sentech	37 399	33 476
Fin5 Inc	702 048	1 640 289
Telkom SOC Ltd	463 322	508 902
Department of Transport	94 576	211 646
Department of Water Affairs	226 314	325 479
Total	7 737 731	16 742 909

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

30.3 RELATED PARTY BALANCES

Balances included in trade and other payables

	2016 R	2015 R
Eskom	865 137	-
Telkom SOC Ltd	56 665	24 008
Sentech	3 553	3 355
Fin5 Inc	142 736	118 606
Department of Water Affairs	122 970	63 215
Total	1 191 060	209 184

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

31. DIRECTORS' EMOLUMENTS AND EXECUTIVE MANAGEMENT REMUNERATION

Name	Capacity	Fee for services as members	Basic Salary	Other benefits / allowances^	Voluntary severance package
Executive management					
P Khoza	Chief Executive Officer	-	2 357 556	156 952	958 230
V Bansi	Acting Chief Executive Officer	-	145 833	2 000	
M Dludla	Chief Financial Officer	-	-	-	
T Mhlanga	Acting Chief Financial Officer	-	894 648	188 289	
H Mokwena	Chief Operations Officer	-	1 907 626	134 480	
Z Kellerman	Chief Legal Officer	-	1 208 431	16 000	
Non-executive					
R Bagus	Chairman	462 977	-	-	
R Paul	Non-executive director	571 718	-	-	
N Mathabathe	Non-executive director	90 871	-	-	
Z Ntlangula	Non-executive director	283 856	-	-	
M Bhabha	Non-executive director	-	-	-	
S Zilwa	Non-executive director	102 734	-	-	
B Grobberlaar	Non-executive director	90 871	-	-	
DB Mkhwanazi	Non-executive director	86 210	-	-	
HB Matseke	Chairperson	781 502	-	-	
JS Danana	Non-executive director	168 957	-	-	
T Haasbroek	Non-executive director	160 022	-	-	
T Matona	Non-executive director	179 976	-	-	
V Bansi	Non-executive director	283 549	-	-	
S M Lehobye	Non-executive director	164 336	-	-	
Total		**3 427 579**	**6 514 094**	**497 721**	

32. EVENTS AFTER THE REPORTING PERIOD

Please refer to note 10 of the Directors' report for detail on events after the reporting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

	Pension fund	Total 2015/2016	Fee for services as members	Basic Salary	Other benefits / allowances^	Pension fund	Total 2014/2015
	465 437	**3 938 175**	-	2 145 552	141 957	442 957	2 730 000
	-	**147 833**	-	145 833	2 000	-	-
	-	**-**	-	1 021 171	14 000	67 329	1 102 500
	159 501	**1 242 438**	-	505 452	116 236	188 526	810 215
	-	**2 042 106**	-	1 769 217	120 783	-	1 890 000
	-	**1 224 431**	-	1 677 000	24 000	-	1 701 000
	-	**462 977**	1 258 435	-	-	-	1 258 435
	-	**571 718**	565 377	-	-	-	565 377
	-	**90 871**	258 196	-	-	-	258 196
	-	**283 856**	424 118	-	-	-	424 118
	-	**-**	227 453	-	-	-	227 453
	-	**102 734**	250 413	-	-	-	250 413
	-	**90 871**	258 196	-	-	-	258 196
	-	**86 210**	244 954	-	-	-	244 954
	-	**781 502**	-	-	-	-	-
	-	**168 957**	-	-	-	-	-
	-	**160 022**	-	-	-	-	-
	-	**179 976**	-	-	-	-	-
	-	**283 549**	-	-	-	-	-
	-	**164 336**	-	-	-	-	-
	624 938	**12 022 562**	**3 487 142**	**7 264 225**	**418 976**	**698 347**	**11 720 857**

33. IRREGULAR EXPENDITURE

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

The irregular expenditure incidents were 6, of which 6 relate to the current year and 0 to prior year

	2016 R	2015 R
Irregular expenditure		
Opening balance	-	-
Incurred in the current year	6 940 150	-
Amount not condoned	6 940 150	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

Expenditure incurred in the current year	Action taken	Expenditure identified	Amounts ratified / condoned	Remaining irregular expenditure
Contracts not renewed in terms of procurement processes and policies	Matter is in the process of being rectified.	3 315 278	-	3 315 278
Three quotes not obtained in terms of commercial procurement	Matter is in the process of being investigated.	15 639	-	15 639
Payment to supplier greater than contractually agreed amount	Matter is in the process of being rectified.	787 694	-	787 694
Appointment not in terms of procurement processes and policies	Matter is in the process of being rectified.	703 973	-	703 973
Tax clearance and BEE certificate not obtained in terms of procurement processes and policies	Matter is in the process of being rectified.	2 117 566	-	2 117 566
Identified in the current year relating to the previous financial years	**Action taken**	**Expenditure identified**	**Amounts ratified / condoned**	**Remaining irregular expenditure**
Expenditure incurred in transgression of commercial processes, policies	n/a	-	-	-
		6 940 150	**-**	**6 940 150**

It was decided not to renew contracts relating to services procured at Alexkor's current premises according to the normal procurement process due to the pending decision to move Alexkor's offices.

34. FRUITLESS AND WASTEFUL EXPENDITURE

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

	2016 R	2015 R
Fruitless and wasteful expenditure		
Opening balance	1 481 640	52 633
Identified in the current year	199 937	1 429 008
Recovered		-
Losses written off	(1 481 640)	-
	199 937	1 481 640

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

2016						
Fruitless and wasteful expenditure	Action taken	Opening balance	Losses identified	Losses recovered year to date	Losses written off	Recovery outstanding
SARS Penalties (VAT)	Disciplinary action undertaken and finalised	398 621		-	(398 621)	-
SARS Interest (VAT)	Disciplinary hearing was held	1 083 019		-	(1 083 019)	-
Supplier double payment	Alexkor is in the process of obtaining a refund		112 203			112 203
SARS Penalties (PAYE/UIF/SDL)	SARS was engaged to waive the penalties and interest	-	83 266	-	-	83 266
SARS Interest (PAYE/UIF/SDL)	SARS was engaged to waive the penalties and interest	-	4 468	-	-	4 468
		1 481 640	**199 937**	**-**	**(1 481 640)**	**199 937**

No disciplinary action was taken due to the fact that the SARS penalties and interest occurred during a transitional period. A letter has been drafted to SARS requesting that the penalties and interest be waived on the basis of this reason.

2015						
Fruitless and wasteful expenditure	Action taken	Opening balance	Losses identified	Losses recovered year to date	Losses written off	Recovery outstanding
SARS Penalties (VAT)	Disciplinary action undertaken and finalised	46 942	351 679	-	-	398 621
SARS Interest (VAT)	Disciplinary hearing was held	5 691	1 077 328	-	-	1 083 019
		52 633	**1 429 007**	**-**	**-**	**1 481 640**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2016

35. COMMITMENTS

OPERATING LEASE COMMITMENTS – ALEXKOR AS A LESSEE

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

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. The lease expenditure charged to the income statement during the year is disclosed in note 22.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2016 R	2015 R
Within one year	2 327 603	3 901 249
Later than one year but not later than five years	2 169 334	4 496 937
Later than five years	-	-
Total	4 496 937	8 398 186

Sometimes our light goes out, but is blown again into instant flame by an encounter with another human being.

Albert Schweitzer

CORPORATE CONTACT DETAILS AND KEY SERVICE PROVIDERS

ALEXKOR SOC LIMITED

Registration number: 1992/006368/30

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2191

Tel 011 ALEXKOR (253 9567)
Email leratos@alexkor.co.za
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Tel 027 831 8300
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Email marianal@alexkor.co.za

COMPANY SECRETARY

Ms Joanne Matisonn
FCIS; H.Dip.Co.Law (Wits)

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Highveld Technopark
Centurion
0157

INTERNAL AUDITORS

Outsourced Risk and Compliance Assessment (Orca)
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52 Corlett Drive
Illovo, 2196

BANKERS

First Rand Bank Limited
(First National and Rand Merchant Bank Limited)
Fredman Drive
Sandton
2196

Investec Bank Limited
Grayston Drive
Sandton
2196

Only those who dare to fail greatly can ever achieve greatly.

Robert F. Kennedy

LIST OF ABBREVIATIONS

A	
AAR-P	Alexander Bay rehabilitation project
Acting CEO	Acting Chief Executive Officer
AET	Adult Education Training
AGM	Annual general meeting
Alexkor	Alexkor SOC Limited
ARC	Audit and Risk Committee
B	
B-BBEE	Broad Based Black Economic Empowerment
C	
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Companies Act	Companies Act No 71 of 2008
COO	Chief Operations Officer
CPA	Communal Property Association
CSI	Corporate social investment
Companies Act	
D	
DEA	Department of Environmental Affairs
DoS	Deed of Settlement
DMR	Department of Mineral Resources
DPE	Department of Public Enterprises
E	
EBITDA	Earnings before interest, tax, depreciation and amortisation
EE	Employment equity
EMP	Environmental Management Plan
F	
FY	Financial year
H	
HR	Human Resources
I	
IFRS	International Financial Reporting Standards
IR	Industrial relations
IT	Information technology
IDP	Integrated development plans
IMDSA	International Mining and Dredging South Africa (Pty) Ltd
J	
JV	The pooling and sharing joint venture

K	
King III	King Report on Governance for South Africa 2009
KPIs	Key performance Indicators
L	
LTI	Lost time injury
M	
Minister	The Minister of Public Enterprises
MP	Member of Parliament
MPRDA	Mineral and Petroleum Resources Development Act
MTEF	Medium Term Expenditure Framework
N	
NDP	National Development Plan
NGOs	Non-governmental organisations
NGP	National Growth Path
NIHL	Noise induced hearing loss
NUM	National Union of Mineworkers
O	
ORCA	ORCA (Pty) Limited
P	
PFMA	Public Finance Management Act 2012
PTB	Lung disease (Tuberculosis)
PSJV	Pooling and Sharing Joint Venture
Q	
Q3 2017	Quarter 3 of financial year 2017
R	
RMC	Richtersveld Mining Company, an entity created by the DoS and part of the CPA
Regulations	Regulations for the Companies Act 71 of 2008
Rehab Committee	Environmental Rehabilitation Committee
S	
SA	South Africa
SADC	Southern African Development Community
SDCT	South Dunes Coal Terminal
SE & HR	Social, Ethics and Human Resources Committee
SLP	Social Labour Plans
SOC	State-owned company
SOMCO	State-owned Mining Company
SSI	Scarlet Sky Investments (Pty) Limited
V	
VSP	Voluntary severance packages

NOTES

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