BLACK MOUNTAIN MINING PROPRIETARY LIMITED

(Incorporated in the Republic of South Africa)

Company Registration number 2005/040096/07

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

A member of Vedanta Resources plc

GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Exploration, development, treatment, production and sale of zinc, lead, copper and associated minerals concentrates.
Directors	KK Rajagopal GR Arun Kumar M Snyman R Smit D Naidoo A J Trytsman NM Vegter (Alternate)
Registered office	Penge Road Aggeneys 8893
Postal address	Private Bag X01 Aggeneys 8893
Ultimate holding company	Vedanta Resources plc
Holding company	All of the shares in the company are held by THL Zinc Limited (74%) and Exxaro Base Metals and Industrial Mineral Holdings Proprietary Limited (26%).
Bankers	Standard Bank of South Africa Limited
Auditors	Ernst & Young Inc.
Company registration number	2005/040096/07
Tax reference number	9531/662/15/4
Preparer of annual financial statements	The annual financial statements have been prepared under the supervision of Sharon Mthetho CA (SA) (Financial Reporting Manager).
Level of assurance	These financial statements have been audited in compliance with the Companies Act of South Africa 71 of 2008.
Published	19 April 2017

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Black Mountain Mining Proprietary Limited
Company Registration number 2005/040096/07

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa, 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2018 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 6 to 35 have been prepared on the going concern basis, were approved by the board on the 19th of April 2017 and were signed on its behalf by:

AJ Trytsman
Director

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Sandton
Private Bag X14
Sandton
2146

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Independent Auditor's Report

To the members of Black Mountain Mining Proprietary Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Black Mountain Mining Proprietary Limited set out on pages 8 to 35, which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Black Mountain Mining Proprietary Limited as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code),* the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants (IESBA code)* and other independence requirements applicable to performing the audit of Black Mountain Mining Proprietary Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Black Mountain Mining Proprietary Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Ernst & Young Inc.

Ernst & Young Inc.
Director - James Crawford Thomas
Registered Auditor
Chartered Accountant (SA)
06 June 2017

DIRECTORS' REPORT

The Directors have pleasure in submitting the annual financial statements of the Company for the year ended 31 March 2017.

Nature of business and history

The Company is the holder of the new order mineral rights to the Broken Hill Deeps, Swartberg and Gamsberg ore bodies.

Broken Hill Deeps is currently the main mining operation with resources of 13.0mt and reserves of 6.1mt and an estimated remaining life of mine of 4 years. The mining operations began at Broken Hill in 1980 and concluded during 2006, when the development to the Deeps section was completed. Small scale mining at Swartberg commenced in 1995 and continued until 2006 when it was mothballed. Swartberg was mined on a small scale (average 25,800t/month) from 1995 but production was stopped in 2006 in an effort to get the Deeps Mine in full production. Mining from underground at Gamsberg was stopped in January 2013 and to replace this ore, and keeping the Black Mountain concentrator in full production, mining at Swartberg was re-started in 2013.

The Gamsberg ore body is a large undeveloped zinc deposit situated approximately 22km from Black Mountain. A pre-feasible study was conducted on the ore body for 300 000 metal in concentrate ("MIC") in 2000 and in 2009 a pre-feasibility study for 400 000 MIC was commenced to determine the financial viability of developing the ore body to a full scale mine. The gaps in the initial pre-feasibility study were assessed and a technical and financial pre-feasibility study was completed in September 2013. Small scale mining at Gamsberg commenced in 2003 and concluded in 2013 with the onset of the above mentioned studies. The Project was officially approved by the Company's Board in November 2014 and then officially opened on 27 July 2016. In the 2016 financial year, the Company commenced pre-start mining and pre-stripping of the pit and construction of related housing infrastructure. During the 2017 financial year the Company commenced construction of the process plant, water line and MRSS and transmission line. First ore production is planned for 2017-18 financial year with ramp up to full production expected in subsequent years.

General review

The Company recorded 15 Lost Time Injuries ("LTI"), a decrease of 5 from 20 recorded in the previous year. Management continues to give primary focus on mining with zero harm to employees with various safety training and awareness initiatives rolled out throughout the operation.

Ore hoisted and ore treated decreased by 5% to 1.50mt and by 101% to 1.58mt respectively mainly due to the significant ramp up in the Swartberg operation. Total metal in concentrate produced increased by 5% mainly due to higher throughput.

The Social Labour Plan ("SLP") for the period 2014-2018 has been evaluated by the Department of Mineral Resources ("DMR") in the region and found to be compliant. However Ministerial approval was still pending as at 31 March 2017 and consequently. The Company also conducted cataract surgeries for the community around Aggeneys and the greater Northern Cape. Overall 197 (2016:302) patients were treated as part of the sustained drive against blindness.

Subsequent events

Employee share scheme

On 1 April 2017 the Company sold shares to the Voorspoed Trust with an effective holding of 6% of the Company's issued share capital. The Voorspoed Trust was established to facilitate employee share ownership with the emphasis on employees who hold junior employment positions. Therefore the beneficiaries of the Voorspoed Trust and the shares issued are employees in key positions who's Paterson level is C band and below.

The Scheme will be accounted for as a cash settled scheme in accordance with International Financial Reporting Standard (IFRS) 2, which requires the liability to be accrued for over the vesting period of the shares, 5 years and 7 years for 50% of each tranche. The accounting entries will be reflected commencing the year-ending 31 March 2018.

On the 19th of April 2017, the directors declared a special dividend payable to the Voorspoed Trust as per the the Scheme agreements, this will be paid at the end of May via distribution of R3,500 to each beneficiary of the Voorspoed Trust.

Going concern

The Company's financial position, its cash flows, liquidity position and borrowings are set out in the annual financial statements, which comprise the statement of financial position, Statement of Profit or Loss and Comprehensive Income and statement of cash flows. In addition details of our policy on capital risk management are set out in note 15 to the financial statements.

Black Mountain Mining Proprietary Limited (BMM) realised a profit of R400.3 million for the year ended 31 March 2017 (31 March 2016: R183.4 million).

The Board is satisfied that BMM's forecasts and projections, taking account of reasonably possible changes in trading performance, show that BMM will be able to operate within the foreseeable future. The directors consider the going concern basis for preparing its financial statements to remain appropriate.

Directorate

The names of the Directors and Alternate Directors of the Company are as follows:

K.K. Rajagopal	
S.J. Bajaj	Appointed 30/03/2012 (Resigned 08/07/2016)
G.R.A Kumar	Appointed 08/07/2016
M. S. Snyman	
M Munroe	Appointed 19/01/2016 (Resigned 13/01/2017)
A J Trytsman	
D Naidoo	
MDM Mgojo	Appointed 20/10/2015 (Resigned 29/07/2016)
R. Smit	Appointed 29/07/2016
N.M. Vegter (Alternate)	

Dividends

There was no dividend declared for the period (31 March 2017: RNil).

Borrowing powers

The Company has a credit facility of R150 million with the Standard Bank of South Africa Limited at 31 March 2017 (31 March 2016: R150 million). The facilities are reviewed on an annual basis.

The Company has established hedging facilities with Rand Merchant Bank a division of FirstRand Bank Limited for R50 million.

Share capital

The authorised share capital of the Company as at 31 March 2017 was R10 000 divided into 10 000 ordinary shares of R1 each and 5 000 cumulative redeemable convertible preference shares of R1 each. There were 1 000 issued ordinary shares at 31 March 2017 (31 March 2016: 1 000). As at 31 March 2017 THL Zinc Limited, a non-resident company, held 74% of the issued ordinary shares, and Exxaro Base Metals and Industrial Mineral Holdings Proprietary Limited held the balance of 26%.

Auditors

Ernst & Young Inc. were appointed as auditors of Black Mountain Proprietary Limited, James Thomas is the designated audit partner for the 2017 financial year.

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Statement of financial position as at 31 March 2017

Rand '000	Notes	31 March 2017	31 March 2016
Intangible assets	2	33 182	33 182
Tangible assets	3	2 066 223	1 585 700
Other non-financial assets	4	273 965	-
Environmental rehabilitation trust	5	120 860	113 529
Financial asset investments	6	1	1
Total non-current assets		2 494 231	1 732 412
Inventories	7	302 486	85 632
Trade and other receivables	8	73 252	117 064
Current Tax Assets	9	8 002	5 328
Cash and cash equivalents	10	894 036	593 770
Total current assets		1 277 776	801 794
Total assets		3 772 007	2 534 206
Trade and other payables	11	1 023 561	389 780
Total current liabilities		1 023 561	389 780
Provisions	12	188 091	150 433
Deferred tax liabilities	13	527 249	367 473
Retirement benefit obligations	14	72 902	68 320
Total non-current liabilities		788 242	586 226
Total liabilities		1 811 803	976 006
Net assets		1 960 204	1 558 200
Equity			
Share capital	16	1	1
Retirement Benefit Reserve		11 987	10 331
Merger Reserve		15 685	18 776
Retained earnings		1 932 531	1 529 092
Equity		1 960 204	1 558 200

Black Mountain Mining Proprietary Limited
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Statement of Profit or Loss and Comprehensive Income for the year ended 31 March 2017

Rand '000	Notes	31 March 2017	31 March 2016
Total revenue		1 736 122	1 675 434
Cost of sales	17.2	(771 204)	(962 866)
Gross profit		964 918	712 568
Other income		12 059	20 513
Selling and distribution costs		(133 003)	(146 239)
Administrative expenses	17.2	(222 477)	(387 164)
Operating profit	17.1	621 496	199 677
Finance income	18	40 628	63 287
Finance costs	18	(93 572)	(10 554)
Net finance income	18	(52 943)	52 733
Profit before tax		568 553	252 411
Income tax expense	19	(168 205)	(69 030)
Profit for the period		400 348	183 381

Other comprehensive income

Rand '000	31 March 2017	31 March 2016
Profit for the year	400 348	183 381
Actuarial gain/(loss) on post-retirement benefit schemes*	2 299	4 483
Deferred tax (raised)/ reversed *	(644)	(1 255)
Net income recognised directly in other comprehensive income *	1 655	3 228
Total comprehensive income for the period	402 004	186 608

* The actuarial gain/ (loss)and related deferred tax impact will not be reclassified subsequently to profit or loss

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Statement of changes in equity for the year ended 31 March 2017

Rand '000	Total share capital	Retirement benefit obligation reserve *	Merger reserve	Retained earnings	Total Equity
Opening balance at 1 April 2016	1	10 331	18 776	1 529 092	1 558 200
Total comprehensive income for the year	-	-	-	402 004	402 004
Transfers		1 655		(1 655)	-
Amortisation of merger reserve	-	-	(3 090)	3 090	-
Balance at 31 March 2017	1	11 987	15 685	1 932 530	1 960 204

Rand '000	Total share capital	Retirement benefit obligation reserve *	Merger reserve	Retained earnings	Total Equity
Opening balance at 1 April 2015	1	7 103	21 588	1 342 899	1 371 591
Total comprehensive income for the year	-	-	-	186 608	186 609
Transfers	-	3 228	-	(3 228)	-
Amortisation of merger reserve	-	-	(2 812)	2 812	-
Balance at 31 March 2016	1	10 331	18 776	1 529 092	1 558 200

* The retirement benefit obligation reserve will not be reclassified subsequently to profit or loss

Statement of cash flows for the period ended 31 March 2017

Rand '000	Notes	31 March 2017	31 March 2016
Cash flows from operations			
Cash inflows from operations	20	1 206 531	446 904
Income tax paid	20	(11 747)	(27 549)
Income tax refunded	20	-	37 762
Foreign exchange gains (losses)	18	(20 394)	33 650
Net cash inflows from operating activities		1 174 390	490 767
Cash flows from investing activities			
Purchases of tangible assets		(590 730)	(296 015)
Proceeds on sale of tangible assets		-	506
Advanced payments on purchases of tangible assets		(273 965)	-
Finance income	18	40 628	9 335
Rental income		3 623	3 652
Net cash outflows from investing activities		(820 443)	(282 522)
Cash flows from financing activities			
Dividends paid		-	-
Net cash outflows from financing activities		-	-
Net increase in cash and cash equivalents		353 946	208 245
Cash and cash equivalents at start of year		593 770	365 309
Effects of exchange rates changes on balance of cash held in foreign currencies	18	(53 681)	20 216
Cash and cash equivalents at end of year		894 036	593 770

Basis of preparation

The financial statements provide information about the financial position, results of operations and changes in financial position of the Company. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). A summary of the principal company accounting policies is set out below, which have been consistently applied in all material respects. The annual financial statements have been prepared on a historical cost basis. The Company's functional and presentation currency is South African Rand (ZAR).

Basis of consolidation

The financial statements incorporate a consolidation of the financial statements of the Company and entity controlled by the Company, the Black Mountain Mining Rehabilitation Trust ("the Trust"). Control is achieved since the Company has the power to govern the financial and operating policies of the Trust so as to obtain benefits from its activities. Intra-group transactions, balances, income and expenses are eliminated on consolidation, where appropriate.

Significant accounting judgements, estimates and assumptions

In the preparation of the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Significant areas of accounting judgements, estimates and assumptions include:
- Useful economic life of assets;
- Ore resources estimates;
- Impairment of assets refer page 12 and page 16;
- Restoration, rehabilitation and environmental costs provisions – refer note 12;
- Retirement benefits – refer note 16;

Useful economic life of assets
Property, plant and equipment is depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residuals are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, life-of-mine plan and maintenance programmes are taken into account. Residual value assessments take into account issues such as future market conditions, the remaining life of the asset and projected disposal values

Ore resources estimates
The Life-of-Mine ("LOM") plan is reviewed annually with assistance of external geological experts. The LOM plan takes into account an expectation of the changes in commodity prices, foreign exchange rates, fixed and variable mining cost, ore grades and planned capital expenditure.

Revenue recognition

Revenue is derived principally from the sale of goods and is measured at the fair value of the consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. Sales of concentrate are stated at their invoiced amount which is net of treatment and refining charges. A sale is recognised when the significant risks and rewards of ownership have passed.

Revenue from metal mining activities is based on the payable metal sold. Revenue from the sale of material by-products are included within revenue. Where a by-product is not regarded as significant, revenue may be credited against the cost of sales.

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

1 Accounting policies (continued)

Intangible assets

Intangible assets consist of goodwill. Goodwill arises on an acquisition of a business and is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the Statement of Profit or Loss and Comprehensive Income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Tangible assets

Mining properties and plant and equipment are depreciated down to their residual values with reference to the expected units of production using the life of mine method based on proven and probable reserves. Depreciation is charged on new mining ventures from the date that the mining property is capable of commercial production. When there is little likelihood of a mineral right being exploited, or the value of the exploitable mineral right has diminished below cost, a write-down to the recoverable amount is charged to profit or loss.

Land and properties in the course of construction are carried at cost, less any recognised impairment. Depreciation commences when the assets are ready for their intended use.

Buildings, vehicles, furniture and fittings and computer equipment are depreciated down to their estimated residual values at varying rates, on the straight-line basis over their estimated useful lives or the life of mine whichever is shorter. Estimated useful lives are as follows:

	Depreciation rate
Buildings	25 years
Vehicles	4 years
Computer equipment	3 years
Furniture and fittings	10 years

Residual values and useful economic lives are reviewed at least annually, with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of tangible and intangible assets excluding goodwill

At each reporting period end, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

1 Accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment is recognised immediately as an expense.
Where an impairment subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment is recognised as income immediately.

Research and exploration expenditure

Research and exploration expenditure is written off in the year in which it is incurred The costs of mining properties and leases, which include the costs of acquiring and developing mining properties and mineral rights, are capitalised as property, plant and equipment under the heading 'Mining properties and leases' in the year in which they are incurred. When a decision is taken that a mining property is viable for commercial production (i.e. when the Company determines that the mining property will provide sufficient and sustainable returns relative to the risk and decides to proceed with the development), all further pre-production primary development expenditure other than land, buildings, plant and equipment is capitalised as part of the cost of the mining property until the mining property is capable of commercial production. From that point, capitalised mining properties and lease costs are amortised on a unit-of-production basis over the total estimated remaining commercial reserves of each property.

Inventory

Inventory and work-in-progress are valued at the lower of cost and net realisable value. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following bases:

- raw materials and consumables are valued at cost on a weighted average basis;
- finished products are valued at raw material cost, labour cost and a proportion of manufacturing overhead expenses; and
- metal concentrate stocks are included in finished products and are valued at average cost.

Retirement benefits

The Company operates defined contribution schemes for its employees as well as post-retirement medical plans. For defined contribution schemes the amount charged to profit or loss is the contributions paid or payable during the year.

For post-retirement medical plans, full actuarial valuations are carried out every two years using the projected unit credit method and updates are performed for each financial year end. The average discount rate for the plans' liabilities is based on AA rated corporate bonds of a suitable duration and currency or, where there is no 'deep market' for such bonds, based on government bonds.

Actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in equity. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating profit. The expected return on the plan assets and the expected increase during the period in the present value of plan liabilities are included in investment income and interest expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

1 Accounting policies (continued)

Taxation

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting period end.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of an asset or liability in a transaction that affects neither the tax profit nor accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting period end and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental costs of the operating lease are recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or on-going production of a mining property. Such costs arising from the installation of plant and other site preparation work, discounted to its net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged against profits over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an on-going basis during production are provided for at their net present values and charged against profits as extraction progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work that result from changes in the estimated timing or amount of the cash flow, or a change in the discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy above.

The Black Mountain rehabilitation trust was established to meet the costs of some of decommissioning, restoration and environmental rehabilitation liabilities. Annual contributions are made to the trust, where required, to fund the estimated cost of rehabilitation during and at the end of the life of the relevant mine.

Foreign currency transactions

Foreign currency transactions are booked in their functional currencies at the exchange rate ruling on the date of the transaction. At each reporting period end, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period. Gains and losses arising on translation are included in net profit or loss for the period and classified as either operating or financing depending on the nature of the monetary item giving rise to them.

1 Accounting policies (continued)

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Share-based payments

Certain employees (including Executive Directors) of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions are determined by an external valuer and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the current expectations. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with short-term, highly liquid investments that are readily convertible to a known amount of cash and that are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. The Company's financial instruments consist of investments, trade and other receivables, loans payable and trade and other payables.

Financial assets

Investments, other than investments in associates, are initially recorded at fair value. At subsequent reporting dates, financial assets that the Company has the expressed intention and ability to hold to maturity ("held-to-maturity") as well as loans and receivables are measured at amortised cost, less any impairment. The amortisation of any discount or premium on the acquisition of a held-to-maturity investment is recognised in profit or loss in each period using the effective interest method.

Financial assets other than those classified as held-to-maturity or loans and receivables are classified as either at fair value through profit or loss (which includes investments held for trading) or available-for-sale investments. Both sub-categories are measured at each reporting date at fair value. Where investments are held for trading purposes, unrealised gains and losses for the period are included in profit or loss for the period. For available-for-sale investments, unrealised gains and losses are recognised in equity, until the security is disposed or impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share based payments, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
• Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
• Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
• Level 3 inputs are unobservable inputs for the asset or liability.

1 Accounting policies (continued)

Impairment of financial assets

Financial assets other than those at fair value through profit and loss are assessed for indicators of impairment at each reporting period end. Financial assets are impaired where there is objective evidence that, as a result one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, and finance lease receivables, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowances account are recognised in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised through profit and loss are not reversed through profit and loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and reward of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1 Accounting policies (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified and accounted for as debt or equity according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset of the Company after deducting all of its liabilities.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Adoption of new and revised Accounting Standards and Interpretations

The Company has not adopted any new or revised Accounting Standards or Interpretations.
The company and group has adopted all standards and interpretations that were effective for the current year noted on the table below. The adoption of these standards did not have any significant effect on the financial position or results from operations, cash flows or disclosures.

New/Revised International Financial Reporting Standards		Effective for annual periods beginning on or after	Impact on financial statements
IFRS 5	Non-current assets Held for Sale and Discontinued Operations — Clarity that a change in the manner of disposal of a non-current asset or disposal group held for sale does not result in a change of classification as held for sale.	1 January 2016	None
IFRS 7	Financial Instruments: Disclosures	1 January 2016	None
IFRS 10	Consolidated Financial Statements — Amendments for investment entities	1 January 2016	None
IFRS 11	Joint Arrangements — Guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business	1 January 2016	None
IAS 1	Presentation of Financial Statements — Encouragement to entities to apply professional judgement in determining what information to disclose in their financial statements	1 January 2016	None
IAS 16	Financial Instruments: Presentation — Amendments relating to the offsetting of financial assets and financial liabilities	1 January 2016	None
IAS 19	Defined Benefit Plans: Employee Contributions — Clarity of the requirements of to determine the discount rate in a regional market sharing the same currency.	1 January 2016	None
IAS 27	Consolidated and Separate Financial Statements — Amendments to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements	1 January 2016	None
IAS 28	Investments in Associates and Joint Ventures	1 January 2016	None
IAS 34	Interim Financial Reporting	1 January 2016	None
IAS 38	Intangible Assets — Clarity on the principles and the basis for the calculation of depreciation and amortisation	1 January 2016	None
IFRS 12	Disclosure of Interests in Other Entities — Amendments for investment entities	1 January 2016	None

1 Accounting policies (continued)

Accounting Standards and Interpretations issued but not yet effective

The Company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory Company's accounting periods beginning on or after 1 April 2017 or later periods. A reliable estimate of the impact of the adoption of the recent amendments for the Group and Company has not yet been determined; however, directors anticipate that the adoption of the recent standards and interpretations will have no material impact on the annual financial statements in future periods, except for disclosure to the annual financial statements.

New/Revised International Financial Reporting Standards		Effective for annual periods beginning on or after
IFRS 16	Leases Introduction of a single lease accounting model and enhancements of disclosures.	1 January 2019
IFRS 15	Revenue from Contracts from Customers Changes to revenue recognition criteria and additional disclosure requirements	1 January 2018
IFRS 9	Financial Instruments Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing recognition requirements	1 January 2018
IAS 7	Financial Instruments: Disclosures	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses -	1 January 2017
IFRS 2	Classification and Measurement of Share based Payment Transactions -	1 January 2018
IAS 40	Transfers of Investment Property	1 January 2018

2 Intangible assets

Rand '000	31 March 2017	31 March 2016
Goodwill Cost and net book value		
Opening balance	33 182	33 182
Closing balance	33 182	33 182

The company tests the total intangible and tangible assets for impairment annually. The following cash generating units ("CGU") have been identified:
- Deeps & Swartberg mining operations; and
- Gamsberg Project.

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding resource availability, the discount rates, growth rates, exchange rates and expected changes to commodity prices. Management estimates discount rates using pre-tax rates that reflect current market conditions of the time value of money and the risks specifically associated with the CGU's. Growth rates are based on industry growth forecasts. Changes in commodity prices are based on past practices and expectations of future changes in the market.

Key assumptions used in impairment calculations are:	31 March 2017	31 March 2016
Deeps & Swartberg mining operations		
- Average foreign Exchange rate (USD)	13.88	14.91
- Average zinc price (USD/t)	2 560	1 856
- Average lead price (USD/t)	2 073	2 099
- Average copper price (USD/t)	5 859	5 667
- Average silver price (USD/t)	19	17
- Discount rate	13.50%	11.00%
- Ore mined (k/t)	7 347	8 286
Gamsberg Project		
- Average foreign Exchange rate (USD)	14.12	14.83
- Average zinc price (USD/t)	2 495	2143
- Discount rate	14.50%	12.00%
- Waste mined (k/t)	291 638	301 789
- Strip ratio	6	6

At 31 March 2017 and 31 March 2016 , no impairment was necessary for intangible and tangible assets for both CGU's.

3 Tangible assets

Rand '000	Land and buildings	Mine development assets Gamsberg	Plant and equipment	Decommissioning cost	Total
31 March 2017					
Cost					
At 1 April 2016	66 859	776 016	1 388 798	63 577	2 295 250
Additions	19 756	392 947	178 027	-	590 730
Re-estimation – non cash flow	-	-	-	25 018	25 018
At 31 March 2017	86 615	1 168 963	1 566 825	88 595	2 910 997
Accumulated depreciation					
At 1 April 2016	30 200	-	668 452	10 898	709 550
Charge for the year	5 937	-	121 846	7 442	135 225
Disposals	-	-	-	-	-
Write-offs	-	-	-	-	-
At 31 March 2017	36 137	-	790 298	18 340	844 775
Net book value At 31 March 2017	50 477	1 168 963	776 527	70 255	2 066 222

3 Tangible assets (continued)

Rand '000	Land and buildings	Mine development assets Gamsberg	Plant and equipment	Decommissioning cost	Total
31 March 2016					
Cost					
At 1 April 2015	56 439	552 812	1 328 275	41 225	1 978 751
Additions	10 420	223 204	62 391	22 352	318 367
Disposals	-	-	(1 868)	-	(1 868)
Write-offs	-	-	-	-	-
Re-estimation – non cash flow	-	-	-	-	-
At 31 March 2016	66 859	776 016	1 388 798	63 577	2 295 250
Accumulated depreciation					
At 1 April 2015	25 773	-	556 572	10 898	593 243
Charge for the year	4 427	-	113 568	-	117 995
Disposals	-	-	(1 688)	-	(1 688)
Write-offs	-	-	-	-	-
At 31 March 2016	30 200	-	668 452	10 898	709 550
Net book value At 31 March 2016	36 658	776 016	720 347	52 679	1 585 700

4 Other non-financial assets

Rand '000	31 March 2017	31 March 2016
Advances paid to suppliers for capital projects under construction	273 965	-
Closing balance	273 965	-

5 Environmental rehabilitation trust

The Black Mountain Mining Rehabilitation Trust was established to meet the Company's decommissioning, restoration and environmental rehabilitation liabilities. Contributions are made as and when the need arises after obtaining approval/agreement of contributions required from the Department of Mineral Resources.

Rand '000	31 March 2017	31 March 2016
Opening balance	113 529	106 628
Interest earned during the year	7 331	6 902
Closing balance	120 860	113 529

The balance comprises the following investments:

Cash held in fixed deposits and invested during the year ended 31 March 2016, 31% was fixed for 2 years and 69% was fixed for 5 years at an interest rate of 5% and 8% respectively.

These funds are not available for the general purpose of the Company. All income from these assets is reinvested to meet specific environment obligations. These obligations are included in environmental rehabilitation costs under long-term provisions.

Rand Merchant Bank a division of FirstRand Bank Limited has issued a guarantee for R20 million in favour of the Department of Mineral Resources ("DMR") as assurance that the Company will honour its environmental rehabilitation obligations at the end of life of mine.

6 Financial asset investments

Rand '000	31 March 2017	31 March 2016
	Available for sale	Available for sale
Closing balance	1	1

The balance consists of an investment in The Rand Mutual Assurance Company Limited.

7 Inventories

a) Summary of inventories

Rand '000	31 March	31 March
Raw materials and consumables	75 973	70 805
Provision for slow moving stocks	(8 208)	(10 481)
Net raw materials and consumables	67 765	60 324
Finished products	234 722	25 308
	302 486	85 632

b) Movement in provision for slow moving stocks

Rand '000	31 March 2017	31 March 2016
Opening balance	10 481	12 634
(Decrease)/increase	(2 273)	(2 153)
Closing balance	8 208	10 481

A percentage of the value of consumables that have not moved for two years is used to calculate the provision for slow moving stock. The percentage used was 75% (31 March 2016: 75%).

8 Trade and other receivables

a) Summary of trade and other receivables

Rand '000	31 March 2017	31 March 2016
Trade debtors	-	8 575
Prepayments and accrued income	21 102	23 295
Other debtors	50 552	47 799
Amounts owed by fellow subsidiaries	2 287	38 009
Allowance for doubtful debts	(690)	(614)
Closing balance	73 251	117 064

Trade and other receivables are all due within one year.
The fair value of trade and other receivables is not materially different to the carrying values presented. An allowance for doubtful debts has been raised in respect of other debtors. There are no trade receivable accounts which are past due as per the individual sales contracts at the reporting date. The outstanding trade receivable balances at 31 March 2016 was mainly due from 5 customers.

b) Movement in allowance for doubtful debts

Rand '000	31 March 2017	31 March 2016
Opening balance	614	458
Increase / (decrease)	76	156
Closing balance	690	614

9 Current Tax Assets

Rand '000	31 March 2017	31 March 2016
Balance receivable from the South African Revenue Services for income tax refunds due *	8 002	5 328
Closing balance	8 002	5 328

* The Company's income tax returns and provisional payments are up to date.

10 Cash and cash equivalents

Rand '000	31 March 2017	31 March 2016
Bank deposits with a maturity period of less than 3	680 407	471 168
Cash at bank	213 617	122 597
Petty Cash	12	5
Closing balance	894 036	593 770

11 Trade and other payables

Rand '000	31 March 2017	31 March 2016
Trade creditors	79 261	95 052
Amounts owed to group companies	6 036	17 455
Taxation and social security	8 912	6 741
Other creditors	706 408	122 908
Accruals	171 464	75 488
Royalty	51 480	72 136
Closing balance	1 023 561	389 780

The fair value of trade and other payables is not materially different to the carrying values presented. Other creditors include R572 932 627 (31 March 2016: R9 512 202) owed to customers for refundable deposits received on sale of concentrate.

Amounts owed to group companies are disclosed in note 21, related party transactions.

12 Provisions

Rand '000	Environmental restoration	Decommissioning	Total
At 1 April 2016	47 909	102 524	150 433
Unwinding of discount	3 869	8 771	12 640
Re-estimation – non-cash flow	8 015	17 003	25 018
At 31 March 2017	59 792	128 298	188 091

Rand '000	restoration	Decommissioning	Total
At 1 April 2015	45 761	77 675	123 436
Unwinding of discount	2 148	2 496	4 644
Re-estimation – non-cash flow	-	22 353	22 353
At 31 March 2016	47 909	102 524	150 433

Environmental restoration

The Company has an obligation to incur restoration, rehabilitation and environmental costs when environmental disturbance is caused by the development of ongoing production of a mining property. A provision is recognised for the present value of such costs.

Decommissioning

Provision is made for the present value of costs relating to the decommissioning of plant or other site preparation work. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances. The estimates are compiled separately for the Deeps & Swartberg operations and for the Gamsberg operations. The current estimate was discounted at a real discount rate of 1.25% for Dees & Swartberg operations, 3.32% for Gamsberg (31 March 2016: 3.16% for all three operations). These costs are expected to be incurred at the end of the life-of-mine which is currently

13 Deferred tax liabilities

Rand '000	31 March 2017	31 March 2016
Opening balance	367 473	326 001
Charged (credited) to profit or loss	159 132	40 218
Debited (credited) to equity	644	1 255
Closing balance	527 249	367 473

The amount of deferred taxation provided in the accounts is as follows:

Rand '000	31 March 2017	31 March 2016
Liabilities:		
Actuarial gain (loss) on post-retirement medical arrangements	4 661	4 018
Capital allowances in excess of depreciation	627 768	425 037
Provisions	(79 412)	(73 872)
Other timing differences	(25 769)	12 290
Closing balance	527 249	367 473

14 Retirement benefits

The Company operates defined contribution pension plans for the majority of its employees. It also operates post-retirement medical arrangements. The policy for accounting for pensions and post-retirement benefits is included in note 1.

The assets of the defined contribution plans are held separately in independently administered funds. The charge in respect of these plans is calculated on the basis of contribution payable by the Company in the financial year.

Defined Contribution Plans
Pension Plans

The defined contribution pension cost represents the actual contributions payable by the Company to the various plans. At 31 March 2017, there were no material outstanding/prepaid contributions and so no prepayment or accrual has been disclosed in the statement of financial position in relation to these plans.

Defined contribution plans are governed by the South African Pension Fund Act.

Defined benefit Plans
The post-retirement medical arrangements provide health benefits to retired employees and certain dependants. Eligibility for cover is dependent upon certain criteria. These plans are unfunded. The post retiment medical plans is accounted for as a defined benefit plan.

The principal assumptions used to determine the actuarial present value of benefit obligations in terms of IAS 19 are detailed below

	31 March 2017	31 March 2016
Average discount rate for plan liabilities	9.5%	10.2%
Average rate of inflation	7.2%	8.1%
Expected average increase in healthcare costs	8.7%	9.6%

Profit or loss
The amounts recognised in profit or loss are as follows:

R'000	31 March 2017	31 March 2016
Analysis of the amount charged to operating profit or loss		
Employer contributions	(1 691)	(1 420)
Current service cost	1 716	1 873
Total within operating costs	25	453
Analysis of the amount charged to net finance costs		
Expected return on plan assets	-	-
Interest cost on plan liabilities	6 857	5 825
Net charge to other net finance costs	6 857	5 825
Total charge to profit or loss	8 573	7 698

Movement analysis
The change in the present value of defined benefit obligations are as follows:

R'000	31 March 2017	31 March 2016
Opening balance	68 320	66 524
Current service cost	1 716	1 873
Interest costs	6 857	5 825
Actuarial (gains) losses in equity	(2 299)	(4 483)
Benefit paid	(1 691)	(1 420)
Closing balance	72 902	68 320

Assumed healthcare trend rates have a significant effect on the amounts recognised in profit or loss. A 1% change in assumed healthcare cost trend rates would have the following effects:

	31 March 2017	31 March 2017	31 March 2016
Rand '000	1% increase	1% decrease	1% increase
Effect on the sum of service cost and interest cost	1 646	(1 312)	1 672
Effect on defined benefit obligation	13 050	(10 498)	12 434

15 Financial risk and capital management

Financial instrument risk exposure and management

Ultimate responsibility for the financial risk management rests with the Board of Directors.

The Company's financial assets and liabilities are summarised as follows:

Rand '000	Financial assets	
	Amortised cost	Total
Financial assets investments	120 860	120 860
Cash and cash equivalents	894 036	894 036
Trade and other receivables	3 851	3 851
At 31 March 2017	1 018 747	1 018 747

Rand '000	Financial liabilities	
	Amortised cost	Total
Trade and other payables	(374 142)	(374 142)
At 31 March 2017	(374 142)	(374 142)

Rand '000	Financial assets	
	Amortised cost	Total
Financial assets investments	113 529	113 529
Cash and cash equivalents	593 770	593 770
Trade and other receivables	48 510	48 510
At 31 March 2016	755 809	755 809

Rand '000	Financial liabilities	
	Amortised cost	Total
Trade and other payables	(258 709)	(258 709)
At 31 March 2016	(258 709)	(258 709)

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables and investments. The Company's credit risk is primarily attributable to its trade receivables. The Company's maximum exposure to non-financial institution credit risk at 31 March 2017 is RNil (31 March 2016: RNil). Short term cash investments are placed with banks of a high credit standing.

An allowance for impairment of trade and other receivables is made where there is an identified loss event, which based on previous experience, is evidence of a reduction in the recoverability of the cash flows. During the year trade and other receivables with a value of R76 085 were identified as doubtful (31 March 2016: R155 939) and fully provided for.

15 Financial risk and capital management continued

Liquidity risk

The Company ensures that there are sufficient committed loan facilities in order to meet short-term business requirements, after taking into account cash flows from operations and the Company's holding of cash and cash equivalents, as well as any distribution restrictions that exist. As at 31 March 2017 the Company has an unutilised credit facility of R150 million (31 March 2016: R150million) with the Standard Bank of South Africa Limited.

The expected undiscounted cash flow of the Company's financial liabilities, by remaining contractual maturity, at the reporting period end is as follows:

	Within 1 year		
Rand '000	Fixed Interest	Floating Interest	Repayment
At 31 March 2017			
Other non-interest bearing liabilities	-	-	374 142
Total	-	-	374 142

	Within 1 year		
Rand '000	Fixed Interest	Floating Interest	Repayment
At 31 March 2016			
Other non-interest bearing liabilities	-	-	258 709
Total	-	-	258 709

Market risk

The significant market exposures to which the Company is exposed are foreign currency risks, interest rate risk and commodity price risk. These are discussed further below:

Foreign exchange risk

The Company is exposed to mainly US Dollar currency. The Company's policy is not to hedge such exposures as hedging is not deemed appropriate. The exposure of the Company's financial assets and

Rand '000	31 March 2017	31 March 2016
Financial assets		
US$	757 984	513 326
Rand	260 763	242 484
Total financial assets	1 018 747	755 809

Rand '000	31 March 2017	31 March 2016
Financial Liabilities		
US$	2 989	38 912
GBP	95	1 760
AUD	198	339
INR	154	167
Rand	370 705	216 680
Total financial liabilities	374 142	258 709

15 Financial risk and capital management continued

The exposure of the Company's financial liabilities to interest rate risk is as follows:

	Non-interest bearing financial	Non-interest bearing financial
Rand '000	31 March 2017	31 March 2016
Financial liabilities	374 142	258 709
Financial liabilities exposure to interest rate risk	374 142	258 709

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, with cognisance of forecast future market conditions and structuring, to maintain an optimal capital structure to reduce the cost of capital.

In order to manage the short and long term capital structure, the Company adjusts the amount of ordinary dividends paid to shareholders.

Financial risk sensitivities

Financial instruments affected by market risk include borrowings, deposits, and trade receivables and payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Company's financial instruments (as at year end) to changes in market variables, being exchange rates and interest rates.

The sensitivity analysis has been prepared on the basis that the components of net debt, the ratio of fixed to floating interest rates of the debt portfolio and the proportion of financial instruments in foreign currencies are all constant. The company does not enter into provisionally priced contracts, thus the commodity price sensitivities have not been calculated. The sensitivity analysis relates to the position as at period end.

- All profit or loss sensitivities also impact equity;
- The majority of debt and other deposits are carried at amortised cost and therefore carrying value does not change as interest rates move;
- No sensitivity is provided for accrued interest as accruals are based on pre-agreed rates and therefore are not susceptible to further rate movements; and
- Debt with a maturity below one year is floating rate, unless it is a long term fixed rate debt in its final year.

Using the above assumptions, the following tables show the illustrative effect on profit or loss and equity that would result from reasonable possible changes in the relevant foreign currency and interest rates:

Rand '000	Profit or (loss)	Equity
Interest rate sensitivities		
31-Mar-17		
+10% interest rate	1 950	1 950
-10% interest rate	(1 950)	(1 950)
31-Mar-16		
+10% interest rate	905	905
-10% interest rate	(905)	(905)

15 Financial risk and capital management continued

Rand '000	Profit or (loss)	Equity
Foreign currency sensitivities		
31-Mar-17		
+10% US$ to the Rand	299	299
-10% US$ to the Rand	(299)	(299)
+10% GBP to the Rand	10	10
-10% GBP to the Rand	(10)	(10)
+10% INR to the Rand	15	15
-10% INR to the Rand	(15)	(15)
+10% AUD to Rand	20	20
-10% AUD to Rand	(20)	(20)
31-Mar-16		
+10% US$ to the Rand	3 891	3 891
-10% US$ to the Rand	(3 891)	(3 891)
+10% INR to the Rand	(17)	(17)
-10% INR to the Rand	17	17
+10% AUD to Rand	34	34
-10% AUD to Rand	(34)	(34)

Fair value measurements

This note provides information how the Company determines fair values of various financial assets and financial liabilities. The Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liability are determined:

IFRS 13 Fair Value Measurement has established a three-level hierarchy for making fair value
· Level 1 - Unadjusted quoted prices for financial assets and financial liabilities traded in an active market for identical financial assets or financial liabilities.
· Level 2 - Inputs other than quoted prices included in level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
· Level 3 - Inputs for the financial asset or financial liability that are not based on observable market data.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

16 Share capital

	31-Mar-17		31-Mar-16
	Number of share	Rand '000	Number of shares
Authorised:			
Ordinary shares of R1 each	10 000	10	10 000
Cumulative redeemable convertible preference share	5 000	5	5 000
Issued:			
Ordinary shares of R1 each	1 000	1	1 000

The remaining unissued shares are under the control of the Directors until the Annual General Meeting.

17. Operating profit

Rand '000	31 March 2017	31 March 2016
17.1 Operating profit is calculated after (charging)/crediting:		
Depreciation of tangible assets	(135 225)	(117 995)
Employee costs	(424 936)	(404 223)
Share based payment expense	(4 950)	(12 600)
Rentals under operating leases	(5 126)	(3 947)
Auditors' remuneration:		
Audit	(2 476)	(3 158)
Rental income	3 623	3 652
Other income	8 436	16 861
Profit/(loss) on sale of fixed assets	-	330
Decrease/(increase in obsolence provision	2 259	2 153
Provision for doubtful debts	(76)	(156)
Royalty[(1)]	127 943	(5 601)

(1) The Company received the tax assessments by the South African Revenue Services (SARS) for Royalty Tax for the 2010, 2012 and 2013 tax years with subsequent payment of a refund amounting to R115 112 467 this amount is included in the operating profit for the year. Also included in operating profit is a reversal of R20m settlement for 2010 royalties SARS had incorrectly allocated to income tax provisional payment and raised a liability due by the Company for royalties. The Company had accrued for the liability until such time the source of the charge was cleared and the misallocation by SARS resolved.

17.2 Reclassifications

The Company reclassified certain items within operating profit and net finance costs elements to align the disclosure on the face of the Statement of Profit of Loss and Comprehensive Income with best practise and with the Group, where the face is presented by function. Previously the Statement of Profit or Loss and Comprehensive Income was presented by nature with additional disclosure reflected in the notes. The comparatives were adjusted in this regard.

17.3 Key management compensation

2017

Executive Directors	Directors' fees*	Short-Term benefits Salaries	Bonus	Allowances	Post Retirement Benefits Company contributions	Share scheme	Total remuneration
D Naidoo	-	3 601	900	289	682	-	5 472
MC Munroe	-	2 586	263	187	428	-	3 463
AJ Trytsman	-	2 267	446	-	372	-	3 085
Executive Directors	-	6 187	1 163	475	1 110	-	8 935
Non-Executive Directors	-	-	-	-	-	-	-
Prescribed Officer							
P Singla		2 036	214	-	69	-	2 319
Senior Management		14 026	1 898	414	1 781	89	18 208
Total: Directors, Prescribed officer and Senior Management		20 213	3 060	890	2 891	89	27 144

2016

Executive Directors	Directors' fees*	Short-Term benefits Salaries	Bonus	Allowances	Post Retirement Benefits Company contributions	Share scheme	Total remuneration
D Naidoo	-	3 572	744	-	664	-	4 980
MC Munroe	-	2 760	-	-	493	-	3 253
AJ Trytsman	-	2 002	5 480	213	418	-	8 113
Executive Directors	-	8 334	6 224	213	1 575	-	16 346
Non-Executive Directors	-	-	-	-	-	-	-
Senior Management	-	12 057	1 019	889	1 371	1 719	17 055
Total: Directors and Senior Management **	-	20 391	7 243	1 102	2 946	1 719	33 401

* The Company does not renumerate Directors for their participation in board activies
**The Company did not have any prescribed officers during the year ended 31 March 2016

18 Net finance income

Rand '000		31 March 2017	31 March 2016
Finance income			
Growth in environmental rehabilitation trust	15	7 331	6 896
Foreign exchange gains / (losses)	14	-	53 951
Finance income on bank deposits	21	5 290	2 440
Other financial income(2)	21	28 007	-
		40 628	63 287
Finance costs			
Unwinding of discount on provisions	8	(12 640)	(4 644)
Interest on post-employment benefit arrangements	9	(6 856)	(5 825)
Foreign exchange gains / (losses)	14	(71 859)	-
Bank loans and overdrafts	22	(2 216)	(85)
		(93 572)	(10 554)
Net finance income / (expense)		(52 943)	52 733

(2) The Company received interest of R28 007 344 on the refund from (SARS) mentioned in (1) above. This amount is included in interest and other financial income for the year.

19 Income tax expense

a) Analysis of charge for the year

Rand ‘000	31 March 2017	31 March 2016
Current tax		
Payable in respect of the current year	-	28 812
Payable in respect of the prior year	9 073	-
Total current taxation	9 073	28 812
Deferred taxation in respect of the current year	159 132	40 218
Total deferred taxation	159 132	40 218
Total tax charge for the year	168 205	69 030

b) Factors affecting tax charge for the year

The current tax charge is Rnil due to allowances on capital expenditure incurred on the Gamsberg Project. The current tax charge for 31 March 2016 was R28 812 206.

Rand ‘000	31 March 2017	31 March 2016
Profit on ordinary activities before tax	568 553	252 411
Tax on profit on ordinary activities calculated at 28%	159 195	70 675
Tax effects of:		
Expenses not deductible for tax purposes	1 990	286
Non-taxable income	(2 053)	(1 931)
Current tax liability prior year recognised	9 073	-
Tax charge for the year	168 205	69 030

c) Tax rate reconciliation

	31 March 2017	31 March 2016
Standard tax rate	28.00%	28.00%
Non-deductible expenses	0.0%	-0.7%
Adjustment in respect of prior years tax	1.6%	0.0%
Effective rate	29.58%	27.35%

20 Cash flow analysis

a) Reconciliation of profit before tax to cash inflows from operations

Rand '000	31 March 2017	31 March 2016
Profit before tax	568 553	252 411
Depreciation and amortisation	135 225	117 995
Share based payment expense	4 950	12 600
Net finance (costs) income	33 446	(63 201)
Rental income	(3 623)	(3 652)
(Profit)/loss on sale of tangible assets	-	(330)
Increase in provisions and other non-cash flow items	7 241	(8 572)
(Increase)/ decrease in inventories	(216 855)	35 239
(Increase)/ decrease in operating debtors	43 812	(43 719)
Increase/(decrease) in operating creditors	633 781	148 131
Cash inflows from operations	1 206 531	446 904

b) Income tax paid

Rand '000	31 March 2017	31 March 2016
Opening balance	5 328	44 353
Charge for the year	(9 073)	(28 812)
Refunds from SARS	-	(37 762)
Closing balance	(8 002)	(5 328)
Tax paid	(11 747)	(27 549)

c) Dividend paid

There were no dividends paid (2016: Nil)

21 Related party transactions

The Company in the ordinary course of business enters into sales and service transactions with fellow subsidiaries and associates and others in the Vedanta Resources plc. These transactions are under terms that are no more favourable than those arranged with third parties.

The following balances were outstanding/receivable from group companies at year end:

Rand	Nature of transactions	31 March 2017	31 March 2016
Balance payable			
Sterlite Industries India Limited	a	-	443 595
SESA Sterlite Limited	c	560 018	14 845 520
CMTPL	a	-	101 462
Namzinc Proprietary Limited	a	-	67 523
Skorpion Zinc Proprietary Limited	b	4 448 168	-
Lisheen Mine Partnership	a	542 854	-
Hindustan Zinc Limited	a	484 608	-
Sesa GOA	a	-	1 997 400
		6 035 648	17 455 500
Balance receivable			
Lisheen Mine Partnership	b	-	2 156 943
Skorpion Zinc Proprietary Limited	a and b	-	35 489 811
KCM Mine Proprietary Limited	a	1 132 169	29 337
Sterlite Industries India Limited	a	274 015	274 015
Sesa GOA	a	371 398	59 260
SESA Sterlite Limited	a	509 818	-
		2 287 400	38 009 366

(a) Expenses paid on behalf of group companies and or on behalf of the Company by group companies and recharged at cost paid.

b) Administration fees recovered from Skorpion Zinc Proprietary Limited for the period were R29 891 754, 31 March 2016 was R22 462 224 from Lisheen Mine Partnership and Skorpion Zinc Proprietary Limited each.

(c) The share based expenses for the period for certain employee shares or rights over shares in a Group company are administered by SESA Sterlite Limited and the total expense for the year is R4 949 999 (31 March 2016: R12 600 000).

Remuneration and benefits of key management personnel are disclosed in note 17.3.

22 Operating leases

At 31 March 2017, the Company had outstanding commitments under non-cancellable operating leases.

Rand '000	31 March 2017	31 March 2016
Expiry date:		
Within one year	3 284	1 985
Two to five years	2 577	681
	5 861	2 666

23 Capital commitments

Rand '000	31 March 2017	31 March 2016
Contracted but not provided	2 762 448	12 572
Authorised but not yet contracted	3 325 000	2 624 800

These commitments will be funded from both internal cash resources and project finance.

24 Contingent liabilities and assets

Provision is made for all liabilities that are expected to materialise.

24.1 The company is still in discussions with the Transnet National Port Authorities concerning ground contamination at Saldanha. The amount of the liability can only be determined when a thorough investigation has been completed. The investigation can only commence once the Company ceases loading and warehousing activities on the termination of the lease contract during 2018.

24.2 The South African Revenue Services (SARS) concluded the audit for the Royalty Tax for the 2010, 2012 and 2013 tax years with significant refunds paid to the company. However the refund excluded the amount for the deduction of selling and distribution costs, an estimated R66 million. The Company filed a notice of objection to the Assessment by SARS during December 2016, the matter is expected to take a lengthy period to resolve with several key Companies in the Mining Industry taking SARS to task on similar Assessments.

25 Subsequent Events

Employee share scheme

On 1 April 2017 the Company sold shares to the Voorspoed Trust with an effective holding of 6% of the Company's issued share capital. The Voorspoed Trust was established to facilitate employee share ownership with the emphasis on employees who hold junior employment positions. Thus the beneficiaries of the Voorspoed Trust and the shares issued are employees in key positions who's Paterson level is C band and below.

The Scheme will be accounted for as a cash settled scheme in accordance with International Financial Reporting Standard (IFRS) 2, which requires the liability to be accrued for over the vesting period of the shares, 5 years and 7 years for 50% of each tranche. The accounting entries will be reflected commencing the year-ending 31 March 2018.

Special dividend declared

On the 19th of April 2017, the directors declared a special dividend payable to the Voorspoed Trust as per the Shareholders' agreement, this will be paid at the end of May via distribution of R3,500 to each beneficiary of the Voorspoed Trust.