



African Exploration
Mining and Finance
Corporation SOC Ltd

African Exploration Mining and Finance Corporation SOC Limited
(Registration number 1944/018018/30)
Annual Report
for the year ended 31 March 2015

These Annual Financial Statements were prepared under the guidance of Ms B Mdyesha (CA) SA
General Manager - Finance

African Exploration Mining and Finance Corporation SOC Limited

(Registration number 1944/018018/30)

Annual Report for the year ended 31 March 2015

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The Company's business is to acquire, explore and develop mineral rights on behalf of the State
Directors	Mr J Lekgetha (BARC Chairperson) Mr S Madondo (CEO) Ms B Mdyesha (GM Finance) Mr A Mngomezulu (Board Chairperson) Ms P Mnisi Mr S Mthethwa Dr Z Rustonjee Ms M Thomani
Registered office	152 Ann Crescent Strathavon Sandton 2031
Business address	Block E, Upper Grayston Office Park 150 Linden Street Sandton 2031
Postal address	P O Box 78969 Sandton 2146
Ultimate holding company	CEF SOC Limited incorporated in the Republic of South Africa
Bankers	ABSA Bank Limited Benmore Gardens Branch
Auditors	Auditor General of South Africa
Company secretary	Ms E B Sehlapelo
Company registration number	1944/018018/30

African Exploration Mining and Finance Corporation SOC Limited

(Registration number 1944/018018/30)

Annual Report for the year ended 31 March 2015

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The reports and statements set out below comprise the annual report presented to the shareholder:

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Independent Auditor's Report

Report of the Auditor-General to Parliament on African Exploration Mining and Finance Corporation SOC Ltd

Report on the financial statements

Introduction

I have audited the financial statements of African Exploration Mining and Finance Corporation SOC Ltd set out on pages 26 to 72 which comprise the statement of financial position as at 31 March 2015, 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.

Accounting authority's responsibility for the financial statements

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, 2008 (Act 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-General'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.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of African Exploration Mining and Finance Corporation SOC Ltd as at 31 March 2015 and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the PFMA and the Companies Act.

Independent Auditor's Report

Emphasis of matter

I draw attention to the matter below. My opinion is not modified in respect of this matter

Financial reporting framework

As disclosed in note 1.2 to the annual financial statements, the National Treasury has exempted the public entity from using South African Generally Accepted Accounting Practice (SA GAAP) and move over to International Financial Reporting Framework Standards (IFRS).

Restatement of corresponding figures

As disclosed in note 32 to the financial statements, the corresponding figures for 31 March 2014 have been restated as a result of an error discovered during 2015 in the financial statements of the African Exploration Mining and Finance Corporation SOC Ltd for the year ended 31 March 2014.

Additional matter

I draw attention to the matter below. My opinion is not modified in respect of this matter

Other reports required by the Companies Act

As part of my audit of the financial statements for the year ended 31 March 2015, 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 reading 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 objectives 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 objectives presented in the annual performance report of the public entity for the year ended 31 March 2015:

Objective 1: To produce and sell 1.2 Mt of coal by March 2015 on page 18.

Objective 2: To achieve zero fatality and minimize lost time injuries during the year up to March 2015 on page 18.

Objective 3: Complete Klippoortjie Mine Feasibility study by March 2015 on page 18

Objective 4: Complete Vlakfontein Mine Feasibility by March 2015 on page 18.

Objective 5: Complete 3 desktop studies by March 2015 on page 18.

Objective 6: Complete 3 concept studies by March 2015 on page 18.

Objective 7: Complete T-Project Feasibility study by March 2015 on page 19.

Objective 8: Progress exploration programme for PAMDC identified areas by March 2015 on page 19.

Independent Auditor's Report

I evaluated the reported performance information against the overall criteria of usefulness and reliability.

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 objectives. 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.

I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional [matter / matters]

Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matter:

Achievement of planned targets

Refer to the annual performance report on pages 18 to 22 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 findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Expenditure management

The accounting authority did not take reasonable steps to prevent irregular and fruitless and wasteful expenditure, as required by section 51(1)(b)(ii) of the PFMA.

Internal control

I considered internal control relevant to my audit of the financial statements, report against predetermined objectives 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.

Financial and performance management

Non-compliances with laws and regulations could have been avoided had the accounting authority implemented effective controls over monitoring of compliance with laws and regulations.

Independent Auditor's Report

Investigations

No investigations have taken place in the 2014/15 financial year, however an investigation into an allegation into misappropriation of assets has been concluded in the 2014/15 financial year whereby it was noted that no conclusive evidence could be found to verify that the aforementioned activities took place.

Auditor - General

Pretoria

31 July 2015



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

African Exploration Mining and Finance Corporation SOC Limited

(Registration number 1944/018018/30)

Annual Report for the year ended 31 March 2015

Chairperson's overview

1. Overview

African Exploration Mining and Finance Corporation SOC Limited (AEMFC) has a positive performance in the year under review despite the challenges that have been experienced by the main customer Eskom SOC Ltd who was compelled to take drastic cost cutting measures. These measures led to the low off take of coal volumes from AEMFC SOC Ltd in the current year. Further, the continued delay in the commissioning of the Eskom Kusile power station has had a negative impact on the financial performance of current operations, though they still remained profitable.

The company continues to grow from strength to strength as can be seen from its performance. AEMFC is poised to improve on its current results to grow even stronger in order to deliver on its mandate as a State owned entity of ensuring the security of energy supply for the country including supporting the minerals beneficiation strategy of the country.

2. Long Term Vision

The long term vision of AEMFC remains one that ensures that the company achieves sustainable growth which can be clearly seen in the progress achieved in the pipeline of projects.

The current operations in Vlakfontein are in the process of implementing the 2nd phase of production that will deliver more coal thus enabling the mine to support the Eskom's Kusile power station situated nearby when it comes on stream. The impact will also be felt in the creation of more local jobs as the mine extends its production and sales capacity.

The review of the bankable feasibility study of the T Project has been finalised (first coal 2017) and the detailed engineering studies have been completed and thus ready for financing and commissioning of the mine. The company is therefore well on its way in achieving additional working operations, including the extension of the current operating mine, Vlakfontein and Klipportjie, a planned open cast coal mine in the Ogies area. Further prospects include the diversification of the product offering in line with the country's Minerals Beneficiation Strategy and to support the future electrical energy mix to be supplied in part by Independent Power Producers.

3. Shareholder alignment

The company is firmly aligned with the country's National Development Plan which seeks to eliminate poverty and reduce inequality by 2030. AEMFC is maximising its local procurement, contributing towards education and skills development through apprenticeship and the offering of tertiary education bursaries in various engineering disciplines. Further, there is a strong and committed drive to employ local youth which for some is their first job. This is in an effort to uplift the local community and consequently reduce the social ills that are brought about by unemployment. The extension of the current operations and other projects in the pipeline will ensure these benefits are extended to other communities where the mines will be operating. A key element of these initiatives is also meant to ensure that these skills are transferable and deliver sustainable benefits to the community and our employees beyond AEMFC's mining operations.

4. Sustainable development

The growth of AEMFC is measured in large part by the improvement of the standard of living of communities in which we operate. The protection of the environment therefore becomes a critical responsibility and the preservation of the quality of life is a key objective of the company's growth plans. Other key initiatives include social spending of R381 000 for the year, on various projects for improvement in community health, roads and other community infrastructure or facilities.

Further and in compliance with the best practices in relation to the safety and health of all employees and their working environment, over the period under review, Lost Time Injury Frequency Rate (LTIFR) was ZERO for the year and NO FATALITIES were experienced. This is largely through the dedication of mine employees and management in conducting operation with the utmost vigilance to avoid accidents that could lead to fatalities.

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Annual Report for the year ended 31 March 2015

Chairperson's overview

5. Board of Directors

On behalf of the Board of Directors, I would like to thank AEMFC management and staff for their continued support in making the company become the giant. As we are operating in trying times within the mining sector, the continued support of CEF SOC Limited, the Department of Energy and the Department of Mineral Resources has been invaluable.

A handwritten signature in black ink, appearing to be 'Mngomezulu', written over a horizontal line.

Mr A Mngomezulu (Chairperson)

21 July 2015

African Exploration Mining and Finance Corporation SOC Limited

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Annual Report for the year ended 31 March 2015

Chief Executive Officer's Report

1 Overview

I am delighted to present this set of Annual Financial Statements for 2015 that clearly show a company that is on a positive growth trajectory despite the current challenges faced by our main customer Eskom.

2. Financial Performance

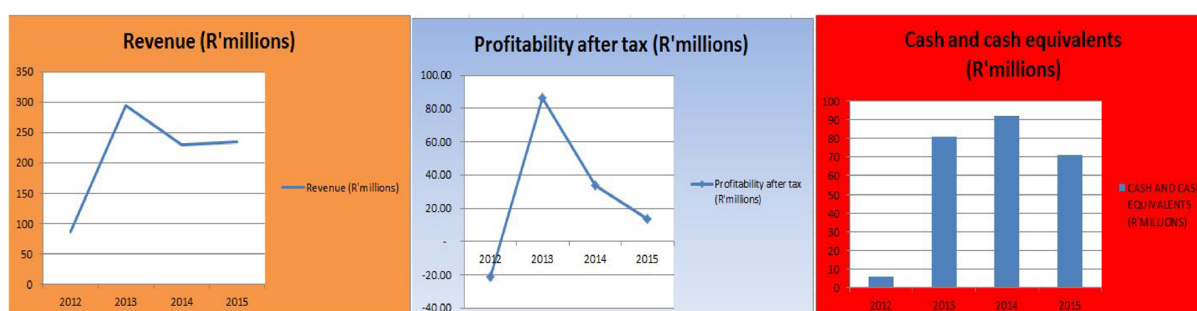
Revenue for the year increased by a modest 2% to R235.4 million from R230 million in the prior year driven mainly by decreased sales volumes to Eskom. The rehabilitation provision was revised due to the assumptions previously used which required a change to reflect the true nature of the provision until the end of the Life of Mine. Despite the challenges experienced, the company made a profit after taxation of R13.4 million in the current year from a profit of R33.4 million in the prior year.

The current year's performance compared to the previous year is attributed to the following:

- Revenue from operations is the only main stream of income that supports the business development including the project pipeline. The projects section has engineering and geology professionals who look after the business development of the organisation.
- Projects at early stages of development, with the exploration costs being expensed which include:
 - Piet Retief Iron Ore has shown good prospects at concept stage;
 - Tosca limestone where more drilling still needs to be done.
- Royalty income has been lost due to the contract expiry. On average R30 million per annum was received in the past and only R10 million was received in the current year.

The asset base has increased by 2% from the prior year. The funding plan for the T Project for the entire capital expenditure is on track. Projects that have advanced and are at feasibility stage in the project pipeline include:

- T-Project which has a Net Present Value of R1 billion;
- Klippoortjie which has a Net Present Value of R1.14 billion;
- Vlakfontein Extension which will assist the supply of coal increasing to 2.5 million tonnes in 2018.



Our sound financial performance, despite the challenges during the year, would not have been possible without the support of our stakeholders, especially our employees.

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Chief Executive Officer's Report

3 Technical review

3.1 Current operations – Vlakfontein Mine

The Vlakfontein Mine continues to produce for supply to Eskom at a steady state on the back of a supply contract which ended at the end of March 2015. A new contract is at an advanced stage of finalisation for higher volumes with a positive adjustment on price and for at least 5 years as opposed to the 2 year with extensions thus far experienced. In instances where we have coal in excess of Eskom's requirements, other offtakers are being secured to take the excess coal. Coal sales volumes were less than budget by 400 thousand tonnes largely because of Eskom cutbacks in coal offtake and in particular the cancellation of the contract to supply Kriel Power Station.

3.2 Projects

3.2.1 Vlakfontein Mine Extension

Extension plans are at an advanced stage to increase production at the existing mine to almost double the current production by 2017 financial year. The first phase of delineating new reserve blocks through exploration drilling was completed as well as the resource modelling. Submissions for regulatory approval including amendments to Environmental Management Plans have been made.

3.2.2 Klippoortjie Mine

Klippoortjie is situated about 40kms from the existing operations and covers an area of 593 hectares. The pre feasibility study conducted in the current financial year has shown good coal qualities that allow for blending with existing coal to materially improve margins and also offer a diversified coal product and sales. Further, studies for the safe mineability of this resource have also been completed.

3.2.3 T Project

The T Project coal mine is situated 12 kilometres north of the town of Kinross and covers an area of 6 500 hectares. This project has gone through a review of the bankable feasibility study since the last models and the revised feasibility report was completed in the current financial year.

Coal production from the seam 4 of the T Project has been tested successfully by Eskom to supply the new Eskom Kusile power station. Seam 5 is suitable for coal to liquids (crude oil) production and AEMFC will be seeking market interest in this resource thus allowing the project to finance the required equity for the T Project overall, amongst other things. The T Project is now ready for presentation to funding institutions and the invitations for possible equity partnerships.

3.2.4 Other projects

In addition to the above priority projects, AEMFC growth strategy consists of a drive to acquire existing private operating assets and partnership with other mining entities with a similar outlook and mutual interest. A number of these have been identified and discussions held in the year under review, although transactions have not been concluded. AEMFC keeps searching for viable opportunities in this regard in order to fast track its growth and thus primarily deliver the mandated benefits for the country.

The company also has a number of Prospecting Rights in various provinces, mainly Mpumalanga, KwaZulu Natal, North West and the Northern Cape. These mainly consist of energy related minerals and in support of the State's Minerals Beneficiation Strategy.

4. Human Resources

Our people remain the most important asset and in support of our growth have also grown in numbers. AEMFC employs a total of 320 people in existing operations and projects, largely from the local communities in and around the Ogies area. A significant number of our employees are women and youth who continue to develop their technical and other required practical skills, including artisans and trainees in line with the requirements of the National Development Plan

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Chief Executive Officer's Report

Our industrial relations with employees are based on sound principles that are founded on fair employment practices, equity and training to strengthen the company's skill base that will ensure sustainable company development and growth. Industrial relations remain healthy guided by a recognition agreement signed with the employee union, AMCU. AEMFC continues to look for even further opportunities to develop our employees and in particular tapping into the MQA's internship programmes and thus provide an avenue for continued practical training in various engineering disciplines.

5. Safety, Health, Environment and Quality

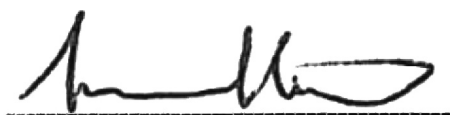
Safety in operations and the general working environment has been prioritised with strict adherence to statutory practices at a bare minimum. The year under review has seen no reportable Long Term Injuries and no fatalities. Regular briefings and workshops are held at operations to ensure that these practices are entrenched as a key value, amongst others, and are part of the company's DNA which has produced pleasing results in the year under review.

AEMFC practices zero tolerance on unsafe practices and all incidents, although not resulting in any reportable injuries, are viewed in a serious light.

May I take this opportunity to thank all our employees for the dedication they have shown in this challenging year under review that has yielded this company's positive performance. Our employees' efforts have not gone unnoticed. Further, it is with this attitude that we can collectively and positively realise remarkable fortunes that will allow our company to continue to serve this country for years to come. We certainly have created, together, a solid foundation from which we can build and thus do what we said we would do.

My sincere gratitude goes to the Board of Directors and its committee members who have supported management wisely and with relentless vigour and enthusiasm.

I also extend my sincere appreciation to CEF SOC Limited, the Ministries of Energy and Mineral Resources for their guidance and support and will continue to seek further counsel in years to come to strengthen this asset for the benefit of the country and its citizens



Mr S Madondo (Chief Executive Officer)

21 July 2015

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Annual Report for the year ended 31 March 2015

Directors' Responsibilities and Approval

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The audited annual financial statements are prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa of 2008. These annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

The directors acknowledge their responsibilities as stated above and have established internal financial controls and risk management systems that maintain a strong control environment. These systems are designed to provide reasonable, but not absolute, assurance against material misstatements and losses.

The going concern basis has been adopted in preparing the annual financial statements. The directors believe that the entity will continue as a going concern in the year ahead, based on forecasts and available cash resources. The viability of the entity is supported by an approved budget for 2015/16.

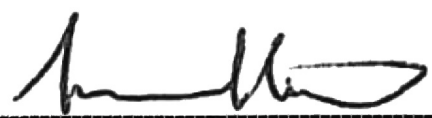
The annual financial statements have been audited by the Auditor-General of South Africa who was given unrestricted access to all financial records and related data, including minutes of all meetings of the board of directors, committees of the board and management.

In the opinion of the directors based on information available to date, the annual financial statements fairly presents the financial position of African Exploration Mining and Finance Corporation SOC Limited at 31 March 2015 and the results of its operations and cash flow information for the year then ended.

The annual financial statements which appear on page 26 to 72 for the year ended 31 March 2015, which have been prepared on the going concern basis, were approved by the board of directors in terms of Section 51(1) (f) of the Public Finance Management Act on the 21 July 2015 and were signed on its behalf by:



Mr A Mngomezulu (Chairperson)



Mr S Madondo (Chief Executive Officer)

Sandton

21 July 2015

African Exploration Mining and Finance Corporation SOC Limited

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Annual Report for the year ended 31 March 2015

EXECUTIVE COMMITTEE



Mr S Madondo
CEO



Ms B Mdyesha
GM: Finance



Ms Z Buthelezi
GM: Projects



Mr S Sikakane
GM: Corporate Strategy and
Planning



Mr A Dladla
GM: Risk and Compliance



Mr S Mkhize
GM: Corporate Services



Mr D. Kobuoe
Vlakfontein Mine Manager

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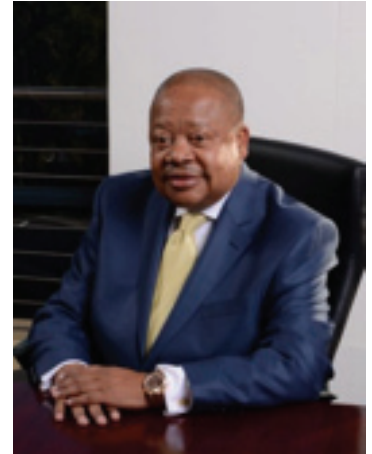
BOARD OF DIRECTORS



Mr A Mngomezulu
Board Chairperson



Ms P Mnisi
Board member



Mr J Lekgetha
Board Member



Ms B Mdyesha
Board member



Dr Z Rustonjee
Board member



Mr S Madondo
Board member



Mr S Mthethwa
Board member



Ms M Thomani
Board member

African Exploration Mining and Finance Corporation SOC Limited

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BOARD AUDIT AND RISK COMMITTEES



Mr J Lekgetha
Committee Chairperson



Ms P Mnisi
Committee member



Ms M Thomani
Committee member

African Exploration Mining and Finance Corporation SOC Limited

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HUMAN RESOURCES, REMUNERATION AND ETHICS COMMITTEE



Mr S Ngidi
Committee Chairperson



Ms D Mathibedi
Committee member



Mr S Ndwandwe
Committee member



Mr M Leshabane
Committee member

African Exploration Mining and Finance Corporation SOC Limited

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Annual Report for the year ended 31 March 2015

Statement on Corporate Governance

1. Introduction

The African Exploration Mining and Finance Corporation SOC Limited (AEMFC) ensures that its processes and practices are reviewed on an ongoing basis in order to ensure adherence to good corporate governance practices.

2. Compliance

The Board of directors believe that the company has substantially applied and complied with the principles incorporated in the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance for South Africa 2002. The board of directors believe that the entity endorses the principle as set out in the Protocol on Corporate Governance. The entity strives towards the spirit of the King III Report on Corporate Governance for South Africa and have endeavoured to comply with the principles incorporated in the Code of Corporate Practices and Conduct and the Public Finance Management Act.

The entity has a formalised system of corporate governance as set out below.

3. Governing bodies

Board of Directors

The African Exploration Mining and Finance Corporation SOC Limited has a unitary board structure made up of executive and non executive directors, appointed by the shareholder. The Board of Directors (the Board) meets at least once every quarter. The Board charges executive management with regard to the day to day running of business, with the Board addressing a range of key issues to ensure that it retains the strategic direction of, and proper control over the entity. The non executive directors are appointed on a three year cycle and re-appointment is not automatic. The offices of the Chairperson and Chief Executive Officer are separated.

In accordance with the Public Finance Management Act (Act No 1 of 1999), the Board is the accounting authority of the entity. In keeping with the recommendations of the King Report, the Board adopted a Board Charter which sets out the role of the Board as follows.

The Board's primary responsibilities include the appointment of the Chief Executive Officer, determining the entity's objectives and values and giving strategic direction to the entity, taking effective and appropriate steps to ensure that key risk areas and key performance indicators of the entity's business are identified, monitoring the performance of the entity against agreed objectives, advising on significant financial matters and reviewing the performance of executive management against defined objectives and applicable industry standards, as well as:

- Approving key policies, investments, risk management and relevant transactions that exceed managements' levels of authority;
- Reviewing and approving the entity's strategy, objectives, and plans;
- Considering and approving annual financial statements and submissions to the shareholder;
- Ensuring adherence to good corporate governance and ethics;
- Reviewing effectiveness of controls, and
- Approval of the appointment of the sub-committees of the board.

African Exploration Mining and Finance Corporation SOC Limited

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Annual Report for the year ended 31 March 2015

Statement on Corporate Governance

Composition of Board for the financial year under review

	Title	Appointed/Resigned	
Mr A Mngomezulu	Chairperson		
Mr S Madondo	Executive		
Dr Z Rustonjee	Non-executive		
Ms B Mdyesha	Executive		
Mr S Mncwango	Non-executive	31 December 2014	Resigned
Mr S Mthethwa	Non-executive	01 January 2015	Appointed
Mr J Lekgetha	Non-executive	17 December 2014	Appointed
Ms P Mnisi	Non-executive	17 December 2014	Appointed
Ms M Thomani	Non-executive	17 December 2014	Appointed

Board attendance at meetings

	14/05/2014	17/07/2014	29/07/2014	10/10/2014	04/12/2014	18/02/2015
Mr A Mngomezulu	Y	Y	Y	Y	Y	Y
Mr S Madondo	Y	Y	Y	Y	Y	Y
Dr Z Rustonjee	Y	Y	Y	Y	Y	Y
Ms B Mdyesha	Y	Y	Y	Y	Y	Y
Mr S Mncwango	Y	Y	Y	N	Y	N/A
Mr S Mthethwa	N/A	N/A	N/A	N/A	N/A	N
Mr J Lekgetha	N/A	N/A	N/A	N/A	N/A	Y
Ms P Mnisi	N/A	N/A	N/A	N/A	N/A	Y
Ms M Thomani	N/A	N/A	N/A	N/A	N/A	N

Company Secretary

The Company Secretary provides the Board of directors with guidance and advice on matters of business ethics and good governance, as well as on the nature and extent of their duties and responsibilities and how such duties and responsibilities should be properly discharged.

Each of the directors have unrestricted access to the advice and services of the Company Secretary, entity information, and is entitled to seek independent professional advice, at the entity's expense in pursuance of their duties as directors.

Board audit committee and board risk committee

The roles and responsibilities for the Board Audit Committee and Board Risk Committee were split to improve and focus attention on risk management activities separately. The members of the two committees are the same members and the committee meetings happened on the same dates.

In terms of the Public Finance Management Act (Act No.1 of 1999 as amended by Act No. 29 of 1999), S77(a) & (b), at least four meetings a year should be held and the Board Audit Committee and Board Risk Committee should consist of at least three members.

The Board Audit Committee and Board Risk Committee held six meetings during the year. The Board Audit Committee and Board Risk Committee consist of three independent non-executive members. Each committee has an agreed terms of reference as approved by its Board of directors. The report of the African Exploration Mining and Finance Corporation SOC Limited Board Audit Committee and Board Risk Committee is included in these annual financial statements. The report sets out the responsibilities covered by these committees.

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Statement on Corporate Governance

Composition of Board Audit and Risk Committees for the financial year under review

	Title	Appointed/Resigned
Mr V Magan	Chairperson	05 November 2014 Resigned
Mr J Lekgetha	Member	
Mr J Lekgetha	Chairperson	04 December 2014 Appointed
Ms M Thomani	Member	
Ms P Mnisi	Member	

Board Audit and Risk Committee attendance at meetings

	06/05/2014	26/06/2014	14/07/2014	15/08/2014	03/10/2014	06/11/2014
Mr V Magan	N	Y	Y	N	N	N/A
Mr J Lekgetha	Y	Y	Y	Y	Y	Y
Ms M Thomani	Y	Y	Y	Y	Y	Y
Ms P Mnisi	Y	Y	Y	Y	N	Y

Human Resources Committee

This committee is chaired by the non-executive member and comprises non-executive members appointed by the Board. The CEO and the GM: Corporate Services attend the committee meetings by invitation.

The Committee reviews and recommends annual staff remuneration, terms and conditions of employment, the payment of incentives and bonuses, general fringe benefits, remuneration policies and the appointment of senior staff.

Social and Ethics Committee

This committee is appointed in fulfillment of the provisions of the Companies Act. The core responsibility of this Committee is to monitor the activities of the company in so far as it relates to the following:-

- Labour and employment
- Social and economic development
- Good corporate citizenship and
- Consumer relations, public relations and the environment, health and public safety, including the impact of the Companies activities.

Composition of Human Resources Committee and Social and Ethics Committee for the financial year under review

	Title
Mr S Ngidi	Chairperson
Mr M Leshabane	Member
Ms D Mathibedi	Member
Mr S Ndwandwe	Member

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Statement on Corporate Governance

Human Resources Committee and Social and Ethics Committee attendance at meetings

	05/05/2014	12/06/2014	23/09/2014	19/11/2014	04/02/2015
Mr S Ngidi	Y	Y	Y	Y	Y
Mr M Leshabane	Y	Y	Y	Y	Y
Ms D Mathibedi	Y	Y	Y	Y	Y
Mr S Ndwandwe	Y	Y	Y	Y	Y

Legends:

Y- Attended meeting, N- Apology received, N/A- Not a member at the date of meeting

4. Materiality and significance framework

A materiality and significance framework is in place. Its purpose is to regulate disclosure of material facts to the Minister of Energy, disclosure in the entity annual financial statements and approval from the Minister of Energy for participation in certain transactions.

5. Directors' responsibility for the annual financial statements

The directors of the entity are responsible for the entity's annual financial statements. The Auditor General of South Africa is responsible for performing an independent audit of the annual financial statements.

The annual financial statements and notes thereto are prepared in accordance with International Financial Reporting Standards (IFRS). Accounting policies are consistently applied except where otherwise stated, in which case full disclosure of changes is made.

The directors believe that the entity will continue as a going concern in the year ahead.

6. Internal audit

The internal audit services of the company are outsourced. The internal audit function has written terms of reference, approved by the board of directors annually. The internal audit function is under the control and direction of the board.

The internal audit function carries out its work in terms of an approved internal work plan based on the risk framework of the company. The annual work plan is approved by the audit committee. Internal audit has full access to the chairpersons of the audit committee and the Board of directors.

The key responsibilities of internal audit are to the board, its committees, or both, in discharging its responsibilities by:

- Evaluating the company's governance processes including ethics;
- Performing an objective assessment of the effectiveness of the risk management and internal control framework;
- Systematically analysing and evaluating business processes and associated controls; and
- Providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.

The internal audit function adheres to the International Standards for Professional Practice of Internal Auditing and Code of Ethics. Internal audit developed and maintained a quality assurance and improvement program. The internal audit function is subjected to an external quality review at least every 5 years.

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Statement on Corporate Governance

7. Risk management

The company has an integrated risk management function that assists in identifying, evaluating and managing the significant strategic and operational risks faced by the business. Significant progress has been made in addressing and managing these significant risks. The Risk Committee reviews the risk management process and the effectiveness of the system of internal controls by considering the regular reports from management on key risks, mitigating actions and assertions. The Risk Committee also reviews internal auditors' Combined Assurance reports on a quarterly basis to measure the effectiveness of the Combined Assurance Framework.

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Performance Against Objectives

Objectives	Activities	KPI	Target	Weight	Measurement	Achievement
1 To produce and sell 1.2 Mt of coal by March 2015.	a) Mine 1.42 Mt ROM from the pit b) Crush and screen 1.25 Mt c) 1.2 Mt coal sales (crushed plus ROM)	Tonnages produced and sold.	1.2 Mt of coal produced and sold by March 2015.	25%	(a) 50% (b) 30% (c) 20%	(a) 41% (b) 24% (c) 20%
2 To achieve zero (0) fatality and minimize lost time injuries during the year up to March 2015	Implement an effective health and safety management system to achieve no fatalities and minimize lost time injuries and therefore: (a) A target of not more than the Lost Time Injury Frequency Rate (LTIFR) of 1.72 (b) Zero fatalities	No of fatalities and Lost Time Injury Frequency Rate (LTIFR).	Not more than 1.72 in Lost Time Injury Frequency Rate and Zero fatalities up to March 2015.	5%	(a) 40% (b) 60%	(a) 80% (b) 60%
3 Complete Klippoortjie Mine Feasibility study by March 2015.	(a) Submit EMP report to relevant authorities (b) Mining Bunker studies (c) Complete Basic Engineering Design (BED) (d) Complete mine design and scheduling	Submission of the EMP, Completion of BED and Completion of Mine design and Schedule.	Submission of the EMP, Completion of BED and Completion of Mine design and Schedule.	15%	(a) 30% (b) 30% (c) 20% (d) 20%	(a) 30% (b) 30% (c) 20% (d) 20%
4 Complete Vlakfontein Mine Feasibility by March 2015.	a) Submit EMP amendment to the authorities (East Block) b) Mining Bunker studies c) Complete Surface Infrastructure design d) Complete mine design and scheduling	Submission of the EMP, Completion of BED and Completion of Mine design and Schedule.	Submission of the EMP, Completion of BED and Completion of Mine design and Schedule.	15%	(a) 30% (b) 30% (c) 20% (d) 20%	(a) 30% (b) 30% (c) 20% (d) 20%
5 Complete 3 desktop studies by March 2015.	(a) Complete the required desktop studies	Completion of the desktop studies.	Completion of the desktop studies by March 2015.	5%	(a) 100%	(a) 233%
6 Complete 3 concept studies by March 2015.	(a) Complete the required concept studies	Completion of concept studies.	Complete 3 concept studies by March 2015.	5%	(a) 100%	(a) 100%

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Performance Against Objectives

Objectives	Activities	KPI	Target	Weight	Measurement	Achievement
7 Complete T-Project Feasibility study by March 2015.	(a)Appoint EPCM advisor (b)Draft scope of work (c)Appoint EPCM (d)Secure funding (e)Acquire Land from Baniettor (f)Secure off-take Agreement	Completion of the listed activities.	Finalize T project up to feasibility and appointment of EPCM.	10%	(a)10% (b)20% (c)20% (d)20% (e)10% (f)20%	(a)0% (b)20% (c)0% (d)0% (e)0% (f)0%
8 Progress exploration programme for PAMDC identified areas by March 2015.	a)Appoint a drilling contractor for TOSCA limestone area b)Complete 1st phase of drilling to Inferred level at TOSCA limestone area c)Complete a resource estimation report for TOSCA limestone area d)Complete Geophysical surveys for 2 potential PAMDC areas in the North West	Completion of the listed activities for PAMDC identified areas.	Complete a resource estimation report for TOSCA limestone area and complete geophysical surveys in 2 NW areas.	10%	a)20% b)25% c)25% d)30%	a)20% b)25% c)25% d)30%
9 Achieve the budgeted profitability, cash flow and liquidity ratios (current and quick) for the year ending March 2015.	(a)Achieve the budgeted profitability (b)Management of cash flows and liquidity levels	Achievement of the budgeted profitability, cash flow and liquidity ratios for the 2015 financial year.	Budgeted profitability, cash flow and liquidity ratios (current and quick) for the 2015 financial year.	5%	(a)50% (b)50%	(a)42% (b)77%

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Performance Against Objectives

Objectives	Activities	KPI	Target	Weight	Measurement	Achievement
10 Develop and manage a corporate governance system at AE and achieve a level of BBBEE rating of 2 by March 2015.	(a) Formulate and Implement a Governance Framework for AE to include the following critical elements: Sound Leadership, Integrity and Responsibility, Risk Management, Internal Controls, Management of Stakeholder Relationship, DMR, CEF, Interested and Affected Parties(IAP) in projects, Prevention of Conflict of Interest	Measurement of % achievement of the listed targets.	Quarterly Risk Management Reports to BARC Management Comments for all Audit Findings Corrective Actions applied on all raised issues by 31 March 2015. Quarterly Management Reports to BARC, Board and DoE. Declaration of interests are done by employees and Board members annually. Sustainability Report. No adverse reports on the conduct of AEMFC members Zero fraud within the company per annum. Zero fruitless and wasteful expenditure per annum.	5%	(a) 60%	(a) 60%
	(b) Develop and implement a Sustainability Reporting scorecard (c) Ethics and Fraud management responsibility (d) Submit the required data for BBBEE verification to Rating Agency (e) Finalize BBBEE assessment by March 2015.				(b) 10%	((b) 10%
					(c) 10%	(c) 0%
					(d) 10%	(d) 10%
					(e) 10%	(e) 10%

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Performance Against Objectives

	Objectives	Planned Target	Overall achievement	Comments
1	To produce and sell 1.2 Mt of coal by March 2015.	25%	21%	Eskom contract with low volumes.
2	To achieve zero (0) fatality and minimize lost time injuries during the year up to March 2015.	5%	7%	No reportable injuries thus exceeding the provincial benchmark in the coal sector and ZERO fatalities. On track.
3	Complete Klippoortjie Mine Feasibility study by March 2015.	15%	15%	On track.
4	Complete Vlakfontein Mine Feasibility by March 2015.	15%	15%	Exceeded the target of 3 by completing 7 studies.
5	Complete 3 desktop studies by March 2015.	5%	5%	On track.
6	Complete 3 concept studies by March 2015.	5%	5%	EPCM adviser and EPCM contract not appointed through delays in securing funding as project is being optimised. Eskom off take contract not secured although letter of intent received and delays in acquiring surface rights. On track.
7	Complete T-Project Feasibility study by March 2015.	10%	2%	
8	Progress exploration programme for PAMDC identified areas by March 2015.	10%	10%	
9	Achieve the budgeted profitability, cash flow and liquidity ratios (current and quick) for the year ending March 2015.	5%	6%	Profitability below budget although liquidity ratios on track. This mainly as result of low volumes from Eskom contract.

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Performance Against Objectives

	Objectives	Planned Target	Overall achievement	Comments
10	Develop and manage a corporate governance system at AE and achieve a level of BBBEE rating of 2 by March 2015.	5%	5%	On track.
		100%	98%	

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Report of the Board Audit Committee and Board Risk Committee

We are pleased to present our report for the financial year ended 31 March 2015.

1. Charter

The Board Audit and Risk Committees are guided by a detailed charter that is reviewed and approved by the Board on an annual basis. The Committees have regulated their affairs in compliance with this charter and have discharged all their responsibilities as contained therein.

2. Board Audit and Board Risk Committee members, meeting attendance and assessment

The Audit and Risk Committees are independent and consists of three independent, non- executive directors. The committees meet at least twice per year as per its terms of reference.

The Chief Executive Officer, GM-Finance, GM-Risk and Compliance, GM-Corporate Strategy and Planning, GM-Projects and GM-Corporate Services, internal audit, external auditor and other assurance providers attend meetings by invitation only.

During the year under review 6 (six) ordinary meetings were held. The effectiveness of the committees and its individual members are assessed on an annual basis.

3. Role and responsibilities

3.1 Statutory duties

The Audit and Risk Committees' role and responsibilities include statutory duties per the Companies Act, 2008, and further responsibilities assigned to it by the Board. The committees executed their duties in terms of the requirements of King III and instances where the King III requirements have not been applied, have been explained in the corporate governance statement, included elsewhere in the Annual Report. The Audit Committee, in consultation with executive management, agreed to the audit plan and budgeted audit fees for the 2015 year.

3.2 Financial statements and accounting practices.

The Audit Committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards. The Audit Committee process has been established to receive and deal appropriately with any concerns and complaints relating to the reporting practices of the company. No matters of significance have been raised in the past financial year.

3.3 Internal financial controls

The Audit Committee has overseen a process by which internal audit performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This written assessment by internal audit formed the basis for the Audit Committee's recommendation in this regard to the Board, in order for the Board to report thereon. The Board report on the effectiveness of the system of internal controls is included elsewhere in the Annual Report. The Audit Committee supports the opinion of the Board in this regard.

3.4 Whistle blowing

The Audit Committee receives and deals with any concern or complaints, whether from within or outside the company, relating to the accounting practices and internal audit of the company, the content or auditing of the company's financial statements, the internal financial controls of the company and related matters.

3.5 Internal audit

The Audit Committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the Board of Directors and these functions. The Audit Committee considered and recommended the internal audit charter for approval by the Board. The internal audit function's annual audit plan was approved by the Audit Committee.

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Report of the Board Audit Committee and Board Risk Committee

The internal audit function which is outsourced is responsible for reviewing and providing assurance on the adequacy of the internal control environment across operations. Internal audit is responsible for reporting the findings of the internal audit work against the agreed audit plan to the committee on a quarterly basis. Internal audit has direct access to the Audit and Risk Committees, primarily through its chairperson. The Audit Committee is also responsible for the assessment of the performance of the internal audit function. The internal audit function is independent and has the necessary resources, budget, standing and authority within the organisation to enable it to discharge its functions.

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the company in its audits. We believe internal audit contributes to the improvement of internal controls within the company.

3.6 Internal control effectiveness

The Audit Committee has noted that the system of internal controls that is in place needs to be reviewed and improved to ensure the system of internal controls is appropriate in all material respects to:

- reduce risks to an acceptable level;
- meet the business objectives;
- ensure assets are adequately safeguarded; and
- ensure that transactions undertaken are recorded in the accounting records.

Internal and external audit provides the Audit Committee with reasonable assurance that the majority of internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the internal and external auditors, we noted that matters which indicated any deficiencies in the system of internal control have been brought under management's attention and corrective measures are being implemented.

4. Risk management

The Board assigned the oversight of the risk management function to the Risk Committee. The company implemented a risk management strategy which includes the fraud prevention plan. A formal risk assessment was undertaken for the year ending 31 March 2015 with quarterly reviews, updates and reports. Consequently, internal audit used this data to prepare the 3 year rolling strategic plan and the annual operating audit plan. The Risk Committee monitored the significant risks faced by the company through reviewing risk reporting and participation in the risk assessment workshop. We are satisfied that significant risks are being managed to an acceptable level.

5. Corporate governance

We acknowledge that the company continues to strive towards complying with sound principles of corporate governance. As per our discussions with management, management confirms that the content and quality of monthly and quarterly reports prepared and issued by the Chief Executive Officer during the year under review were properly formulated and have complied with the PFMA in this regard.

6. Annual Financial Statements

We have:

- Reviewed the audited annual financial statements to be included in the annual report;
- Reviewed the entity's compliance with legal and regulatory provisions;
- Reviewed the Auditor General of South Africa's management report and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed significant adjustments resulting from the audit.

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Annual Report for the year ended 31 March 2015

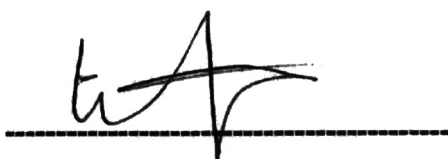
Report of the Board Audit Committee and Board Risk Committee

7. Conclusion

We therefore recommend that the Board approve the Audited Annual Financial Statements.

8. Appreciation

Mr JM Lekgetha was appointed on 4 December 2014 as the Chairperson of the Board Audit and Risk Committee. We thank the Board Audit and Risk Committee members for their commitment and a special appreciation to Mr V Magan for his contribution as the chairperson of the committees.



Mr JM Lekgetha
Board Audit & Risk Committee Chairperson

17 July 2015



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Annual Report for the year ended 31 March 2015

Statement of Financial Position as at 31 March 2015

Figures in Rand Thousand	Note(s)	2015	Restated 2014	Restated 2013
Assets				
Non-Current Assets				
Property, plant and equipment	3	92,949	114,311	117,193
Intangible assets	4	122,392	72,193	46,824
Investments in joint ventures	5	13,523	10,741	10,141
Other financial assets	7	12,472	5,209	15,900
Payments made in advance	9	1,037	1,141	-
		242,373	203,595	190,058
Current Assets				
Inventories	10	6,564	7,797	6,329
Trade and other receivables	11	60,336	40,564	41,929
Other financial assets	7	-	28,673	-
Payments made in advance	9	104	104	-
Cash and cash equivalents	12	71,622	92,054	80,656
		138,626	169,192	128,914
Total Assets		380,999	372,787	318,972
Equity and Liabilities				
Equity				
Share capital	13	4	4	4
Retained income		64,220	50,739	17,267
		64,224	50,743	17,271
Liabilities				
Non-Current Liabilities				
Loans from group companies	6	208,899	208,920	209,218
Deferred tax	8	25,142	23,550	16,651
Provisions	14	18,767	25,495	19,942
		252,808	257,965	245,811
Current Liabilities				
Trade and other payables	16	51,500	37,333	40,879
Current tax payable	15	5,467	15,966	7,067
Provisions	14	7,000	10,780	7,054
Retention		-	-	890
		63,967	64,079	55,890
Total Liabilities		316,775	322,044	301,701
Total Equity and Liabilities		380,999	372,787	318,972

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Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand Thousand	Note(s)	2015	Restated 2014
Revenue	17	235,359	230,073
Cost of sales	18	(156,782)	(142,548)
Gross profit		78,577	87,525
Other income	19	38,775	55,374
Administration expenses	20	(64,014)	(59,997)
Employee costs	22	(36,389)	(36,563)
Management fees		(50)	(1,518)
Operating profit		16,899	44,821
Finance Income	21	4,818	4,559
Interest paid	23	(2,399)	(111)
Profit before taxation		19,318	49,269
Taxation	24	(5,837)	(15,797)
Profit for the year		13,481	33,472
Other comprehensive income		-	-
Total comprehensive income for the year		13,481	33,472

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Statement of Changes in Equity

For the year ended 31 March 2015

Figures in Rand Thousand	Share capital	Retained income	Total equity
Opening balance as previously reported	4	17,856	17,860
Prior period error	-	(589)	(589)
Restated balance at 01 April 2013	4	17,267	17,271
Profit for the year	-	33,550	33,550
Prior period error	-	(78)	(78)
Total comprehensive income for the year	-	33,472	33,472
Opening balance as previously reported	4	51,406	51,410
Adjustments	-	(667)	(667)
Prior period errors	-	(667)	(667)
Balance at 01 April 2014 as restated	4	50,739	50,743
Profit for the year	-	13,481	13,481
Balance at 31 March 2015	4	64,220	64,224
Note	13	32	

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Annual Report for the year ended 31 March 2015

Statement of Cash Flows

Figures in Rand Thousand	Note(s)	2015	Restated 2014
Cash flows from operating activities			
Cash receipts from customers	27	254,363	286,812
Cash paid to suppliers and employees	28	(228,664)	(222,967)
Cash generated from operations	25	25,699	63,845
Interest income		4,818	4,559
Interest paid		(354)	-
Tax paid	26	(14,745)	-
Net cash from operating activities		15,418	68,404
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(3,982)	(9,337)
Purchase of other intangible assets	4	(50,474)	(27,900)
Increase/(decrease) in financial assets		21,410	(17,982)
Increase in investment in joint venture		(2,782)	(600)
Net cash from investing activities		(35,828)	(55,819)
Cash flows from financing activities			
Payment of retention		-	(890)
Repayment of loans from group companies		(22)	(297)
Net cash from financing activities		(22)	(1,187)
Total cash movement for the year		(20,432)	11,398
Cash at the beginning of the year		92,054	80,656
Total cash at end of the year	12	71,622	92,054

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Annual Report for the year ended 31 March 2015

Accounting Policies

1. Presentation of annual report

These accounting policies are consistent with the previous period, except for the changes set out in note 1.2 First-time adoption of International Financial Reporting Standards

1.1 Basis of preparation

The company annual financial statements are prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa and the Corporate Laws Amendments Act.

For all periods up to and including the year ended 31 March 2014, the company prepared its financial statements in accordance with SA GAAP. These financial statements for the year ended 31 March 2015 are the first the company has prepared in accordance with International Financial Reporting Standards.

The annual financial statements are prepared under the historical cost basis, except where otherwise specified.

These annual financial statements are presented in South African Rands. Rounding is to the nearest Rand in thousands. The financial statements are prepared on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

1.2 First time adoption of International Financial Reporting Standards

These are the Company's first financial annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements were previously presented in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP). The accounting policies included have been applied in preparing the annual financial statements for the year ended 31 March 2015, the comparative information and the opening balances in the statement of financial position at the date of transition. The date of transition to IFRS is 1 April 2012.

IFRS 1, First time Adoption of International Financial Reporting Standards (IFRS 1), sets out the requirements for the first time adoption of IFRS. Under IFRS 1, the IFRS standards and interpretations are applied retrospectively as at the transitional statement of financial position date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. As they are not considered applicable to AEMFC SOC Limited, the Company has not applied any exemptions to its opening statement of financial position.

IFRS 1 also includes specific guidance that a first time adopter must adhere to under certain circumstances. The Company has applied the guidelines to its opening statement of financial position date 1 April 2012.

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under the previous SA GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of 1 April 2014 are consistent with the estimates applied under SA GAAP for the same date.

IFRS is based on a conceptual framework that is similar to SA GAAP. The adoption of IFRS has not changed the company's statement of financial position, statement of profit or loss, statement of changes in equity and statement of cash flow for the year ended 31 March 2014 and 31 March 2013.

The effects of the transition to IFRS had no impact on the statement financial position, statement of profit or loss, statement of comprehensive income and statement of changes in equity. Certain additional disclosure has been included in the notes to the financial statements as a result of the adoption of IFRS.

Stripping costs during production phase

During the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the ore to be mined, the latter being referred to as a "production stripping asset". An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. The mine plan defines the operations components, and also determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. The company removes waste and coal in the underlying seam in the same period. The blocks are small enabling the mine to open a seam and mine it in a short period. IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine clarified existing treatment of stripping costs and there is no effect on transition to IFRS.

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Accounting Policies

1.3 Translation of foreign currencies

Transactions

Foreign currency transactions are recognised, initially in Rand by applying the foreign currency amount to the exchange rate between the Rand and the foreign currency at the date of the transaction, and is restated at each reporting date by using the ruling exchange rate at that date.

Statement of Financial Position

At each reporting date:

- foreign currency monetary items are measured using the closing rate;
- non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction, and
- non-monetary items which are carried at fair value denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting a company's monetary items at rates different from those at which they were initially recorded during the period, or reported in previous annual financial statements, are recognised as income or expenses in the period in which they arise. Exchange differences are capitalised where they relate to the purchase or construction of property, plant and equipment.

1.4 Comparative figures

Comparative figures are restated in the event of a change in accounting policy or prior period error.

1.5 Property, plant and equipment

Property, plant and equipment represent tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one period.

Carrying amounts

All property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated.

Cost

Cost includes all costs directly attributable to bringing the assets to the working condition for their intended use. Improvements are capitalised. Maintenance, repairs and renewals which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income.

The cost of self constructed assets includes expenditure on material, direct labour and an allocated proportion of project overheads. When regular major inspections are a condition of continuing to operate an item of property, plant and equipment, and plant shutdown costs will be incurred, an estimate of these shutdown costs are included in the carrying value of the asset at initial recognition. Costs capitalised for work in progress in respect of activities to develop, expand or enhance items of property, plant and equipment are classified as part of assets under construction.

Cost also includes the estimated costs of dismantling and removing the asset and environmental rehabilitation costs to the extent that they relate to the construction of the asset. Capitalisation of costs ceases when the item of property, plant and equipment is ready for use.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Finance costs directly associated with the construction or acquisition of major assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of borrowings is utilised.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in statement of profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Depreciation

Depreciation is charged so as to write off the depreciable amount of the assets, other than land, over their estimated useful lives to estimated residual values, using the straight line method to write off the cost of each asset that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Depreciation commences once the item of property, plant and equipment is available for intended use.

When plant and equipment comprises major components with different useful lives, these components are accounted for as separate items.

Assets held under finance leases are depreciated over their expected useful lives or the term of the relevant lease, where shorter.

The following methods and rates are used during the year to depreciate property, plant and equipment to estimated residual values:

Item	Average useful life
Land	Not depreciated
Buildings	5 - 40 years
Mine infrastructure	5-20 years (limited to life of mine)
Operating assets	3 - 20 years
Furniture and fixtures	2 - 15 years
Motor vehicles	4 - 12 years
IT equipment	3 - 5 years

The residual value and useful life of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

The methods of depreciation, useful lives and residual values are reviewed annually.

Development expenditure

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as assets under construction, and is disclosed as a component of property, plant and equipment. All subsequent development expenditure is capitalised and classified as assets under construction, provided commercial viability conditions continue to be satisfied. Development expenditure is net of proceeds from the sale of minerals extracted during the development phase. On completion of development, all assets included in assets under construction are reclassified as mine infrastructure assets.

The cost capitalized includes finance costs incurred until the production facility is completed and ready for the start of the production phase.

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1.5 Property, plant and equipment (continued)

Expenditure on producing mines or development properties is capitalised when excavation or drilling is incurred to extend reserves or further delineate existing proved and probable mineral reserves. All development expenditure incurred after the commencement of production is capitalised to the extent that it gives rise to probable future economic benefits.

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at cost if acquired separately or internally generated or at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, the intangible asset is not amortised but tested for impairment annually and impaired if necessary. If assessed as having a finite useful life, it is amortised over its useful life using a straight line basis and tested for impairment if there is an indication that it may be impaired.

Research expenditure relating to new technical knowledge and understanding is recognised in statement of profit or loss when incurred.

Development costs are capitalised only if they result in an asset that can be identified, it is probable that the asset will generate future economic benefits and the development cost can be reliably measured. Otherwise it is recognised in statement of profit or loss.

Purchased software and the direct costs associated with the customisation and installation thereof are capitalised. Pre-licensing costs are incurred prior to the acquisition of a legal right to explore the mineral reserves.

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements;
- conducting market and finance studies.

Exploration expenditure incurred prior to the approval of the concept study competent persons report are charged to the statement of profit or loss. The concept study is a high level study to estimate tonnage available and potential mine size. Expenditure incurred subsequent to concept study competent persons report are capitalised. Administration costs that are not directly attributable to a specific exploration area are charged to the statement of profit or loss.

Capitalised exploration and evaluation expenditure is considered to be a intangible asset and is carried at cost less impairment charges. In determining whether the cost of the exploration and evaluation assets is intangible or property, plant and equipment, consideration is given to the substance and not legal form.

When a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash-generating unit) to which the exploration is attributed. Exploration areas in which reserves have been discovered but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is under way or planned. To the extent that capitalised expenditure is no longer expected to be recovered, it is charged to the statement of profit or loss.

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1.6 Intangible assets (continued)

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 - 10 years
Exploration and evaluation assets	Not depreciated

1.7 Impairment of non - financial assets

The company assesses, at each reporting date, whether there is an indication that an asset (other than inventory and deferred tax asset) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company's estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company's of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. A previously recognised impairment loss reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Exploration assets are tested for impairment when development of the mine commences or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration assets' carrying amount exceeds their recoverable amount. For the purpose of assessing impairment, the relevant exploration assets are included in the existing cash generating units of producing mines that are located in the same geographic region.

1.8 Leases

Leases are classified as finance leases whenever they transfer substantially all the risks and rewards of ownership to the company. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Leases are classified as finance leases or operating leases at the inception of the lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement. A lease exists if any of the following conditions is met:

- The purchaser has the ability or right to operate the asset or to direct how others should operate the asset, and at the same time obtains or controls more than an insignificant amount of the asset's output.
- The purchaser has the ability or right to control physical access to the asset, while obtaining or controlling more than an insignificant amount of the asset's output.
- The possibility that another party will take more than an insignificant amount of the asset's output during the term of the arrangement is remote, and the price paid by the purchaser for the output is neither a contractually fixed price per unit of output, nor the market price per unit of output.

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1.8 Leases (continued)

Finance leases – lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised through the statement of financial position as an operating lease asset or liability. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value on the weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumable stocks

These inventories are measured at the lower of cost on a weighted average cost basis and net realisable value. Inventories are classified as current when it is reasonable to expect them to be sold within their normal cycle which could be the next financial year. If not, they are classified as non current.

Coal inventory

Inventory is measured at the lower of cost and net realisable value according to the weighted average method. Cost includes expenditure incurred in extracting and crushing the inventory. Conversion costs include an allocated portion of mining and production overheads and depreciation which are directly attributable to the cost of producing inventory.

The costs attributable to any inefficiencies in production are charged to the statement of profit or loss as incurred.

1.10 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the company becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets include cash and cash equivalents, trade receivables, other receivables, loans, other investments, and derivative financial instruments. The company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Transaction costs for financial assets classified as fair value through profit or loss are expensed.

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1.10 Financial instruments (continued)

The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried on reporting date at fair value with gains or losses recognised in profit or loss. Derivatives are classified as held for trading and are included in this category. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective Interest Rate. The Effective Interest Rate amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables, financial assets at fair value through profit or loss, or held-to-maturity financial assets. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognized within statement of other comprehensive income, except for impairment losses, foreign exchange gains or losses and any changes in fair value arising from revised estimates of future cash flows, which are recognized in profit or loss.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the company has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the intention and ability to hold the financial asset accordingly.

Impairment of financial assets

The company assesses at each statement of financial position date whether a financial asset or company of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, 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 discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in the statement of profit or loss.

Available for sale financial assets

For available for sale assets, the company assesses at each reporting date whether there is objective evidence that an investment or company of investments is impaired. In the case of equity investments classified as available for sale, objective evidence would include prolonged or significant decline in the fair value below the cost.

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1.10 Financial instruments (continued)

When there is evidence of impairment, the cumulative loss is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognised in the statement of comprehensive income.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss or as financial liabilities measured at amortised cost, as appropriate. Financial liabilities include trade and other payables, accruals, most items of finance debt and derivative financial instruments. The company determines the classification at initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are carried on reporting date at fair value with gains or losses recognized in profit or loss. Derivatives are classified as held for trading and are included in this category.

Financial liabilities measured at amortised cost

Financial liabilities at amortised cost are initially recognised at fair value. For interest-bearing loans and borrowings, this is the fair value of the proceeds received net of issue costs associated with the borrowing. Subsequently they are measured at amortized cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other income and finance costs. This category of financial liabilities includes trade and other payables and finance debt.

Loans to (from) group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

All financial liabilities are measured at amortised cost, comprising original debt less principal payments and amortisation.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

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Accounting Policies

1.10 Financial instruments (continued)

Derivative financial instruments

Derivative financial instruments, principally interest rate swap contracts and forward foreign exchange contracts, are used by the company in its management of financial risks.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Payments and receipts under interest rate swap contracts are recognised in the profit or loss on a basis consistent with the corresponding fluctuations in the interest payment on floating rate financial liabilities.

The carrying amounts of interest rate swaps, which comprise net interest receivables and payables accrued are included in assets and liabilities respectively.

Derecognition

A financial asset or part thereof is derecognised when the company realises the contractual rights to the benefits specified in the contract, the rights expire, the company surrenders those rights or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in equity is included in net profit or loss for the period.

A financial liability or a part thereof is derecognised when the obligation specified in the contract is discharged, cancelled, or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and the amount paid for it is included in net profit or loss for the period.

Fair value considerations

The fair values at which financial instruments are carried at the reporting date have been determined using available market prices. Where market prices are not available, fair values have been calculated by using valuation techniques. These include discounting expected future cash flows at prevailing interest rates, recent arms length transactions reference to other instruments that are substantially the same and option pricing models. The carrying amounts of financial assets and financial liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short term trading cycle of these items.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a current legal right to offset the amounts and intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

1.11 Post-employment benefit costs

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution costs

The company operates a defined contribution plan, the assets of which are held in a separate trustee administered fund. The plan is funded by payments from the company, and takes into account of the recommendations of independent qualified actuaries.

Contributions to a defined contribution plan in respect of service in a particular period are recognised as an expense in that period.

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1.12 Provisions

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Provisions represent liabilities of uncertain timing or amounts.

Provisions are recognised when a present legal or constructive obligation exists, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured at the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

Environmental rehabilitation provision

Estimated long term environmental provisions, comprising rehabilitation and mine closure are based on the company's environmental policy taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognized as and when the environmental liability arises and they are capitalized as part of the cost of the assets.

The provision at reporting date represents managements best estimate of the present value of the future rehabilitation costs required.

The amount recognized is the estimated cost of rehabilitation, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of rehabilitation cost and to the future cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to mine infrastructure. The unwinding of the discount on the restoration provision is included as a finance cost.

Ongoing rehabilitation expenditure is charged to the statement of profit or loss.

Bonus provision

Employees entitlement to performance bonus is recognised when the board has approved a percentage of the annual package as bonus for the year. The provision becomes actual after being qualified by the results of the performance measurement tool applied.

1.13 Revenue recognition

Revenue from the sale of goods is recognised when persuasive evidence (usually in the form of a sales agreement) of an arrangement exists and;

- there has been a transfer of risks and rewards to the customer;
- no further work or processing is required by the company;
- the quantity and quality of the goods has been determined with reasonable accuracy;
- the price is fixed or determinable;

The measurement is at the fair value received or receivable net of VAT, cash discounts, rebates and settlement discounts.

Sale of coal

Revenue from the sale of goods is recognised when title has passed to the buyer. Title passes when delivery has been made and the coal have been accepted by the buyer to meet the required specifications.

Service revenue

Revenue from the rendering of services is measured using the stage of completion method based on the services performed to date as a percentage of the total services to be performed. Revenue from the rendering of services is recognised when the amount of the revenue, the related costs and the stage of completion can be measured reliably and when it is probable that the debtor will pay for the services.

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1.13 Revenue recognition (continued)

Royalties

Revenue from royalties is recognised on the accrual basis in accordance with the substance of the relevant agreements.

1.14 Cost of sales

When inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs.

1.15 Income from investments

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

1.16 Taxation

Current tax assets and liabilities

The tax expense for the period comprises current and deferred tax from originating and reversing temporary differences.

The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income.

Deferred tax is recognised for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
 - is not a business combination; and
 - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination;
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss); and
- where it is not probable that taxable profit will be available in future periods against which the deductible temporary differences can be utilised.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

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1.17 Finance costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Payments made in advance

Expenses paid in advance prior to delivery occurring or the service being rendered is stated on the statement of financial position as deferred expenses and is recognised in the statement of profit or loss on a straight line basis over the lower of the life of mine or economic life of the asset.

1.19 Stripping costs

The process of removing overburden and other mine waste materials to access mineral deposits is referred to as stripping. In open-pit mining, stripping costs are accounted for separately for each component of an ore body. A component is a specific section within an ore body that is made more accessible by the stripping activity. The identification of components is dependent on the mine plan.

There are two types of stripping activity:

- Development stripping is the initial overburden removal during the development phase to obtain access to a mineral deposit that will be commercially produced.
- Production stripping commences after the first saleable minerals have been extracted from the component.

Development stripping costs are capitalised as a development stripping asset when:

- It is probable that future economic benefits associated with the asset will flow to the entity; and
- The costs can be measured reliably.

Production stripping can give rise to two benefits being either the production of inventory in the current period or improved access to the ore to be mined in future periods. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing the inventory. Where production stripping costs are incurred and where the benefit is the creation of access to ore to be mined in the future, the costs are recognised as a non current asset, referred to as 'production stripping asset', if the following criteria are met:

- It is probable that the future economic benefit (improved access to ore) will flow to the entity
- The component of the ore body for which access has been improved can be identified; and
- The costs relating to the stripping activity can be measured reliably.

If all the criteria are not met, the production stripping costs are charged to the statement of profit or loss. Production stripping asset is accounted for as an addition or enhancement to the mine infrastructure. The asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component, plus an allocation of attributable overheads. If the production stripping asset and the inventory produced are not separately identified, a production measure is used to allocate the production stripping costs between the inventory produced and the production stripping asset.

Production stripping assets are carried at cost less depreciation and impairment loss.

1.20 Subsequent events

Recognised amounts in the annual financial statements are adjusted to reflect events arising after the reporting date that provide evidence of conditions that existed at the reporting date. Events after the reporting date that are indicative of conditions that arose after the reporting date are dealt with by way of a note.

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1.21 Irregular and fruitless and wasteful expenditure

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

- the PFMA, or
- Any provisional legislation providing for procurement procedures in that provincial government.

When determining whether expenditure shall be classified as fruitless and wasteful or irregular the following will be considered:

- Could reasonable steps have been taken to avoid the expenditure?
- Were there policies and/or procedures governing the incurred expenditure?
- Is it material? (for disclosure purposes).

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised.

All irregular and fruitless and wasteful expenditure is charged against statement of profit or loss in the period in which it is incurred and disclosed as a note to the annual financial statements of the company.

When an accounting authority determines the appropriateness of disciplinary steps against an official, the accounting authority must take into account:

- The circumstances of the transgression;
- The extent of the expenditure involved; and
- The nature and seriousness of the transgression.

All unauthorised, irregular or fruitless and wasteful expenditure are disclosed as a note to the annual financial statements of the company.

1.22 Key assumptions made by management in applying accounting policies

Critical accounting estimates and judgments:

In preparing the annual financial statements in terms of IFRS, the company's management is required to make certain estimates and assumptions that may materially affect reported amounts of assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reported period and the related disclosures. As these estimates and assumptions concern future events, due to the inherent uncertainty involved in this process, the actual results often vary from the estimates. These estimates and judgments are based on historical experience, current and expected future economic conditions and other factors, including expectations of the future events that are believed to be reasonable under the circumstances.

Inventory

Coal stocks are measured using survey methods. At reporting date an independent surveyor is employed to perform the stock measurement concurrently with the company and the results are compared for reasonableness.

Environmental rehabilitation provision

Rehabilitation provisions are assessed annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation. The factors affecting the ultimate liability payable include the extent and cost of rehabilitation activities, technology changes, regulatory changes, cost increases and changes in inflation and discount rates. Changes in estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation provision and the asset.

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1.22 Key assumptions made by management in applying accounting policies (continued)

Impairments and impairment reversals

Impairment tests are performed when there is an indication of impairment of assets or a reversal of previous impairments of assets. Management therefore has implemented certain impairment indicators and these include movements in exchange rates, commodity prices and the economic environment its businesses operate in. Estimates are made in determining the recoverable amount of assets which include the estimation of cash flows and discount rates used. In estimating the cash flows, management base cash flow projections on reasonable and supportable assumptions that represent managements' best estimate of the range of economic conditions that will exist over the remaining useful life of the assets, based on publicly available information. The discount rates used are pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

Contingent liabilities

Management considers the existence of possible obligations which may arise from legal action as well as the possible non-compliance of the requirements of completion guarantees and other guarantees provided. The estimation of the amount disclosed is based on the expected possible outflow of economic benefits should there be a present obligation.

Evaluation of the useful life of assets

On an annual basis, management evaluate the useful life of all assets. In carrying out this exercise, experience of asset's historical performance and the medium-term business plan are taken into consideration.

Trade Receivables / Held To Maturity Investments And/or Loans And Receivables

The company assesses its trade receivables / held to maturity investments and/or loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of profit or loss, the company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables / held to maturity investments and/or loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and a direct cost to sell on certain inventory items. The write down is included in the operation profit note

Classification of joint arrangements

The company has joint control over Pan African Mining and Development Company (Pty) Ltd because the contractual arrangements set out that decisions relating to relevant activities can only be taken by unanimous consent of all parties to the arrangement. The directors have concluded that the arrangement is a joint venture since the partners have rights to the net assets of PAMDC (Pty) Ltd and the memorandum give the parties the rights to a share of the net outcome generated by the economic activity.

Going concern

Management considers key financial metrics in its approved medium-term budgets, together with its existing term facilities, to conclude that the going-concern assumption used in compiling the annual financial statements is relevant.

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Accounting Policies

1.22 Key assumptions made by management in applying accounting policies (continued)

Exploration and evaluation expenditure

The company's accounting policy for exploration and evaluation expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of profit or loss.

Development expenditure

Development activities commence after project sanctioning by the appropriate level of management. Judgement is applied by management in determining when a project is economically viable. In exercising this judgement, management is required to make certain estimates and assumptions similar to those described above for capitalised exploration and evaluation expenditure. Any such estimates and assumptions may change as new information becomes available. If, after having commenced the development activity, a judgement is made that a development asset is impaired, the appropriate amount will be written off to the statement of profit or loss.

1.23 Related parties

The services received or rendered from or to related parties arise mainly from service transactions, including management fees for services performed on behalf of the company.

The receivables from related parties arise mainly from services transactions and are due on month after the date of the services. The receivables are unsecured in nature and bear no interest. There are no provision held against receivables from related parties.

The payables to related parties arise mainly from service transactions, including management fees and are due one month after the date of purchase. The payables bear no interest.

The loans to or from related parties arise from loan agreements entered into for the year under review. These loans may be subordinated by CEF SOC Limited.

1.24 Investments in joint arrangements

An investment in a joint venture is carried at cost less any accumulated impairment.

1.25 Share capital and equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.26 Other financial assets

Other financial assets includes restricted assets for environmental rehabilitation guarantee. Financial guarantee contracts relate to funds set aside to settle mining damages and restoration expenses. The current/non-current classification is based on the expected timing of the release of the funds of the company.

1.27 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.



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Notes to the Annual Report

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 April 2015 or later periods:

Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations

The amendments apply to the acquisitions of interest in joint operations. When an entity acquires an interest in a joint operation in which the activity of the joint operation constitutes a business, as defined in IFRS 3, it shall apply, to the extent of its share, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in this IFRS and disclose the information that is required in those IFRSs in relation to business combinations. This applies to the acquisition of both the initial interest and additional interests in a joint operation in which the activity of the joint operation constitutes a business.

The effective date of the amendments is for years beginning on or after 01 January 2016.

The company expects to adopt the amendments for the first time in the 2017 annual report.

It is unlikely that the amendments will have a material impact on the company's annual report.

IFRS 15 Revenue from Contracts with Customers

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

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

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

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after 01 January 2017.

The company expects to adopt the standard for the first time in the 2018 annual report.

The company is unable to reliably estimate the impact of the standard on the annual report.

IFRS 9 Financial Instruments

In July 2014, the IASB finalised the reform of financial instruments accounting and issued IFRS 9, which will supersede IAS 39 in its entirety upon the formers effective date. IFRS 9 includes limited amendments to the classification and measurement requirements by introducing a "fair value through statement of other comprehensive income" measurement category for certain simple debt instruments. It also add the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit.

The completed IFRS 9 contains the requirements for (a) the classification and measurement of financial assets and financial liabilities, (b) impairment methodology, and (c) general hedge accounting.

- Financial assets will be categorised as those subsequently measured at fair value or at amortised cost.

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Notes to the Annual Report

2. New Standards and Interpretations (continued)

- Financial assets at amortised cost are those financial assets where the business model for managing the assets is to hold the assets to collect contractual cash flows (where the contractual cash flows represent payments of principal and interest only). All other financial assets are to be subsequently measured at fair value.
- For hybrid contracts, where the host contract is an asset within the scope of IFRS 9, then the whole instrument is classified in accordance with IFRS 9, without separation of the embedded derivative. In other circumstances, the provisions of IAS 39 still apply.
- Voluntary reclassification of financial assets is prohibited. Financial assets shall be reclassified if the company changes its business model for the management of financial assets. In such circumstances, reclassification takes place prospectively from the beginning of the first reporting period after the date of change of the business model.
- Investments in equity instruments may be measured at fair value through statement of other comprehensive income. When such an election is made, it may not subsequently be revoked, and gains or losses accumulated in equity are not recycled to profit or loss on derecognition of the investment. The election may be made per individual investment.
- IFRS 9 does not allow for investments in equity instruments to be measured at cost.
- The classification categories for financial liabilities remains unchanged. However, where a financial liability is designated as at fair value through profit or loss, the change in fair value attributable to changes in the liabilities credit risk shall be presented in statement of other comprehensive income. This excludes situations where such presentation will create or enlarge an accounting mismatch, in which case, the full fair value adjustment shall be recognised in profit or loss.

The effective date has not yet been established as the project is currently incomplete. The IASB has communicated that the effective date will not be before years beginning on or after 01 January 2018. IFRS 9 may be early adopted. If IFRS 9 is early adopted, the new hedging requirements may be excluded until the effective date.

The company does not envisage the adoption of the standard until such time as it becomes applicable to the company's operations.

It is unlikely that the standard will have a material impact on the company's annual report.

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3. Property, plant and equipment

	2015			2014			2013		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
Land	11,930	-	11,930	11,930	-	11,930	11,930	-	11,930
Buildings	3,904	(1,021)	2,883	3,827	(629)	3,198	3,731	(246)	3,485
Operating assets	52,229	(17,721)	34,508	51,711	(12,704)	39,007	50,665	(7,400)	43,265
Furniture and fixtures	3,092	(1,421)	1,671	3,038	(980)	2,058	2,669	(545)	2,124
Motor vehicles	6,583	(2,703)	3,880	5,644	(1,844)	3,800	4,668	(1,289)	3,379
IT equipment	3,948	(2,362)	1,586	3,488	(1,577)	1,911	3,517	(898)	2,619
Assets under development	1,356	-	1,356	2,297	-	2,297	725	(247)	478
Mine infrastructure	50,581	(15,446)	35,135	63,220	(13,110)	50,110	55,168	(5,255)	49,913
Total	133,623	(40,674)	92,949	145,155	(30,844)	114,311	133,073	(15,880)	117,193

Reconciliation of property, plant and equipment - 2015

	Carrying amount at beginning of the year	Additions	Transfers	Changes in estimate	Depreciation	Write offs	Carrying amount at end of the year
Land	11,930	-	-	-	-	-	11,930
Buildings	3,198	77	-	-	(392)	-	2,883
Operating assets	39,007	850	-	-	(5,276)	(73)	34,508
Furniture and fixtures	2,058	108	-	-	(463)	(32)	1,671
Motor vehicles	3,800	940	-	274	(1,134)	-	3,880
IT equipment	1,911	542	-	-	(817)	(50)	1,586
Assets under development	2,297	1,356	(2,297)	-	-	-	1,356
Mine infrastructure	50,110	109	2,297	11	(8,619)	(8,773)	35,135
	114,311	3,982	-	285	(16,701)	(8,928)	92,949

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Carrying amount at beginning of the year	Additions	Transfers	Changes in estimate	Depreciation	Write offs	Carrying amount at end of the year
Land	11,930	-	-	-	-	-	11,930
Buildings	3,485	96	-	-	(383)	-	3,198
Operating assets	43,265	1,776	613	294	(6,277)	(664)	39,007
Furniture and fixtures	2,124	345	21	57	(478)	(11)	2,058
Motor vehicles	3,379	1,979	-	-	(1,119)	(439)	3,800
IT equipment	2,619	159	-	39	(859)	(47)	1,911
Assets under development	478	2,383	(564)	-	-	-	2,297
Mine infrastructure	49,913	8,040	(70)	(3,102)	(4,521)	(150)	50,110
	117,193	14,778	-	(2,712)	(13,637)	(1,311)	114,311

Included in mine infrastructure additions is the environmental rehabilitation write up of R5.4 million.

Reconciliation of property, plant and equipment - 2013

	Carrying amount at beginning of the year	Additions	Transfers	Depreciation	Write offs	Carrying amount at end of the year
Land	11,930	-	-	-	-	11,930
Buildings	1,133	2,575	14	(237)	-	3,485
Operating assets	47,383	1,212	166	(5,496)	-	43,265
Furniture and fixtures	1,047	1,413	-	(336)	-	2,124
Motor vehicles	2,353	1,789	-	(763)	-	3,379
IT equipment	2,281	1,079	-	(741)	-	2,619
Assets under development	246	478	-	-	(246)	478
Mine infrastructure	45,124	8,028	(180)	(2,984)	(75)	49,913
	111,497	16,574	-	(10,557)	(321)	117,193

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3. Property, plant and equipment (continued)

Property, plant and equipment encumbered as security

The property, plant and equipment are held as collateral against the due performance by the company of its obligations on the loan from the holding company.

Changes in estimates

The company reassesses the useful lives and residual values of items of property, plant and equipment at the end of each reporting period, in line with the accounting policy and IAS 16 Property, Plant and Equipment. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

The useful lives and residual values of property, plant and equipment have been assessed as based on this analysis and changes in estimates reported are as follows:

- The impact of the review of useful life on mine infrastructure is a reduction in the annual depreciation charge for the current year of R11 thousand.
- The impact of review of residual values on motor vehicles is a reduction in the annual depreciation charge for the current year of R274 thousand.

Write off of assets

Write offs in furniture and fixtures, computer equipment and operating assets relate to assets that are damaged and not in good working condition.

A regulatory assessment of the Financial Mine Closure Quantum as contemplated in terms of the Mineral and Petroleum Resources Development Act (Act 28 of 2002) conducted during the current year realised a financial provision of R18.7 million (2014 : R25.4 million). The write down of R8.7 million is because backfill rehabilitation has commenced, resulting in a smaller void size. The reversal in the rehabilitation provision has been accounted for as a decrease in mine infrastructure assets. In the prior year, the effect of the change is a write up of R5.4 million.

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4. Intangible assets

	2015			2014			2013		
	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount	Cost	Accumulated amortisation	Carrying amount
Computer software	5,802	(4,891)	911	5,598	(4,885)	713	5,473	(2,354)	3,119
Exploration and evaluation assets	121,481	-	121,481	71,480	-	71,480	43,705	-	43,705
Total	127,283	(4,891)	122,392	77,078	(4,885)	72,193	49,178	(2,354)	46,824

Reconciliation of intangible assets - 2015

	Carrying amount at beginning of the year	Additions	Change in estimate	Amortisation	Carrying amount at end of the year
Computer software	713	473	403	(678)	911
Exploration and evaluation assets	71,480	50,001	-	-	121,481
	72,193	50,474	403	(678)	122,392

Reconciliation of intangible assets - 2014

	Carrying amount at beginning of the year	Additions	Amortisation	Write offs	Carrying amount at end of the year
Computer software	3,119	125	(2,476)	(55)	713
Exploration and evaluation assets	43,705	27,775	-	-	71,480
	46,824	27,900	(2,476)	(55)	72,193

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4. Intangible assets (continued)

Reconciliation of intangible assets - 2013

	Carrying amount at beginning of the year	Additions	Amortisation	Write offs	Carrying amount at end of the year
Computer software	3,677	1,371	(1,929)	-	3,119
Exploration and evaluation assets	36,872	7,878	-	(1,045)	43,705
	40,549	9,249	(1,929)	(1,045)	46,824

Individually material intangible assets

T Project	92,691	57,996	41,788
Vlakfontein Phase	11,151	8,657	1,401
Klippoortjie	17,639	4,827	516

Change in estimate

The company reassesses the useful lives and residual values of items of intangible assets at the end of each reporting period, in line with the accounting policy and IAS 38 Intangible Assets. These assessments are based on historic analysis, benchmarking, and the latest available and reliable information.

The impact on computer software of the change in useful life is a decrease in the annual depreciation charge for the current year of R403 thousand. Systems Application Products (SAP) software's useful life was reviewed from 2 years to 8 years.

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Figures in Rand Thousand	2015	2014	2013
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5. Joint arrangements

Joint ventures

The following table lists all of the joint ventures in the company. AEMFC SOC Ltd does not prepare consolidated financial statements, the proportionate share of the joint ventures have been consolidated in the results of the ultimate holding company, CEF SOC Ltd.

Name of company						
PAMDC (Pty) Ltd	33.30 %	33.30 %	33.30 %	13,523	10,741	10,141

The governments of South Africa, Zimbabwe and Zambia created a special purpose vehicle, PAMDC (Pty) Ltd, to collaborate and develop mineral resources in the region as enshrined in the Southern African Development Community Mining Protocol, the Plan of Action for the Global Mining Initiative of the New Partnership for the Africa's Development and African Mining Partnership. PAMDC (Pty) Ltd is co owned by the parties in equal proportions. South African government through AEMFC SOC Limited is a co share owner in PAMDC (Pty) Ltd.

The memorandum of agreement states that decisions on the relevant activities require the unanimous consent of all the parties. PAMDC (Pty) Ltd is a joint venture since the partners have rights to the net assets of PAMDC (Pty) Ltd and the memorandum give the parties the rights to a share of the net outcome generated by the economic activity.

6. Loans from group companies

Non-current liabilities

CEF SOC Ltd	208,899	208,920	209,218
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The shareholders loan is interest free and has no fixed repayment terms. The loan is subordinated to all the creditors of the company. The value of assets are held as collateral against the due performance of the company's obligations of repayment.

The carrying amount approximates the fair value of the loan.

7. Other financial assets

Restricted cash for environmental rehabilitation guarantee	12,472	33,882	15,900
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The funds are held in a long term investment account held in terms of the Mineral and Petroleum Resources Development Act, 2002, for the company to execute environmental rehabilitation on current mining operations and exploration assets in progress.

Non-current assets

Cash backed guarantee	-	-	15,900
Insurance guarantee	12,472	5,209	-

Current assets

Cash backed guarantee	-	28,673	-
	12,472	33,882	15,900

The insurance guarantor undertakes to pay R39.1 million towards the environmental rehabilitation programme of Vlaktefontein Mine and R42.9 million towards rehabilitation of T Projects. Interest earned on the investments for the year is R530 thousand.

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Figures in Rand Thousand	2015	2014	2013	
7. Other financial assets (continued)				
Fair values of restricted cash for environmental rehabilitation guarantee				
Fair value	82,163	100,341	15,900	
8. Deferred tax				
Deferred tax liability	(25,142)	(23,550)	(16,651)	
Reconciliation of deferred tax asset / (liability)				
At beginning of year	(23,550)	(16,651)	7,951	
Property, plant and equipment	(8,236)	(5,892)	(8,981)	
Provisions	(618)	1,036	954	
Prepayments	523	(79)	(148)	
Unredeemed capital expenditure	6,739	(1,964)	(16,427)	
	(25,142)	(23,550)	(16,651)	
9. Payments made in advance				
Reconciliation of opening and closing balance - 2015				
	Opening balance	Additions	Charged to statement of profit or loss	Total
Payments made in advance	1,245	-	(104)	1,141
Reconciliation of opening and closing balance - 2014				
	Opening balance	Additions	Charged to statement of profit or loss	Total
Payments made in advance	-	1,349	(104)	1,245
Current asset		104	104	-
Non current asset		1,037	1,141	-
		1,141	1,245	-

Payments made in advance are in respect of power infrastructure constructed for the mine and held as operating lease. The cost of the infrastructure is charged to the statement of profit or loss over the lower of life of the mine or economic life of the underlying asset.

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Figures in Rand Thousand	2015	2014	2013
10. Inventories			
Run of mine (ROM)	4,877	5,056	7,754
Crushed coal	1,372	3,040	2,303
Consumable stocks	1,781	542	404
	8,030	8,638	10,461
Inventories (write-downs)	(1,466)	(841)	(4,132)
	6,564	7,797	6,329

The ROM stock is the coal directly extracted from the pit. This is either sold to external customers or crushed according to customer specification and converted to crushed coal.

Write down relates to the coal with low qualities written down to net realisable value.

11. Trade and other receivables

Trade receivables	41,107	12,734	33,008
Employee loans	145	151	29
Prepayments	2,895	1,695	530
Deposits*	8,245	11,778	4,233
VAT receivable	1,185	698	-
Sundry receivables**	6,497	13,230	4,023
Interest receivable	262	278	106
	60,336	40,564	41,929

* Deposits includes security deposits held by suppliers and upfront payments to Eskom SOC for the construction of power infrastructure at future mining sites.

** Sundry receivables mainly includes amounts due from lessee for royalties receivable on a mineral lease agreement.

Trade and other receivables pledged as security

The maximum exposure to credit risk at reporting date is the carrying amount of trade receivables, sundry receivables, employee loans and interest receivable. The company does not hold collateral as security for receivables. No trade and other receivables have been pledged as security.

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Figures in Rand Thousand	2015	2014	2013
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11. Trade and other receivables (continued)

Credit quality of trade receivables

Trade receivables are non interest bearing. Debtors payment terms are thirty (30) days after invoice date unless otherwise agreed to with the seller and subject to the seller's determination regarding the customers qualification for credit. The company's main customer is Eskom SOC Limited, as a result of the single major customer the concentration risk is high. Eskom SOC Limited has no history of default and the Moody's credit rating is BA1 at March 2015 (March 2014 : BAA3).

At the reporting date, the maximum exposure to credit risk for receivables by customer type was:

Counterparties with external credit rating (Moody's)

BA1	35,520	-	-
BAA3	-	10,389	27,208
	35,520	10,389	27,208

Counterparties by class

Local public	36,705	11,087	27,208
Local private	12,346	15,853	9,929
Employees	145	151	29
	49,196	27,091	37,166

Fair value of trade and other receivables

The carrying amounts of trade and other receivables approximates their fair values.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2015, R1.9 million balance was past payment date by less than 3 months, hence they were not impaired.

Sundry debtors include R6.4 million due for royalties for the period June to August 2014, the debt has not been impaired.

The ageing of trade and sundry receivables is as follows:

Current	39,157	25,676	37,031
30 - 90 days	1,980	136	-
91 + days	6,467	152	-
	47,604	25,964	37,031

Reconciliation of provision for impairment of trade and other receivables

Opening balance	6	28	-
Increase/(Decrease) in provision	(6)	(22)	28
	-	6	28

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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Figures in Rand Thousand	2015	2014	2013
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12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4	3	6
Bank balances	47,521	52,728	50,650
Short-term deposits	24,097	39,323	30,000
	71,622	92,054	80,656

13. Share capital

Authorised

2 000 Ordinary shares of R2 each

4	4	4
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Issued

2 000 Ordinary shares of R2 each

4	4	4
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Figures in Rand Thousand	2015	2014	2013
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14. Provisions

Reconciliation of provisions - 2015

	Opening balance	Additions	Utilised during the year	Reversed during the year	Finance cost	Total
Environmental rehabilitation	25,495	-	-	(8,773)	2,045	18,767
Bonus provision	10,780	7,000	(10,389)	(391)	-	7,000
	36,275	7,000	(10,389)	(9,164)	2,045	25,767

Reconciliation of provisions - 2014

	Opening balance	Additions	Utilised during the year	Finance cost	Total
Environmental rehabilitation	19,941	5,443	-	111	25,495
Bonus provision	7,054	10,780	(7,054)	-	10,780
	26,995	16,223	(7,054)	111	36,275

Reconciliation of provisions - 2013

	Opening balance	Additions	Utilised during the year	Finance cost	Total
Environmental rehabilitation	12,629	7,040	-	273	19,942
Bonus provision	4,591	6,717	(4,254)	-	7,054
	17,220	13,757	(4,254)	273	26,996

Non-current liabilities	18,767	25,495	19,942
Current liabilities	7,000	10,780	7,054
	25,767	36,275	26,996

(i) As at 31 March 2015 the environmental rehabilitation balance of R18.7 million (2014 : R25.4 million) was recognised for Vlaktefontein Mine rehabilitation based on estimates provided by independent environmental consultants. The net present value of the environmental rehabilitation provision is based on discount rates taking into account long bond yields rates of 7.11% for 2018 cashflows and 8.33% for 2039 cashflows (2014 : 8.02%) and inflation rates of 5.5% (2014 : 6.32%) in line with South African Reserve Bank long term inflation targets. Current mine plans envisage the expected outflow to occur at the end of the life of mine.

In respect of the rehabilitation provision, a corresponding asset write down of R8.7 million (write up of 2014: R5.4 million) was recognised as property, plant and equipment in the mine infrastructure asset class.

(ii) Provision for performance bonus represents incentives for employees who qualify in terms of their performance during the current year. The bonus liability is anticipated to be paid within the next twelve months.

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Figures in Rand Thousand	2015	2014	2013
15. Current tax payable			
Income tax	5,467	15,966	7,067
16. Trade and other payables			
Trade payables	26,896	15,898	20,645
VAT payable	-	-	2,787
Royalty tax	55	1,123	1,898
Other payables	2,059	459	125
Accrued leave pay	1,886	2,130	1,919
Accrued expenses	17,701	15,836	12,254
Accrual on operating leases	372	333	178
Payroll related liabilities	2,531	1,554	1,073
	51,500	37,333	40,879

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Figures in Rand Thousand	2015	2014
17. Revenue		
Sale of coal	235,359	230,073
18. Cost of sales		
Sale of coal		
Cost of goods sold	158,248	143,389
Write down of inventories to net realisable value	(1,466)	(841)
	156,782	142,548
Overheads in cost of sales include:		
Depreciation and amortisation	11,662	12,165
Employee costs	9,425	10,578
19. Other income		
Royalties received	10,512	27,098
Other income	948	761
Recovery of coal transport costs	27,315	27,515
	38,775	55,374
The rights to collect royalties income expired in August 2014. Included in other income is income from leasing offices at the mine, tender fees and the penalty refund from SARS for penalties incurred in prior years.		
20. Administration costs		
Write offs on property, plant and equipment	154	1,351
Write offs on intangible assets	-	56
Amortisation on intangible assets	275	2,476
Depreciation on property, plant and equipment	3,563	3,579
Operating lease charges - premises	1,891	1,785
Operating lease charges - equipment	428	759
Coal transport	23,849	24,263
Auditors remuneration	1,275	1,538
Consulting and legal fees	6,301	6,015
Security	2,095	1,925
Repairs and maintenance	1,620	1,578
Insurance	2,317	2,114
Staff welfare	382	745
Interest and penalties for late payment	31	753
Exploration and evaluation expenses*	9,313	2,689
Travel and accommodation	309	955
Environmental monitoring, health and safety	2,695	2,027
Royalty tax	1,177	1,123
Other administration expenses	3,899	3,036
Internal audits	1,406	815
Data networks	1,034	415
	64,014	59,997
* Included in exploration and evaluation expenses is R4.5 million for the acquisition of exclusive rights to undertake exploration studies on prospecting rights owned by PAMDC (Pty) Ltd.		
21. Interest income		
Bank	4,818	4,559

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Figures in Rand Thousand	2015	2014
22. Employee costs		
Salaries	28,676	24,560
Bonus	7,147	11,079
Training and development	450	689
Subsistence allowances	116	235
	36,389	36,563
23. Interest paid		
Interest paid	354	-
Unwinding of discount rate for rehabilitation provision	2,045	111
	2,399	111
24. Taxation		
Major components of the tax expense		
Current		
Current tax	4,246	8,899
Deferred		
Originating and reversing temporary differences	1,591	6,898
	5,837	15,797
Reconciliation of the tax expense		
Reconciliation between accounting profit and tax expense.		
Accounting profit	19,318	49,269
Adjusted profit before tax	5,409	13,795
Tax effect of adjustments on taxable income		
Non taxable operating expenses	2,347	2,035
Non deductible depreciation, amortisation	4,673	4,959
Allowances on fixed asset	8,236	5,892
Redeemed capital expenditure	(8,185)	(11,938)
Amounts provided	618	(1,036)
Prepayments	(523)	79
Unredeemed capital expenditure	(6,739)	1,964
	5,836	15,750

The effective income tax rate for the year is of 30% (2014: 32%).

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Figures in Rand Thousand	2015	2014
25. Cash generated from operations		
Profit before taxation	19,318	49,269
Adjustments for:		
Depreciation and amortisation	16,846	20,191
Interest income	(4,818)	(4,559)
Interest paid	2,399	111
Movements in provisions	(3,780)	3,727
Changes in working capital:		
Inventories	1,233	(1,469)
Trade and other receivables	(19,771)	1,365
Trade and other payables	14,168	(3,546)
Deferred expenses- Power supply	104	(1,244)
	25,699	63,845
26. Tax paid		
Balance at beginning of the year	(15,966)	(7,067)
Current tax for the year recognised in profit or loss	(4,246)	(8,899)
Balance at end of the year	5,467	15,966
	(14,745)	-
27. Cash receipts from customers		
Sales	235,359	230,073
Other income	38,775	55,374
Movement in trade and other debtors	(19,771)	1,365
	254,363	286,812
28. Cash paid to suppliers and employees		
Cost of sales	156,782	142,548
Administration expenses	64,014	59,997
Employee costs	36,389	36,563
Management fees	50	1,518
Movement in trade and other payables	(14,168)	3,546
Provisions	3,780	(3,727)
Movement in inventory	(1,233)	1,469
Depreciation and write offs	(16,846)	(20,191)
Non cash item - Power supply commissioned	(104)	1,244
	228,664	222,967

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Figures in Rand Thousand	2015	2014
29. Commitments		
Authorised capital expenditure		
Already contracted for		
Intangible assets	4,066	10,000
Property, plant and equipment	1,686	-
Intangible assets authorised by directors	55,638	96,689
Property, plant and equipment authorised by directors	3,106	6,477
The committed expenditure relates to exploration and evaluation assets and property, plant and equipment and will be financed by available retained profits, existing cash resources and funds internally generated.		
Operating leases – as lessee (expense)		
Minimum lease payments due		
- within one year	1,776	1,656
- in second to fifth year inclusive	2,301	4,007
	4,077	5,663

Operating lease payments represent rentals payable by the company for certain of its office properties and office equipment. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

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Figures in Rand Thousand	2015	2014
30. Related parties		
Relationships		
Ultimate holding company	CEF SOC Ltd	
Joint arrangements	Pan African Mineral Development Company (Pty) Ltd	
Operating fellow subsidiaries	Petroleum Agency SA (PASA)	
	PetroSA	
	Strategic Fuel Fund Association (SFF)	
	iGas	
Members of key management	Mr S Madondo (CEO)	
	Ms B Mdyesha (GM: Finance)	
	Mr S Mkhize (GM: Corporate Services)	
	Mr ES Sikakane (GM: Corporate Strategy and Planning)	
	Mr AT Dladla (GM: Risk and Compliance)	
	Mr D Kobuoe (Mine Manager)	
	Ms ZN Buthelezi (Chief Geologist)	
Related party balances		
Loan accounts - Owing (to) by related parties		
CEF SOC Ltd	(208,899)	(208,920)
Amounts included in Trade receivable (Trade Payable) regarding related parties		
CEF SOC Ltd	(144)	(875)
Pan African Mineral Development Company (Pty) Ltd	(2)	9
Related party transactions		
Purchases from (sales to) related parties		
CEF SOC Ltd	50	1,518
Pan African Mineral Development Company (Pty) Ltd	(23)	-
Pan African Mineral Development Company (Pty) Ltd	2	-

Compensation to directors and other key management

The total remuneration of key management is included in Directors' and prescribed officers emoluments (Refer to note 31 for executive management remuneration).

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31. Directors' and prescribed officer's emoluments

Executive directors

2015

	Emoluments	Performance payments	Expenses allowances	Retirement funds	Total
Mr S Madondo	2,749	1,069	3	164	3,985
Ms B Mdyesha	1,501	537	4	88	2,130
	4,250	1,606	7	252	6,115

2014

	Emoluments	Performance payments	Expenses allowances	Retirement funds	Total
Mr S Madondo	2,686	1,105	54	151	3,996
Ms B Mdyesha	1,236	193	37	76	1,542
	3,922	1,298	91	227	5,538

Non-executive directors

2015

	Directors' fees	Total
Mr J Lekgetha (appointed 17 December 2014)	15	15
Ms P Mnisi (appointed 17 December 2014)	15	15
Dr Z Rustonjee	150	150
Mr S Mthethwa*	-	-
Ms M Thomani (appointed 17 December 2014)	-	-
	180	180

2014

	Directors' fees	Total
Mr A Mngomezulu*	-	-
Dr Z Rustonjee	102	102
Mr S Mncwango*	-	-

*These directors are not remunerated.

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31. Directors' and prescribed officer's emoluments (continued)

Board Audit Committee and Board Risk Committee

2015

	Emoluments	Total
Mr V Magan (resigned 5 November 2014)	15	15
Ms. A Thomani	81	81
Mr J Lekgetha	142	142
Ms P Mnisi	79	79
	317	317

2014

	Emoluments	Total
Mr V Magan	75	75
Ms. A Thomani	55	55
Ms. M Nyathi	17	17
	147	147

Human Resources Remuneration and Ethics Committee

2015

	Emoluments	Total
Mr S Ngidi	158	158
Mr M Leshabane	62	62
Ms D Mathibedi	62	62
Mr S Ndwandwe	62	62
	344	344

Key management personnel

2015

	Emoluments	Performance payments	Expenses allowances	Retirement funds	Total
Mr S Mkhize	1,746	709	1	108	2,564
Mr ES Sikakane	1,625	651	2	99	2,377
Mr AT Dladla	1,570	669	-	102	2,341
Mr D Kobuoe	1,519	623	2	95	2,239
Ms ZN Buthelezi	1,586	433	5	92	2,116
	8,046	3,085	10	496	11,637

2014

	Emoluments	Performance payments	Expenses allowances	Retirement funds	Total
Mr S Mkhize	1,680	270	24	100	2,074
Mr ES Sikakane	1,489	564	38	92	2,183
Mr AT Dladla	1,408	646	168	94	2,316
Mr D Kobuoe	1,448	139	-	87	1,674
Mr MJ Netshipale (resigned 31/08/2013)	818	621	11	39	1,489
Ms ZN Buthelezi	1,326	386	27	76	1,815
Mr M Mathebula (up to 30/09/2013)	1,305	358	17	72	1,752
	9,474	2,984	285	560	13,303

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32. Prior period errors

The table summarises the adjustments made to the statement of financial position and statement of profit or loss for the year ended 31 March 2014.

Administration expenses

Previously reported	58,874
Add reclassification of royalties tax - note (i)	1,123
	59,997

Employee costs

Previously reported	36,495
Less correction to CEF loan account (iii)	(319)
Increase in workman's compensation - note (ii)	387
	36,563

Trade and other payables

Previously reported after transition to IFRS	(35,428)
Increase in Workman's Compensation	(782)
Increase in royalties payable	(1,123)
	(37,333)

Decrease in deferred tax liability	218
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Loan from holding company

Previously reported	(209,239)
Correction on loan from CEF SOC Ltd (iii)	319
	(208,920)

Increase in deferred tax liability	89
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Taxation expense

Previously reported	16,910
Increase in income tax adjustment	29
Decrease due to reclassification of royalty mining tax - note (i)	(1,123)
Decrease in deferred tax expense	(19)
	15,797

Tax payable

Previously reported	(16,756)
Increase in tax payable	(333)
Decrease due to reclassification of royalty mining tax - note (i)	1,123
	(15,966)

Retained earnings for year ended 31 March 2013 - Statement of changes in equity

Increase in 2012 workman's compensation expense - note (ii)	130
Increase in 2013 workman's compensation expense - note (ii)	265
Increase in 2013 income tax expense	304
Decrease in deferred tax liability	(110)
	589

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32. Prior period errors (continued)

Retained earnings for year ended 31 March 2014 - Statement of changes in equity

Increase in 2014 workman's compensation expense - note (ii)	387
Decrease in employee costs	(319)
Increase in 2014 income tax expense	29
Decrease in deferred tax	(19)
	78

Deferred tax

Previously reported	23,680
Deferred tax expense on increase in mining loss	(130)
	23,550

(i) Taxation recognised under SA GAAP included current taxation, deferred taxation and royalties taxation. Royalties taxation (R1.1 million) is not considered to be an income tax item in nature under IAS 12, Income Taxes (IAS 12), as it is levied on revenue and not on the Company's taxable income. Since royalties taxation falls outside the scope of IAS 12, it is accounted for as an operating expense rather than as part of the taxation expense.

(ii) The error arose because AEMFC SOC Ltd was incorrectly classified as financial services company instead of open cast mining. This resulted in the incorrect rates being used when charging AEMFC SOC Ltd for workman's compensation.

33. Categories of financial instruments

Financial instruments by category - 2015

	Loans and receivables	At fair value through profit and loss	Available for sale financial assets	Other liabilities at amortised cost	Total book value
Trade and other receivables	47,867	-	-	-	47,867
Other financial assets	12,472	-	-	-	12,472
Cash and cash equivalents	71,622	-	-	-	71,622
Loans from group companies	-	-	-	(208,899)	(208,899)
Trade and other payables	-	-	-	(44,786)	(44,786)

Financial instruments by category - 2014

	Loans and receivables	At fair value through profit and loss	Available for sale financial assets	Other liabilities at amortised cost	Total book value
Trade and other receivables	26,248	-	-	-	26,248
Other financial assets	33,882	-	-	-	33,882
Cash and cash equivalents	92,054	-	-	-	92,054
Loans from group companies	-	-	-	(208,920)	(208,920)
Trade and other payables	-	-	-	(33,082)	(33,082)

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34. Risk management

Capital risk management

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

The capital structure of the company consists of debt, which includes the borrowings and is shown as equity in the statement of financial position.

Consistent with others in the industry, the company monitors capital on the basis of the gearing ratio.

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 gearing ratio for the year is 50% (2014 :45%).

There are no externally imposed capital requirements.

Financial risk management

The company's activities expose it to a variety of financial risks being interest rate risk, liquidity risk and credit risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out by the investment committee under policies approved by the board of directors.

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34. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturity profile of financial liabilities

At 31 March 2015

	Less than 1 year	Between 1 and 2 years
Loans from group company	-	208,899
Trade and other payables	44,786	-
	44,786	208,899

At 31 March 2014

	Less than 1 year	Between 1 and 2 years
Loans from group company	-	208,920
Trade and other payables	33,082	-
	33,082	208,920

Interest rate risk

The company is exposed to interest rate risk on funds invested in short term deposits with reputable financial institutions. The balance in interest earning deposits accounts is R84 million (2014 : R125.9 million). The average yield on deposits at year end is 6% (2014 : 5.6%). The short term deposits are held with different institutions to spread the concentration risk.

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34. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, other financial assets and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade and other receivables

Some concentrations of credit risk with respect to trade receivables exist due to the small number of clients. Trade receivables are shown net of any provision made for impairment of the receivables. Due to this factor, management believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in the trade receivables.

Financial guarantee

The funds are invested on the company's behalf by the insurance company. The insurance guarantee contract is held with a reputable insurance firm and management believes the funds are invested prudently.

Cash and cash equivalents

Cash and cash equivalents balances in current account are maintained with one financial institution, ABSA Bank Ltd. The bank possess a good reputation and good standing on the market.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

The funds are held with the following institutions:

At 31 March 2015	Less than 1 year	Between 1 and 2 years	More than 5 years	Total
ABSA Bank Ltd	52,699	-	-	52,699
Investec Bank Ltd	10,153	-	-	10,153
Nedbank Ltd	8,766	-	-	8,766
Guardrisk Insurance Company Ltd	-	-	12,472	12,472
	71,618	-	12,472	84,090

At 31 March 2014	Less than 1 year	Between 1 and 2 years	More than 5 years	Total
ABSA Bank Ltd	67,728	-	-	67,728
Investec Bank Ltd	12,164	-	-	12,164
Nedbank Ltd	12,159	-	-	12,159
Guardrisk Insurance Company Ltd	28,673	-	5,209	33,882
	120,724	-	5,209	125,933

The carrying amounts of the financial assets represents the company's maximum exposure.

The company's exposure to credit risk is mainly with state owned entities. At the reporting date, the maximum exposure to credit risk for trade receivables by type of customer is disclosed on note 11.

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35. Going concern

The annual report have been prepared on the basis of accounting policies applicable to a going concern.

The AEMFC Board confirms that it has assessed key sustainability risks and there is no reason to believe the business will not be a going concern in the year ahead.

36. Fruitless and wasteful expenses (R'000)

Reconciliation of fruitless and wasteful expenditure

Opening balance	753	-
Identified during the year	31	753
Recovered	(508)	-
Condoned	(245)	-
	31	753

Details of fruitless and wasteful expenditure not condoned as at March 2015

Penalty and interest to SARS	12	551
Interest on late payment of suppliers	19	202
	31	753

- The penalty and interest was incurred on late payment of skills development levy and income tax for 2013 financial year.
- Late payment to suppliers incurred interest charges.

37. Irregular expenditure (R'000)

Reconciliation of irregular expenditure

Opening	1,101	626
Identified during the year	502	475
Condoned by the relevant authority	(1,101)	-
	502	1,101

Analysis of expenditure awaiting condonation per age classification

Current year	502	475
Prior years	-	626
	502	1,101

Details of irregular expenditure not condoned as at 31 March 2015

	Action taken	Loss identified	Condoned during the year	Not condoned during year	Balance
Contravention of procurement policy	Loss written off	502	-	502	502

The contravention is a result of non compliance with applicable laws and regulations in evaluating a supplier.

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38. Materiality and significance framework

For purposes of materiality (as per PFMA sections 50(1) and 55(2)) and significant (as per PFMA section 54(2)) the following framework of acceptable levels were agreed with the Executive Authority in consultation with the Auditor General:

Section 50(1) – Material facts to be disclosed to the Minister of Energy are considered to be facts that may influence the decisions or actions of the Stakeholders of the Public Entity or the Group of companies.

Section 55(2) – Disclosure of material losses in the Annual Financial Statements will be for all losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the year.

Section 54(2) – The criteria to determine the level of significance was based upon the guiding principles as set out in the "Practice Note on applications under Section 54 of the PFMA no 1 of 1999 (as amended) by Public Entities" as published by National Treasury during 2006.

The significant Rand level was determined as being 2% of Total Assets as follows:

APPROVAL LEVELS IN TERMS OF SECTION 54

Public Entity's board approval levels	<R7 million
Approval level of the CEF Board in terms of subsidiary companies million	>R7 million and <R822 million
Obtain DoE approval and inform National Treasury > R822 million	>R822 million the top most holding company