Merafe Resources Limited

Registration number 1987/003452/06

Annual Financial Statements

Audited

for the year ended 31 December 2015

The following individuals were responsible for the preparation of the annual financial statements:

Kajal Bissessor CA(SA)
Financial Director

Zanele Matlala CA(SA)
Chief Executive Officer

These annual financial statements will be published on 24 March 2016.

Merafe Resources Limited

(Reg. No. 1987/003452/06)

Annual Financial Statements

for the year ended 31 December 2015

Contents	*Page*
Directors' responsibility statement	2
Company secretary's certificate	2
Report of the audit and risk committee	3
Directors' report	4 – 6
Independent auditor's report	7 – 8
Statements of comprehensive income	9
Statements of financial position	10
Statements of changes in equity	11
Statements of cash flows	12
Significant accounting policies	13 – 31
Notes to the financial statements	32 – 74
Shareholder information	75 – 76

Directors' responsibility statement

for the year ended 31 December 2015

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Merafe Resources Limited, comprising the statements of financial position at 31 December 2015, and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the accounting policies and notes to the financial statements, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and the directors' report.

The directors are also responsible 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, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company and its subsidiaries to continue as going concerns and have no reason to believe that the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group financial statements and financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of Merafe Resources Limited, as identified in the first paragraph, were approved by the board of directors on 8 March 2016 and signed by :

Chris Molefe
Chairman
8 March 2016

Zanele Matlala
Chief Executive Officer
8 March 2016

Company secretary's certificate

for the year ended 31 December 2015

I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies all such returns as are required to be lodged by a public company in terms of section 88(2)(e) of the Companies Act of South Africa, and that all such returns appear to be true, correct and up to date.

CorpStat Governance Services
William Somerville
Company Secretary
8 March 2016

Report of the audit and risk committee

for the year ended 31 December 2015

The audit and risk committee reports that it has adopted formal terms of reference as its audit and risk committee Charter, and that it has discharged all of its responsibilities for the current financial year, in compliance with the Charter.

The audit and risk committee is satisfied that an adequate system of internal control is in place to reduce significant risks faced by the group to an acceptable level, and that these controls have been effective throughout the period under review. The system is designed to manage, rather than eliminate, the risk of failure and to maximise opportunities to achieve business objectives. This can provide only reasonable, but not absolute assurance. In addition, the audit and risk committee reviews the financial control systems, the accounting systems and sets the Group's policy on non-audit services provided by the external auditors. It also monitors compliance with legal requirements, assesses the performance of financial management, approves external audit fees, budgets, plans and performance, and conducts an annual review and assessment of the business risks the group faces.

As required by the JSE Limited Listings Requirements 3.84(h), the audit and risk committee has satisfied itself that Kajal Bissessor, the Chief Financial Officer during the current financial year has the appropriate experience and expertise to fulfil the responsibilities of the finance function.

The approval of the Integrated Report is also the responsibility of the audit and risk committee. The committee members are appointed annually by the shareholders at the Annual General Meeting.

The audit and risk committee has evaluated the consolidated and separate financial statements of Merafe Resources Limited for the year ended 31 December 2015 and based on the information provided to the audit and risk committee, considers that it complies, in all material respects, with the requirements of the various Acts governing disclosure and reporting in the consolidated and separate financial statements.

The audit and risk committee has evaluated the independence of the external auditors and the audit and risk committee is satisfied that the external auditors have remained independent. The audit and risk committee therefore recommends the adoption of the consolidated and separate financial statements by the board.



Karabo Nondumo CA(SA)
Chairperson – Audit and Risk Committee
8 March 2016

Directors' report

for the year ended 31 December 2015

1. Nature of business

The company, through its wholly-owned ultimate subsidiary, Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome) and through a pooling and sharing venture with Glencore Operations South Africa Proprietary Limited (Glencore), participates in chrome mining and the beneficiation of chrome ore into ferrochrome. The Glencore-Merafe Chrome Venture (Venture) operates five ferrochrome smelters, twenty-two ferrochrome furnaces and nine mines, situated in the North-West, Limpopo and Mpumalanga Provinces of South Africa. Merafe Ferrochrome's share of the earnings before interest, taxation, depreciation and amortisation (EBITDA) is 20.5%. The Venture comprises assets to which both Glencore and Merafe Ferrochrome have granted the right of use.

Listed below are the assets to which Merafe Ferrochrome has granted the right of use to the Venture:

Ferrochrome Smelters		**Chrome mines**		**UG2 plants and pelletisers**	
Asset	***Merafe Ferrochrome's interest***	***Asset***	***Merafe Ferrochrome's interest***	***Asset***	***Merafe Ferrochrome's interest***
Wonderkop smelter (furnaces 5 and 6)	50%	Horizon mine*	100%	Impala Kanana UG2 plant	100%
Boshoek smelter	100%	Boshoek mine	100%	Lonmin UG2 plants	20.5%
Lion I smelter	20.5%	Kroondal and Wonderkop mine	20.5%	Mototolo UG2 plant	20.5%
Lion II smelter	20.5%	Helena mine	20.5%	Bokamoso pelletising plant	20.5%
		Magareng mine	20.5%	Motswedi pelletising plant	100%
				Tswelopele pelletising plant	20.5%

* Disposed of during 2015

2. Group financial results

The financial statements set out the financial results of the group and company and have been prepared using appropriate accounting policies, conforming to International Financial Reporting Standards, supported by reasonable and prudent judgements where required.

Merafe Ferrochrome's share of EBITDA from the Venture is accounted for at 20.5%. In addition to Merafe Ferrochrome's share of EBITDA from the Venture, corporate expenses, interest on debt, depreciation and interest received are accounted for in order to determine earnings before taxation of the group. Refer to Note 1.3.2, Basis of consolidation – Transactions with the Venture, for further information regarding the accounting policy for Merafe Ferrochrome's interest in the Venture.

3. Loans and borrowings

As at 31 December 2015, R559 million of the ABSA and Standard Bank facility was utilised and the remaining R191 million was available and unutilised.

4. Venture projects

Production from the Lion II furnaces commenced in the first half of 2014. The plant reached full production in mid 2015.

5. Going concern

The directors believe that the company has sufficient resources and expected cash flows to continue as a going concern for the year ahead.

6. Dividend policy

The company has a hybrid dividend policy that has features of a stable dividend policy and a residual dividend policy. The company intends to pay a stable dividend at least once a year taking into account the annual financial performance, expansionary projects and economic circumstances prevailing at the time. In addition, in any given year, the directors may consider an additional distribution in the form of special dividends dependent on the company's financial position, future cash requirements, future earning prospects, availability of distributable reserves and other factors. Dividends are recognised when they are declared by the board of the company.

7. Ordinary dividends

An interim dividend of R25 million was declared and paid during the 2015 year. A final dividend of R30 million was declared for the year ended 31 December 2015.

8. Share capital

The full details of the authorised and issued share capital of the company are set out in note 6 to the annual financial statements. Merafe did not issue any shares for cash or effect any share repurchases under a general or specific authority.

9. Changes to Directorate and Company Secretary

The following changes to the Board were effective during the period:

- B McBride, S Phiri and M Mamathuba resigned effective 2 March 2015
- B Harvey was appointed on 2 March 2015 and resigned effective 28 April 2015
- Z Van Der Walt resigned effective 7 March 2016

S Blankfield was appointed effective 13 May 2015 and K Bissessor was appointed effective 1 January 2015.

9. Changes to Directorate and Company Secretary *(continued)*

The Board comprised of the following Directors at 8 March 2016:

- Chris Molefe (Chairperson), Belese Majova, Abiel Mngomezulu, Mpho Mosweu, Karabo Nondumo, Shaun Blankfield, Zanele Matlala, Kajal Bissessor.

10. Major shareholders

The following shareholders were the registered holders of 5% or more of the issued ordinary shares in the company at 31 December 2015:

- Glencore (Nederland) B.V. – 28.68%;
- The Industrial Development Corporation of South Africa Limited – 21.78%;

Royal Bafokeng Resources Holdings (Proprietary) Limited disposed of its 28.68% shareholding to Glencore (Nederland) B.V. effective 29 April 2015.

11. Directors' interests in Merafe Resources Limited

Refer to Note 22.2 for the beneficial interests of directors in shares of the company.

12. Details of investments in subsidiaries and structured entities

Refer to Note 3 for details of investments in subsidiaries and structured entities.

13. Property, plant and equipment

There were no changes in the nature of property, plant and equipment or in the policy regarding their use during the year. Management is of the opinion that the carrying value of property, plant and equipment is reflected at less than its recoverable amount.

14. Events after the reporting date

Refer to note 26.

15. Special Resolutions

The following special resolutions were passed by the shareholders at the 2015 Annual General Meeting:

- Special Resolution Number 1 – Approval of non-executive directors' fees
- Special Resolution Number 2 – Loans or other financial assistance to related or inter-related Companies

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Independent auditor's report

To the Shareholders of Merafe Resources Limited

Report on the financial statements

We have audited the group financial statements and financial statements of Merafe Resources Limited, which comprise the statements of financial position at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accounting policies and notes to the financial statements, as set out on pages 9 to 74.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and 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.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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.

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

Opinion
In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Merafe Resources Limited at 31 December 2015, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 31 December 2015, we have read the Directors' report, the Report of the audit and risk committee 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 we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005

Registration number 1999/021543/21

Executive Directors M Letsitsi SL Louw, NKS Malaba, M Oddy, CAT Smit

Other Directors ZA Beseti, LP Fourie, N Fubu, AH Jaffer (Chairman of the Board), FA Karreem, ME Magondo, F Mall, GM Pickering, JN Pierce

The company's principal place of business is at KPMG Crescent, 85 Empire Road, Parktown, where a list of the directors' names is available for inspection

Report on Other Legal and Regulatory Requirements
In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Merafe Resources Limited for 12 years.

KPMG Inc.



Per Bavhana Sooku
Chartered Accountant (SA)
Registered Auditor
Director

Date: 8 March 2016

Merafe Resources Limited

Statements of comprehensive income

for the year ended 31 December 2015

	Note	Group		Company	
		2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Revenue	*14*	**4 428 075**	3 609 066	**49 593**	74 398
Foreign exchange gains/(losses)		**83 424**	(1 251)	**-**	-
Operating and other expenses	*15*	**(3 695 507)**	(3 018 550)	**(19 205)**	(28 229)
Earnings before interest, taxation, depreciation and impairment		**815 992**	589 265	**30 388**	46 169
Depreciation		**(267 352)**	(237 335)	**(252)**	(294)
Impairment		**(6 401)**	-	**-**	-
Results from operating activities	*15*	**542 239**	351 930	**30 136**	45 875
Finance expense		**(65 008)**	(52 372)	**(9)**	(25)
Finance income		**1 943**	1 077	**1 617**	823
Net finance (expense)/income	*16*	**(63 065)**	(51 295)	**1 608**	798
Profit before income tax		**479 174**	300 635	**31 744**	46 673
Income tax	*17*	**(135 717)**	(86 538)	**4 477**	546
Profit and total comprehensive income for the year		**343 457**	214 097	**36 221**	47 219
Profit and total comprehensive income for the year attributable to:					
Owners of the company		**343 457**	214 097	**36 221**	47 219
Earnings per share					
Basic earnings per share (cents)	*18.1*	**13.7**	8.6		
Diluted earnings per share (cents)	*18.4*	**13.7**	8.5		

Merafe Resources Limited

Statements of financial position

at 31 December 2015

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Assets					
Property, plant and equipment	*2.1*	**3 240 370**	3 239 162	**516**	571
Investments in subsidiaries	*3*			**1 292 655**	1 247 655
Deferred tax asset	*11*	**17 995**	13 518	**17 995**	13 518
Total non-current assets		**3 258 365**	3 252 680	**1 311 166**	1 261 744
Inventories	*4*	**1 445 887**	1 435 799	-	-
Current tax assets	*12*	**10 773**	15 485	-	-
Trade and other receivables	*5*	**317 454**	652 642	**972**	90 474
Cash and cash equivalents	*19.1*	**325 126**	44 541	**103 039**	8 140
Total current assets		**2 099 240**	2 148 467	**104 011**	98 614
Total assets		**5 357 605**	5 401 147	**1 415 177**	1 360 358
Equity					
Share capital	*6*	**25 107**	25 053	**25 107**	25 053
Share premium	*7*	**1 269 575**	1 269 578	**1 269 575**	1 269 578
Equity-settled share-based payment reserve	*8*	-	24 651	-	24 651
Retained earnings		**2 120 007**	1 804 220	**26 383**	17 832
Total equity attributable to owners of the company		**3 414 689**	3 123 502	**1 321 065**	1 337 114
Liabilities					
Loans and borrowings	*9*	**472 755**	549 909	**1 947**	1 853
Share based payment liability	*8*	**3 147**	-	**3 147**	-
Provision for closure and restoration costs	*10*	**139 351**	129 029	-	-
Deferred tax liability	*11*	**763 724**	687 215	-	-
Total non-current liabilities		**1 378 977**	1 366 153	**5 094**	1 853
Loans and borrowings	*9*	**101 176**	80 778	**24**	95
Trade and other payables*	*13*	**444 314**	615 773	**86 101**	21 296
Provision for closure and restoration costs	*10*	-	7 932	-	-
Share based payment liability	*8*	**2 893**	-	**2 893**	-
Bank overdraft	*19.1*	**15 556**	207 009	-	-
Total current liabilities		**563 939**	911 492	**89 018**	21 391
Total liabilities		**1 942 916**	2 277 645	**94 112**	23 244
Total equity and liabilities		**5 357 605**	5 401 147	**1 415 177**	1 360 358

** Includes nil (2014: R189m) short-term stock warehousing facility*

Merafe Resources Limited

Statements of changes in equity

for the year ended 31 December 2015

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Issued share capital - ordinary shares	6	**25 107**	25 053	**25 107**	25 053
Balance at beginning of year		**25 053**	24 942	**25 053**	24 942
Share grants exercised		**54**	111	**54**	111
Share premium – ordinary shares	7	**1 269 575**	1 269 578	**1 269 575**	1 269 578
Balance at beginning of year		**1 269 578**	1 262 899	**1 269 578**	1 262 899
Share issue expenses arising from share options exercised		**(3)**	6 679	**(3)**	6 679
Equity-settled share-based payment reserve	8	**-**	24 651	**-**	24 651
Balance at beginning of year		**24 651**	39 011	**24 651**	39 011
Shares vested during the year		**(2 205)**	(6 471)	**(2 205)**	(6 471)
Share based payments expensed during the year		**2 465**	11 201	**2 465**	11 201
Transfer to retained earnings		**(8 090)**	(19 090)	**(8 090)**	(19 090)
Transfer to share based payment liability		**(16 821)**	-	**(16 821)**	-
Retained earnings		**2 120 007**	1 804 220	**26 383**	17 832
Balance at beginning of year		**1 804 220**	1 598 985	**17 832**	(20 525)
Profit and total comprehensive income for the year		**343 457**	214 097	**36 221**	47 219
Dividend paid		**(45 192)**	(27 952)	**(45 192)**	(27 952)
Transfer from share based payment reserve		**8 090**	19 090	**8 090**	19 090
Transfer from share based payment liability		**9 432**	-	**9 432**	-
Total equity at end of year attributable to owners		**3 414 689**	3 123 502	**1 321 065**	1 337 114

Merafe Resources Limited

Statements of cash flows

for the year ended 31 December 2015

	Note	Group 2015 R'000	Group 2014 R'000	Company 2015 R'000	Company 2014 R'000
Cash flows from operating activities					
Cash generated from operating activities	*19*	**1 054 395**	395 918	**187 031**	75 493
Finance costs**		**(41 201)**	(43 915)	**(9)**	(25)
Interest received		**1 460**	1 047	**1 133**	823
Taxation paid		**(58 972)**	(46 985)	**-**	-
Net cash from operating activities		**955 682**	306 065	**188 155**	76 291
Cash flows from investing activities					
Proceeds on disposal of property, plant and equipment		**48**	6 311	**48**	15
Acquisition of property, plant and equipment					
- sustaining[b]		**(259 185)**	(247 359)	**(224)**	(140)
- expansionary[b]		**(44 320)**	(195 953)	**-**	-
Increase in investments		**-**	-	**(45 000)**	(60 000)
Net cash utilised in investing activities		**(303 457)**	(437 001)	**(45 176)**	(60 125)
Cash flows from financing activities					
Proceeds from issue of shares		**-**	6 790	**-**	6 790
Vesting of share grants		**(2 888)**	(6 471)	**(2 888)**	(6 471)
Dividends paid		**(45 192)**	(27 952)	**(45 192)**	(27 952)
Loans (repaid)/raised during the year		**(57 154)**	34 905	**-**	(7)
Net cash generated/(used in) financing activities		**(105 234)**	7 272	**(48 080)**	(27 640)
Net increase/(decrease) in cash and cash equivalents		**546 991**	(123 664)	**94 899**	(11 474)
Cash and cash equivalents at 1 January		**(162 468)**	(10 746)	**8 140**	19 614
Effect of exchange rate fluctuations on cash held during the year		**(74 953)**	(28 058)	**-**	-
Cash and cash equivalents at 31 December	*19.1*	**309 570**	(162 468)	**103 039**	8 140

[b] *Relates to 20.5% of the Venture's total cash outflow. Note 2.1 details the property, plant and equipment owned by Merafe Ferrochrome.*

Note: Total interest paid can be reconciled as follows:	**(41 201)**	(52 940)	**(9)**	(25)
***Included in operating activities*	**(41 201)**	(43 915)	**(9)**	(25)
Included in investing activities – borrowing costs capitalised	**-**	(9 025)	**-**	-
Borrowing costs capitalisation rate	**-**	17%	**-**	-

Merafe Resources Limited

Significant accounting policies

for the year ended 31 December 2015

1. Accounting policies

1.1 Reporting entity

Merafe Resources Limited (Company) is domiciled in the Republic of South Africa. The address of the company's registered office is Building B, Second Floor, Ballyoaks Office Park, 35 Ballyclare Drive, Bryanston, 2191. The consolidated financial statements of the company as at and for the year ended 31 December 2015 comprise the company and its subsidiaries (together referred to as the group and individually as group entities), the group's interest in the Venture and structured entities. The group is primarily involved in the mining and beneficiation of chrome ore into ferrochrome. Where reference is made to the "group" and "consolidated" in the accounting policies, it should be interpreted as also referring to the "company" where the context requires, unless otherwise indicated.

1.2 Basis of preparation

1.2.1 Statement of compliance

The group financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by Financial Reporting Standards Council, the JSE Listing Requirements and the requirements of the Companies Act of South Africa. The group financial statements and financial statements were authorised for issue by the board on 8 March 2016.

1.2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position which are measured at their fair values:

- Derivative financial instruments; and
- Equity-settled share-based payments.

1.2.3 Functional and presentation currency

The consolidated financial statements are presented in South African Rand, which is the company's functional currency.

All financial information presented in South African Rand has been rounded to the nearest thousand, unless otherwise indicated.

1.2.4 Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

1. Accounting policies *(continued)*

1.2 Basis of preparation *(continued)*

1.2.4 Use of estimates and judgements *(continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 1.5, 1.20.2 and 2.1 Measurement of depreciation and impairment, useful lives and residual values of property, plant and equipment
Note 1.10.3 and 8 Share-based payment transactions
Note 1.5.3.5, 2 and 9.1 Lease classification
Note 1.8 and 10 Provision for closure and restoration costs
Note 1.14 and 11 Utilisation of tax losses
Note 1.3 Consolidation: control assessment

The accounting policies set out below have been applied consistently to all periods presented in these group and company financial statements and have been applied consistently by group entities.

1.2.5 Standards and interpretations issued and not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016 and have not been applied in preparing these consolidated and separate financial statements. The standards which may be relevant to the group are set out below. The group does not plan to adopt these standards early. These standards will be adopted in the period that it becomes effective.

IFRS 15 Revenue from contracts with customers
The standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services.*

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The new standard could have an impact on the group, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The group is currently in the process of performing a more detailed assessment of the impact of this standard on the group and will provide more information in future financial statements.

1. Accounting policies *(continued)*

1.2 Basis of preparation *(continued)*

1.2.5 Standards and interpretations issued and not yet effective *(continued)*

Disclosure Initiative **(Amendments to IAS 1)**

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

Management are currently assessing the disclosure impact of this.

IFRS 9 ***Financial Instruments***

On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial *Instruments: Recognition and Measurement.*

Management are currently assessing the impact on the group which could impact the measurement of financial instruments. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which may increase the provision for bad debts recognised in the Group.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

IFRS 16 ***Leases***

IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lesees and lessors. The group and company are assessing the potential impact on the financial statements resulting from the application of IFRS 16.

Significant accounting policies

for the year ended 31 December 2015 (continued)

1. Accounting policies *(continued)*

1.3. Basis of consolidation

1.3.1 Subsidiaries

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

1.3.2 Transactions with the Venture

Glencore and Merafe Ferrochrome pooled and shared their ferrochrome assets on 1 July 2004 to form the Venture. The Venture's primary business is the production and sale of ferrochrome to the stainless steel industry. The Venture is the only operating asset of the Merafe group and is strategic to the group's activities. While Merafe Ferrochrome's assets forms part of the Venture, Merafe Ferrochrome retains ownership of its assets and is closely involved in the Venture's operations through the Venture's Executive Committe, Joint Board and sub-committees. Merafe Ferrochrome receives 20.5% of the Venture's earnings before interest, taxation, depreciation and amortisation (EBITDA) and owns 20.5% of the working capital.

In management's view, the Venture is a joint arrangement as defined in IFRS 11 as Merafe Ferrochrome and Glencore are bound by a contractual arrangement which constitutes joint control. The following significant judgements and assumptions were relevant in the joint control assessment:

a) The ultimate operational decision making responsibility in the Venture resides with the Joint Board. The Chairman of the Board, who is appointed by Glencore, has a casting vote at the Joint Board level on all decisions except for decisions relating to reserved matters. The reserved matters include, inter-alia, the managing of input costs relating to chrome production, operation of the various chrome producing assets, disposal of assets forming part of the pooled operations, increasing the operational capacity of chrome producing assets and acquiring or constructing new chrome producing assets. These reserved matters, in management's view, are likely to have the most significant impact on returns of the Venture and therefore would constitute its "relevant activities" as defined in IFRS 10. Contractually, decisions over the reserved matters require the unanimous consent of Merafe Ferrochrome and Glencore as those decisions cannot be made unilaterally.

1. Accounting policies *(continued)*

1.3. Basis of consolidation *(continued)*

1.3.2 Transactions with the Venture *(continued)*

b) There is a significant disparity in holdings between Merafe Ferrochrome's interest in the Venture at 20.5% and Glencore's interest in the Venture at 79,5%. However, this does not influence the joint control conclusion as the benefits each party stand to gain from the arrangement was the determining factor in the joint control arrangement rather than other forms of arrangements. Furthermore, any dispute relating to the interpretation of the Pooling and Sharing Agreement is to be settled by an arbitrator appointed by the Arbitration Foundation of South Africa (AFSA) and in management's view the AFSA provides for a neutral dispute resolution process and would not favour either Glencore or Merafe Ferrochrome.

c) The lack of legal form of the Venture results in Merafe Ferrochrome and Glencore having rights to the assets and obligations for the liabilities held in the Venture. This lack of legal separation between the Venture, Glencore and Merafe Ferrochrome is further supported by the fact that the South African Revenue Services looks through the Venture and directly taxes Merafe Ferrochrome and Glencore for the income generated from the Venture.

d) In terms of the Venture agreement, Merafe Ferrochrome and Glencore maintain legal ownership of their respective assets contributed to the Venture and upon winding up of the Venture, Glencore and Merafe Ferrochrome will also receive a portion of any new assets acquired by the parties post 1 July 2004 and to the extent that an asset relates to their existing assets, be required to acquire the other party's portion at fair value which indicates that the parties have rights to the assets of the Venture. The lack of legal form of the Venture results in Glencore and Merafe Ferrochrome having rights to the assets and obligations for the liabilities held in the Venture and consequently joint operations classification in terms of IFRS 11.

Accounting for joint operations results in Merafe Ferrochrome recognising its assets that were contributed to the Venture and its portion of the assets held jointly in the Venture. Similarly Merafe Ferrochrome recognises its liabilities, including its share of any liabilities incurred jointly. Merafe Ferrochrome recognises its revenue and share of the revenue from the Venture as well as its expenses and share of expenses relating to the Venture. The accounting that was adopted by Merafe since the formation of the Venture is consistent with the accounting for joint operations as required by IFRS 11.

Refer to Related Parties note 22.3 for the items that represent the group's share of the working capital and EBITDA of the Venture.

1.3.3 Structured entities

The group has established structured entities (SEs). The related parties Note 22 includes the identity and relationship of the SEs to the group. The group does not have any direct or indirect shareholding in these entities. A SE is consolidated if, based on an evaluation of the substance of its relationship with the group and the SE's risks and rewards, the group concludes that it controls the SE. SEs controlled by the group were established under terms that impose strict limitations on the decision making powers of the SE's management and that result in the group receiving the majority of the benefits related to the SE's activities, and retaining the majority of the residual or ownership risks related to the SEs or their assets.

1. Accounting policies *(continued)*

1.3. Basis of consolidation *(continued)*

1.3.4 Transactions eliminated on consolidation

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

1.4 Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated to the functional currency of the group entities at the exchange rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to South African Rand at the foreign exchange rate ruling at that date. The foreign exchange gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for the effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to Rand at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss. Non-monetary items that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

1.5 Property, plant and equipment

1.5.1 Recognition and measurement

1.5.1.1 Mining assets including mine development costs
Mining assets, including mine development costs and mine plant facilities, are stated at cost less accumulated depreciation and accumulated impairment. Costs include pre-production expenditure incurred in the development of the mine and the present value of future decommissioning costs. Development costs incurred to develop new ore bodies, to define mineralisation in existing ore bodies and to establish or expand productive capacity are capitalised. Mine development costs in the ordinary course of maintaining production are expensed as incurred. Initial development and pre-production costs relating to a new ore body are capitalised until the ore body achieves commercial levels of production, at which time the asset is deemed to be available for use and is amortised as set out below.

1.5.1.2 Mineral and surface rights
Mineral and surface rights are stated at cost less accumulated depreciation and accumulated impairment losses. When there is little likelihood of a mineral right being exploited, or the value of mineral rights has diminished below cost, an impairment loss is recognised in profit or loss in the period that such determination is made.

1. Accounting policies *(continued)*

1.5 Property, plant and equipment *(continued)*

1.5.1 Recognition and measurement *(continued)*

1.5.1.3 Land, non-mining assets and corporate assets

Land is stated at cost and is not depreciated. Buildings and other non-mining property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of self constructed assets includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items, restoring the site on which they are located and any other costs directly attributable to bringing the assets to a working condition for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

1.5.1.4 Exploration and evaluation expenditure

Exploration and evaluation expenditure relates to costs incurred during the exploration and evaluation of potential mineral reserves and resources and includes costs such as exploratory drilling and sample testing and the costs of pre-feasibility studies. Exploration and evaluation expenditure for each area of interest, other than acquired from the purchase of another mining company, is recognised as an asset provided that one of the following conditions are met:

- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future. Purchased exploration and evaluation assets are recognised as assets at fair value if purchased as part of a business combination.

An impairment review is performed, either individually or at the cash-generating unit level, when there are indications that the carrying amounts of the assets may exceed their recoverable amounts. To the extent that this occurs, an impairment loss is recognised in the financial year in which this is determined. Exploration and evaluation assets are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions outlined above is met. Expenditure is transferred to mine development assets or capital work in progress once the work completed to date supports the future development of the property and such development received appropriate approvals.

Significant accounting policies
for the year ended 31 December 2015 (continued)

1. Accounting policies *(continued)*

1.5 Property, plant and equipment *(continued)*

1.5.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The carrying amount of the replacement part is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

1.5.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, less its residual value.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate.

1.5.3.1 Mineral and surface rights
Mineral rights that are being depleted are depreciated over their estimated useful lives using the units of production method, based on proven and probable ore reserves. Mineral rights that are not being depleted are not amortised. Mineral rights that have no commercial value are impaired in full.

1.5.3.2 Mining assets including mine development costs
Mining equipment, structures and plant and equipment are depreciated using the straight-line method over the estimated useful life. The useful life ranges between one and thirty years, depending on the nature of the asset.

1.5.3.3 Capital work in progress
Capital work in progress is not depreciated. The net carrying amounts of capital work in progress at each mine property are reviewed for impairment either individually or at the cash-generating unit level when events and changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that these values exceed their recoverable amounts, an impairment loss is recognised in the financial year in which this is determined.

1.5.3.4 Land, non-mining assets and corporate assets
Non-mining equipment, structures and plant and equipment are depreciated using the straight-line method over the estimated useful life. The useful life ranges between one and thirty years depending upon the nature of the asset. Land is not depreciated.

1. Accounting policies *(continued)*

1.5 Property, plant and equipment *(continued)*

1.5.3 Depreciation and amortisation *(continued)*

1.5.3.5 Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are accounted for as described in accounting policy Note 1.12. Leased assets are depreciated over the shorter of the lease term and their useful lives. The useful life of leased assets is on average twenty years.

Other leases are operating leases and are not capitalised.

1.5.4 Derecognition

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to flow to the group from their use. Gains or losses on derecognition of an item of property, plant and equipment are determined by the comparing of the proceeds from disposal, if applicable, with the carrying amount of the item and are recognised directly in profit or loss.

1.6 Financial instruments

1.6.1 Non-derivative financial assets

The group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the group is recognised as a separate asset or liability.

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

The group classifies non-derivative financial assets into the following categories:

1. Accounting policies *(continued)*

1.6 Financial instruments *(continued)*

1.6.1 Non-derivative financial assets *(continued)*

Loans and receivables
Loans and receivables are financial assets with fixed or determined payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and intercompany loans.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the group in the management of its short-term commitments.

1.6.2 Non-derivative financial liabilities

The group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date the group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables.

1.6.3 Derivative financial instruments

Embedded derivatives are separated from the host contract and accounted for separately if:

- the economic characteristics and risk of the host contract and the embedded derivative are not closely related;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined instrument is not measured at fair value through profit or loss.

Significant accounting policies
for the year ended 31 December 2015 (continued)

1. Accounting policies *(continued)*

1.6 Financial instruments *(continued)*

1.6.3 Derivative financial instruments *(continued)*

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted as described below.

Separable embedded derivatives
Changes in the fair value of separated embedded derivatives are recognised immediately in profit or loss.

1.7 Share capital

Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

1.8 Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in profit or loss.

Provision for closure and restoration costs
Long-term environmental obligations are based on the group's environmental management plan, in compliance with current environmental and regulatory requirements.

A full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The related costs are capitalised to mining assets and are amortised over the useful lives of the related assets. Annual movements in the provision relating to the change in the net present value of the provision due to changes in estimated cash flows or discount rates are adjusted against the costs capitalised to mining assets. Ongoing rehabilitation costs are expensed in profit or loss.

Annual movements in the provision relating to passage of time, i.e. unwinding of discount, are expensed.

Cost estimates are not reduced by the potential proceeds from the sale of assets or from plant clean-up at closure.

Guarantees have been provided by the Venture to the Department of Mineral Resources in respect of the liability for closure and restoration costs. These guarantees are in the name of Glencore and relate to the Venture, and are disclosed in Note 20.2. The guarantees are not recognised as liabilities in the financial statements.

1. Accounting policies *(continued)*

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is determined on the following basis:

- Finished goods on hand are valued using the weighted average cost. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost includes an appropriate share of production overheads based on normal operating capacity and directly attributable administration costs.
- Consumable stores and raw materials are valued at weighted average cost and include expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

1.10 Employee benefits

1.10.1 Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus plans and accumulated leave if the group has a present legal or constructive obligation to pay as a result of past services provided by the employee and the obligation can be estimated reliably.

1.10.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

Defined contribution plans are funded through monthly contributions to the provident fund, which is governed by the Pension Fund Act of 1956. All employees of the group belong to the provident fund. The group's liability is limited to its annually determined contributions.

The group provides medical cover to current employees through various funds. The medical plans are funded through monthly contributions to the medical aid fund. The group's liability is limited to its annually determined contributions.

Significant accounting policies
for the year ended 31 December 2015 (continued)

1. Accounting policies *(continued)*

1.10 Employee benefits *(continued)*

1.10.3 Share-based payment transactions

The share incentive scheme allows qualifying directors and employees to be granted share options and share grants. Share options and share grants may be granted to all employees of the company and any of its subsidiaries at the discretion of the directors, subject to the limitations imposed by the share option and share grant scheme. The fair value of share options and share grants are measured at grant date and spread over the period during which the employees become unconditionally entitled to the share grants and share options. The fair value of the share options and share grants are measured using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the share options and share grants were granted.

Share-based payment arrangements in which the group received goods or services as consideration of its own equity instruments are accounted for as equity-settled share-based payment transactions up until 29 June 2015. On 30 June 2015, the company changed its intention with regard to the settlement of all share based payment transactions from equity to cash.

1.11 Revenue

1.11.1 Sale of goods

Revenue comprises sales of ferrochrome and chrome ore at invoiced value, net of value added tax, trade discounts and intra-group sales. Revenue is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Revenue is recognised when all the following conditions are met:
(a) The group has transferred to the buyer the significant risks and rewards of ownership of the goods.
(b) The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
(c) The amount of revenue can be measured reliably.
(d) It is probable that the economic benefits associated with the transaction will flow to the group.
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Determining whether the group is acting as an agent or principal is based on an evaluation of the risks and responsibilities taken by the group, including inventory risk and responsibility for the delivery of goods or services.

Ferrochrome and chrome ore marketing arrangement with Glencore International AG
Glencore is acting as agent and the group is acting as principal for ferrochrome and chrome ore sales.

1. Accounting policies *(continued)*

1.11 Revenue *(continued)*

1.11.1 Sale of goods *(continued)*

Distribution arrangements with Glencore Limited, Glencore Canada Inc and Mitsui and Co Europe Plc (the distribution agents)
The group is acting as principal for the ferrochrome sales to the distribution agents as the risks and rewards of ownership pass from the group to the distribution agents.

The distribution agents are acting as principal for subsequent sales to stainless steel customers.

The agreements contain a price adjustment feature whereby the ferrochrome is provisionally invoiced to the distribution agents at a price that is linked to the ruling benchmark price when the risks and rewards pass to the distribution agents. The agreements provide for the final price to be determined based on the price the distributing agent receives for the ferrochrome via the ultimate sale to the stainless steel customer.

The price adjustment feature is recognised as an embedded derivative as it is a component of a hybrid contract that also includes a non-derivative sales host contract with the effect that some of the cash flows of the combined contract vary in a way similar to a stand-alone derivative. The embedded derivative causes the cash flows that would be required by the contract to be modified according to the ferrochrome price.

The embedded derivative is recognised at fair value in "trade and other receivables / trade and other payables" and is included in the statement of financial position.

1.11.2 Management fees

Revenue from management fees is recognised at the fair value of the consideration received or receivable. Revenue is recognised in the accounting periods in which the services are rendered.

Management fees recognised in the company relates to a recovery of costs from the subsidiary, Merafe Ferrochrome and is recognised when the costs are recovered net of value added taxation.

Management fees recognised in Merafe Ferrochrome relates to employee services rendered to the Venture and is recognised when the services are rendered net of value added taxation.

1.12 Lease payments

1.12.1 Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

1.12.2 Finance lease payments

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a consistent periodic rate of interest in the remaining balance of the liability.

1. Accounting policies *(continued)*

1.13 Finance income and expenses

1.13.1 Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

1.13.2 Finance expenses

Finance expenses comprise interest expense on borrowings, interest on tax related items and unwinding of the discount on the rehabilitation provision.

Borrowing costs directly related to the financing of a qualifying capital project under construction are capitalised to the project cost during construction, until such time as the related asset is substantially ready for its intended use, i.e. when it is capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available in the short term from money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised and deducted from the total capitalised borrowing costs. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average rate applicable to the relevant general borrowings of the group during the period.

1.14 Income Tax

Tax expense comprises current tax and deferred tax. Tax expenses are recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The current tax rate is 28%.

Deferred tax is not recognised for the following temporary differences:

- The initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authorities on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

1. Accounting policies *(continued)*

1.14 Income Tax *(continued)*

Deferred tax assets, including deferred tax assets relating to the carry forward of unutilised tax losses and/or unutilised capital allowances are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Dividend withholding tax
Dividend withholding tax is payable at a rate of 15% on dividends paid to shareholders. This tax is not attributable to the company paying the dividend but is collected by the company and paid to the South African Revenue Services on behalf of the shareholder.

Tax exposures
In determining the amount of current and deferred tax, the group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

1.15 Segment reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incurs expenses. The group has one reportable segment being the mining and beneficiation of chrome ore into ferrochrome. Internal management accounts are prepared monthly on the basis of one reportable segment which is reviewed monthly by the Chief Financial Officer and Chief Executive Officer (Chief Operating Decision Maker).

Ferrochrome and chrome ore are the products produced by the Venture. Most of the products produced are used in the manufacturing of stainless steel. Refer to Note 14 for geographical areas of ferrochrome and chrome ore sales and information on customers that individually comprise more than 10% of total ferrochrome and chrome ore sales.

1.16 Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options and share grants granted to employees and a future equity-settled share-based payment set out in Note 18.4. Headline EPS is calculated by dividing the headline earnings by the weighted average number of ordinary shares in issue/outstanding during the period. Diluted headline EPS is calculated by dividing headline earnings by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares which comprise share options and share grants granted to employees and future equity-settled share-based payments set out in Note 18.5.

Significant accounting policies

for the year ended 31 December 2015 (continued)

1. Accounting policies *(continued)*

1.17 Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the group's and company's financial statements in the period in which the dividends are approved by the board of directors. Dividends declared after the reporting period are disclosed in the notes to the financial statements and are not recognised in the current financial statements. The cash flows for dividends are included in financing activities.

1.18 Determination of fair values

A number of the group accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods as indicated below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. The carrying values of financial assets and liabilities as reflected in the statement of financial position are a reasonable approximation of their fair values.

1.18.1 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

1.18.2 Derivatives

The fair value of the embedded derivative is based on the expected net ferrochrome prices on consumption of the related ferrochrome.

1.18.3 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

1.18.4 Share-based payment transactions

The fair value of employee share options and share grants is measured using the Black-Scholes-Merton model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on Government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Refer to Note 8 for details regarding the assumptions used in the valuation model.

1. Accounting policies *(continued)*

1.19 Mining royalty

The mining royalty was effective from 1 March 2010 and requires the payment of a royalty for the benefit of the National Revenue Fund, in respect of the transfer of mineral resources. The mining royalty is payable on chrome ore in lumps, chips and fines as listed in schedule 2 of the Mineral and Petroleum Resources Royalty Act (the Act).

Chrome ore in lumps, chips and fines is an unrefined mineral resource and therefore the mining royalty is payable on "gross sales" as defined and is calculated in accordance with the unrefined mineral resource formula as detailed in the Act.

Gross sales is calculated using third party sales prices.

The mining royalty is recognised in the statement of consolidated and separate comprehensive income and is included in operating and other expenses.

1.20 Impairments

1.20.1 Financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about loss events.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

1. Accounting policies *(continued)*

1.20 Impairments *(continued)*

1.20.2 Non-financial assets

The carrying amount of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 that asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash-generating unit).

An impairment loss is recognised if the carrying amount of the asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised.

2.1 Property, plant and equipment

	At the beginning of year – 2015			Movements during the year – 2015						At the end of the year – 2015		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000	Additions R'000	Disposals – Cost R'000	Disposals – Accumulated Depreciation R'000	Depreciation R'000	Impairment R'000	Movement in CWIP R'000	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
Group 2015												
Land, mineral and surface rights	137 606	(74 067)	63 539	-	(15 242)	15 242	(5 071)	-	-	122 364	(63 896)	58 468
Boshoek smelter	1 185 873	(185 151)	1 000 722	97 698	(58 442)	58 442	(81 313)	-	-	1 225 129	(208 022)	1 017 107
Horizon mine, Boshoek mine, Kroondal mine, Kanana UG2 plant and Lonmin UG2 plants	316 835	(199 555)	117 280	36 651	(164 719)	164 719	(16 354)	-	-	188 767	(51 190)	137 577
Wonderkop smelter	284 168	(108 399)	175 769	32 069	(6 012)	6 012	(20 274)	-	-	310 225	(122 661)	187 564
Tswelopele pelletising plant	169 118	(13 373)	155 745	5 680	(3 380)	3 380	(11 261)	-	-	171 418	(21 254)	150 164
Wonderkop mine	27 397	(16 430)	10 967	-	-	-	(2 054)	-	-	27 397	(18 484)	8 913
Lion smelter	1 244 909	(147 250)	1 097 659	103 867	-	-	(89 612)	(6 401)[1]	-	1 348 776	(243 263)	1 105 513
Borrowing costs capitalised on Project Lion II	40 476	(2 195)	38 281	-	-	-	(2 024)	-	-	40 476	(4 219)	36 257
Helena mine, Magareng mine and Mototolo UG2 plant	359 121	(71 885)	287 236	26 292	-	-	(28 612)	-	-	385 413	(100 497)	284 916
Bokamoso pelletising plant	202 848	(44 131)	158 717	6 982	(5 730)	5 730	(12 801)	-	-	204 100	(51 202)	152 898
Corporate assets	3 536	(2 604)	932	1 625	-	-	(700)	-	-	3 805	(1 988)	1 817
Capital work in progress (CWIP)	132 315	-	132 315	-	(1 418)	1 378	-	-	(33 139)	99 176	-	99 176
Total	4 104 202	(865 040)	3 239 162	310 864	(254 943)	254 903	(270 076)*	(6 401)	(33 139)	4 127 046	(886 676)	3 240 370
Company 2015												
Land, mineral and surface rights	4 023	(4 023)	-	-	-	-	-	-	-	4 023	(4 023)	-
Corporate assets	2 014	(1 443)	571	224	(420)	393	(252)	-	-	1 818	(1 302)	516
Total	6 037	(5 466)	571	224	(420)	393	(252)	-	-	5 841	(5 325)	516

* R267.4m depreciation is recognised in the statement of comprehensive income. R2.7m relates to depreciation capitalised to inventory.
The property, plant and equipment is encumbered by a loan more fully described in note 9.2.
Management assessed the residual values of the permanent components of the smelters as higher than the carry values of these assets and therefore no depreciation has been calculated on these assets. This is consistent with prior year.
[1] *This relates to transformers that failed prematurely and were replaced.*

2.1 Property, plant and equipment *(continued)*

	At the beginning of year – 2014				At the end of the year – 2014						
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000	Additions R'000	Disposals – Cost R'000	Disposals – Accumulated Depreciation R'000	Depreciation R'000	Movement in CW IP R'000	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
Group 2014											
Land, mineral and surface rights	137 606	(71 035)	66 571	-	-	-	(3 032)	-	137 606	(74 067)	63 539
Boshoek smelter	1 212 824	(167 984)	1 044 840	58 935	(85 886)	85 886	(103 053)	-	1 185 873	(185 151)	1 000 722
Horizon mine, Boshoek mine, Kroondal mine, Kanana UG2 plant and Lonmin UG2 plants	312 890	(199 215)	113 675	13 080	(9 135)	9 135	(9 475)	-	316 835	(199 555)	117 280
Wonderkop smelter	295 237	(111 628)	183 609	16 943	(28 012)	28 012	(24 783)	-	284 168	(108 399)	175 769
Tswelopele pelletising plant	164 867	(6 395)	158 472	6 075	(1 824)	1 824	(8 802)	-	169 118	(13 373)	155 745
Wonderkop mine	27 717	(14 507)	13 210	-	(320)	320	(2 243)	-	27 397	(16 430)	10 967
Lion smelter	412 649	(92 877)	319 772	832 260	-	-	(54 373)	-	1 244 909	(147 250)	1 097 659
Borrowing costs capitalised on Project Lion II	31 451	(657)	30 794	9 025	-	-	(1 538)	-	40 476	(2 195)	38 281
Helena mine, Magareng mine and Mototolo UG2 plant	323 740	(51 596)	272 144	36 152	(771)	771	(21 060)	-	359 121	(71 885)	287 236
Bokamoso pelletising plant	197 036	(38 630)	158 406	11 022	(5 210)	5 210	(10 711)	-	202 848	(44 131)	158 717
Corporate assets	3 469	(1 944)	1 525	140	(73)	58	(718)	-	3 536	(2 604)	932
Capital work in progress (CWIP)	736 970	-	736 970	-	-	-	-	(604 655)	132 315	-	132 315
Total	3 856 456	(756 468)	3 099 988	983 632	(131 231)	131 216	(239 788)*	(604 655)	4 104 202	(865 040)	3 239 162
Company 2015											
Land, mineral and surface rights	4 023	(4 023)	-	-	-	-	-	-	4 023	(4 023)	-
Corporate assets	1 947	(1 207)	740	140	(73)	58	(294)	-	2 014	(1 443)	571
Total	5 970	(5 230)	740	140	(73)	58	(294)	-	6 037	(5 466)	571

* R237m of depreciation and impairment is recognised in the statement of comprehensive income which comprises R237m depreciation and nil impairments. R3m relates to depreciation capitalised in inventory.

The property, plant and equipment is encumbered by a loan more fully described in note 9.2.

Management has assessed the residual values of the permanent components of the smelters as higher than the carrying value of these assets and therefore no depreciation has been calculated on these assets. This is consistent with prior years.

2.1 Property, plant and equipment *(continued)*

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Finance lease assets				
The following finance lease assets where Merafe Ferrochrome is the lessee are included in the Boshoek and Lion ferrochrome smelters and corporate assets:				
Plant and equipment				
Cost	**49 611**	49 611	**322**	322
Accumulated depreciation	**(13 286)**	(11 213)	**(304)**	(232)
Carrying value at end of year	**36 325**	38 398	**18**	90

Note: The cost and accumulated depreciation of the Lion and Boshoek assets as stated above relates to 100% of the leased assets as recognised in the Venture's accounting records. Merafe's portion of the carrying value is R11,9m (31 December 2014: R13m).

3. Investments in subsidiaries	Issued share capital 2015	Issued share capital 2014	Percentage holding 2015	Percentage holding 2014	Investment cost 2015	Investment cost 2014	Loans to subsidiaries 2015	Loans to subsidiaries 2014	Total 2015	Total 2014
	Number of shares		%	%	R'000	R'000	R'000	R'000	R'000	R'000
Directly held										
Merafe Chrome and Alloys Proprietary Limited	200	200	100	100	101 683	101 683	1 190 972	1 145 972	1 292 655	1 247 655
Indirectly held										
Merafe Ferrochrome and Mining Proprietary Limited	400	400	100	100	*	*	-	-	-	-

* less than R1 000

The above loans are unsecured, interest free, have no fixed terms of repayment and are long-term in nature. The wholly owned subsidiaries are incorporated in the Republic of South Africa.

Interest in the profits of subsidiaries for the year ended 31 December 2015 amounted to R307m (2014: R167m). Subsidiaries are incorporated in the Republic of South Africa.

Structured entities

The following entities are consolidated and considered to be subsidiaries of the Merafe Resources Limited group:

- Horizon Nature Conservation Trust
- Merafe Kroondal Rehabilitation Trust
- Merafe Resources Limited Share Incentive Scheme Trust

Refer to the related parties Note 22 for further details on investments in subsidiaries and structured entities.
There are no contractual arrangements that require the company to provide financial support to any of the above entities nor are there any events or circumstances that could expose the company to a loss.

		Group		Company	
		2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
4.	**Inventories**				
	Work in progress	**56 360**	–	–	–
	Consumables stores	**78 359**	73 369	–	–
	Raw materials	**478 299**	507 544	–	–
	Finished goods	**852 114**	856 525	–	–
	Less: net realisable value write-down	**(19 245)**	(1 639)	–	–
		1 445 887	1 435 799	–	–

2015 net realisable value write-down
The write-down of inventories to net realisable value relates to 52 260 tonnes of raw materials that was written down to a net realisable value of R27,9m.

2014 net realisable value write-down
The write-down of inventories to net realisable value relates to 9 759 tonnes of raw materials that was written down to a net realisable value of R10.3m.

		Group		Company	
		2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
5.	**Trade and other receivables**				
	Net trade receivables	**184 803**	514 329	-	-
	Trade receivables	**596 238**	796 953	-	-
	Trade receivables discounted	**(411 435)**	(282 624)	-	-
	Pre-payments	**17 226**	15 987	-	-
	Embedded derivative recognised on sales contracts	**(33 951)**	730	-	-
	Glencore receivable	**79 309**	51 355	-	-
	Other receivables	**70 067**	70 241	**972**	2 730
	Receivable – Merafe Ferrochrome	**-**	-	-	87 744
		317 454	652 642	**972**	90 474

The group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in Note 20. Trade receivables relating to local sales have an average payment term of 60 days and are non-interest bearing. Trade receivables relating to foreign sales have an average payment term of 90 days and bear interest at US$ LIBOR (London Interbank Offered Rate) + 1.5% on balances that are overdue.

5. Trade and other receivables *(continued)*

	Group	
	2015 R'000	2014 R'000
Trade receivables per sales region		
Africa	**56 557**	44 882
Asia	**379 689**	493 184
America	**25 789**	154 877
Europe	**134 203**	104 010
	596 238	796 953

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
6. Share capital				
Authorised – 3 500 000 000 shares of 1 cent each	**35 000**	35 000	**35 000**	35 000
Issued – 2 510 704 248 ordinary shares of 1 cent each (2014: 2 505 353 877) ordinary shares of 1 cent each				
Issued share capital at beginning of year	**25 053**	24 942	**25 053**	24 942
Share options exercised	**54**	111	**54**	111
Issued share capital at end of year	**25 107**	25 053	**25 107**	25 053

All ordinary shares have equal voting rights. There are no restrictions on the distribution of dividends or repayment of capital in terms of the Memorandum of Incorporation of the Company.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
7. Share premium				
Balance at beginning of year	**1 269 578**	1 262 899	**1 269 578**	1 262 899
Share issue expenses arising from share options exercised	**(3)**	-	**(3)**	-
Arising from share options exercised	**-**	6 679	**-**	6 679
Balance at end of year	**1 269 575**	1 269 578	**1 269 575**	1 269 578

8. Equity and cash settled share-based payment arrangements

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Equity-settled share-based payment reserve				
Balance at beginning of year	**24 651**	39 011	**24 651**	39 011
Share grants vested during the year	**(2 205)**	(6 471)	**(2 205)**	(6 471)
Share based payments expensed during the year	**2 465**	11 201	**2 465**	11 201
Transfer to retained earnings	**(8 090)**	(19 090)	**(8 090)**	(19 090)
Transfer to share based payment liability	**(16 821)**	-	**(16 821)**	-
Balance at the end of year	**-**	24 651	**-**	24 651
Share based payment liability				
Balance at beginning of year	**-**	-	**-**	-
Transfer from retained earnings	**16 821**	-	**16 821**	-
Share based payment expense	**(613)**	-	**(613)**	-
Share grants vested	**(736)**	-	**(736)**	-
Transfer to retained earnings	**(9 432)**	-	**(9 432)**	-
Balance at the end of year	**6 040**	-	**6 040**	-
Current	**2 893**	-	**2 893**	-
Non current	**3 147**	-	**3 147**	-

8.1 Share option schemes

On 14 December 1999 a share incentive scheme was approved by the shareholders as an incentive to employees (including executive directors) of the company and its subsidiaries to identify themselves more closely with the activities of the company and to promote its continued growth by giving them an opportunity of acquiring shares therein. Management has applied the provisions of IFRS 2: Share-based payment in accounting for and disclosing all share options granted, except for share options granted before 7 November 2002, or share options granted after this date, but which had vested prior to 1 January 2005.

On 13 April 2010, a new incentive scheme was approved by the shareholders. Share grants were issued under the new incentive scheme. Refer to note 8.2 for details regarding the share grants.

From inception of the new incentive scheme up until 29 June 2015, the company's intention was to equity settle. The Board took a decision to cash settle, effective 29 June 2015, to avoid dilution of equity.

8. **Equity-settled share-based payment arrangements** *(continued)*

8.1 Share option schemes *(continued)*

The terms and conditions of the options are listed below and are settled by cash:

Grant date	Number of options	Vesting conditions
Options granted to key management on 1 December 2005	2 481 138	One third per year over the period 31 December 2008 to 31 December 2010
Options granted to key management on 30 June 2006	884 216	One third per year over the period 30 June 2009 to 30 June 2011
Options granted to key management on 1 March 2008	3 837 503	One third per year over the period 1 March 2011 to 1 March 2013
Options granted to senior employees on 1 March 2008	2 983 415	One third per year over the period 1 March 2011 to 1 March 2013
Options granted to key management on 9 March 2009	3 000 000	One third per year over the period 1 April 2012 to 1 April 2014
Options granted to key management on 1 October 2010	2 654 771	One third per year over the period 1 October 2013 to 1 October 2015
Options granted to key management on 1 October 2010	2 654 771	One third per year over the period 1 October 2014 to 1 October 2016
	18 495 814	

The options lapse after 10 years if not exercised, while employed within the group. The options are forfeited when an employee resigns from the group and has not exercised his/her options. In the event of an employee leaving the group for a reason approved of by the directors or in the event of the employee's death, the employee or his/her estate has 12 and 24 months respectively to exercise and/or implement options granted to that employee.

8. Equity-settled share-based payment reserve *(continued)*

8.1 Share option schemes *(continued)*

The number and weighted average exercise price of share options are as follows:

	2015		2014	
	Weighted average exercise price in cents per share	**Number of options '000**	Weighted average exercise price in cents per share	Number of options '000
Outstanding balance at beginning of year	**144**	**20 699**	132	24 282
Options exercised/forfeited during the year	**206**	**(1 203)**	61	(3 583)
Outstanding balance at end of year*	**144**	**18 496**	144	20 699
Exercisable at end of year**	**144**	**17 611**	126	18 044

* *This relates to the weighted average exercise price of all options in issue that have both vested and not vested at year-end.*

** *This relates to the weighted average exercise price of all options that have vested at year-end.*

Share options outstanding at the end of the year have the following exercise price:

	Company	
	2015 '000	2014 '000
55 cents	**2 481**	2 481
56 cents	**884**	884
67 cents	**-**	1 000
73 cents	**-**	167
69 cents	**3 000**	3 000
136 cents	**5 310**	5 310
227 cents	**6 821**	7 857
	18 496	20 699

8. Equity-settled share-based payment reserve *(continued)*

8.1 Share option schemes *(continued)*

Share options outstanding at the end of the year have the following exercise dates.

	Company	
	2015	2014
	'000	'000
31 December 2008	**-**	167
30 June 2009	**295**	628
30 June 2010	**295**	628
31 December 2010	**2 481**	2 481
1 March 2011	**2 273**	2 618
30 June 2011	**295**	629
1 March 2012	**3 273**	3 618
1 March 2013	**3 274**	3 620
1 March 2014	**1 000**	1 000
1 October 2013	**885**	885
1 October 2014	**1 770**	1 770
1 October 2015	**1 770**	1 770
1 October 2016	**885**	885
	18 496	20 699

The following share options were outstanding at 31 December 2015 in favour of executive directors of the company:

	ZJ Matlala	K Bissessor
Average exercise price (cents)	136	69
	000's	000's
Exercisable on 1 April 2012	-	1 000
Exercisable on 1 April 2013	-	1 000
Exercisable on 1 April 2014	-	1 000
Exercisable on 1 October 2013	885	-
Exercisable on 1 October 2014	1 770	-
Exercisable on 1 October 2015	1 770	-
Exercisable on 1 October 2016	885	-
	5 310	3 000

8. Equity-settled share-based payment reserve *(continued)*

8.1 Share option schemes *(continued)*

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using the Black-Scholes-Merton model, with the following inputs :

	2015 Share options	2014 Share options
Weighted average exercise price (cents)	**136**	136
Weighted average grant price (cents)	**136**	136
Weighted average option value (cents)	**1**	60
Exercise price in cents (weighted average)	**136**	136
Expected volatility	**43%**	50%
Option life in years	**5 – 6**	5 - 6
Expected dividends	**2.74%**	1.59%
Risk-free interest rate	**8.88%**	7.46%
Intrinsic value of shares	**R424 232**	n/a

8.2 Share grants

The new share incentive scheme was approved by shareholders on 13 April 2010. During 2010 to 2015, various share grants and share options were issued to directors and employees of the company.

The purpose of the share incentive scheme is to serve as an incentive and reward to employees (including executive directors) of the company and its subsidiaries for services rendered and to be rendered, aimed at promoting the continued growth of the company by giving employees an opportunity to acquire shares in the company and to serve as a retention mechanism for employees whose services are regarded by the company to be crucial to the future growth and sustainability of the company's business. Share options and share grants are granted by the board of directors of the company on the recommendation of the Remuneration Committee.

The Black-Scholes Merton option pricing model was used to determine the fair value of the share grants. This valuation methodology is consistent with previous valuation calculations.

The share grants are split between portions being subject to performance conditions and portions with no performance conditions. For share grants issued prior to 2013, 50% of the share grants to directors are subject to performance conditions and 50% are not subject to performance conditions. 20% of the share grants to employees are subject to performance conditions and 80% are not subject to performance conditions for share grants issued prior to 2013.

8. Equity-settled share-based payment reserve *(continued)*

8.2 Share grants *(continued)*

The following market and non-market conditions relate to the share grants granted to directors and employees prior to 2013:

Vesting condition	Type	Weighting	Three-year option	Four-year option	Five-year option
		%	%	%	%
Capacity growth*	Non-market	25	100	100	100
Assets under management**	Non-market	25	100	100	100
JSE SRI Index***	Non-market	25	100	100	100
JSE Small Capitalisation Index and Mining Index	Market	25	-	-	-

* *The target is to grow ferrochrome capacity cumulatively by 3% (first hurdle), 6% (second hurdle) or 9% (third hurdle)*

** *The target is to grow total assets under management cumulatively by 6% (first hurdle), 12% (second hurdle), or 18% (third hurdle)*

*** *There are no hurdles. The index must be maintained for full incentives or if lost then there is no incentive on this measure. The areas measured under this index relate to environmental sustainability, economic sustainability, social sustainability and corporate governance.*

Note: The capacity growth and assets under management target have three hurdles at which differing amounts of the share grants are earned. If the first hurdle is met then 50% of the share grants are earned. If the second hurdle is met then 75% of the share grants are earned and if the third hurdle is met then 100% of the share grants are earned.

The performance conditions include 75% of non-market conditions and 25% of market conditions. The probabilities relating to non-market conditions are estimated by management and will be adjusted each year. Market conditions of outperformance of either the mining index or the JSE small capitalisation index are incorporated using the probability of 62,5% into the initial valuation and are not subsequently adjusted for in accordance with IFRS 2: Share-based Payment.

The Remuneration Committee introduced a new performance condition for the share grants granted from 2013 onwards. The performance condition is based on a single performance metric which is Merafe's total shareholder return ("TSR") over a three year period compared to the TSR of a selection of eleven JSE Listed small capitalisation mining and resource companies.

8. Equity-settled share-based payment reserve *(continued)*

8.2 Share grants *(continued)*

If Merafe's TSR over the three year period places it in one of the top three positions, then the full number of performance granted shares will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. If Merafe's TSR over the three year period places it in 6th position, then one third of the number of performance granted shares will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant. If Merafe's performance over the three year period lies between any of the above points, then a prorated number of performance granted shares will vest in equal proportions on the 3rd, 4th and 5th anniversaries of their grant.

The percentage subject to performance conditions and not subject to performance conditions are as follows for each level of staff:

	Not subject to performance conditions	**Subject to performance conditions**
CEO	30%	70%
Executive Directors	40%	60%
Senior Managers	50%	50%
Other employees	100%	0%

From inception of the new incentive scheme up until 29 June 2015, the company's intention was to equity settle. The Board took a decision to cash settle, effectrive 29 June 2015, to avoid dilution of equity.

The following assumptions were used in the valuation model:

	2015		**2014**	
	2013 - 2015 share grants	2010 - 2012 share grants	2013 / 2014 share grants	2010 - 2012 share grants
Risk free rate	8.88%	8.88%	5.76%	7.16%
Expected volatility	43%	43%	32%	47%
Expected dividend yield	2.74%	2.74%	1.23%	1.17%
Expected life	1.67	0.84	3.49	4.39
Vesting periods (years)	3,4 and 5	3,4 and 5	3,4 and 5	3,4 and 5
Weighted average exercise price (Rands)	0	0	0	0
Weighted average grant price (Rands)	0.94	0.93	0.97	1.12
Weighted average option value (Rands)	0.65	0.66	0.78	1.01
Performance conditions	Yes	Yes	Yes	Yes
Intrinsic value of shares	R7 005 468	R2 779 977	n/a	n/a

8. Equity-settled share-based payment reserve *(continued)*

8.2 Share grants *(continued)*

The following share grants relating to employees and executive directors were outstanding at 31 December 2015:

Vesting date	Total	Share grant date
01 October 2014	57 137*	01 October 2010
01 October 2015	57 137*	01 October 2010
01 October 2016	457 094	01 October 2010
01 April 2014 and 01 April 2015	49 176*	08 April 2011
01 April 2016	282 294	08 April 2011
25 November 2016	91 996	25 November 2011
04 May 2016	400 385	4 May 2012
04 May 2017	400 385	4 May 2012
13 June 2016	1 488 583	13 June 2012
13 June 2017	1 488 583	13 June 2012
06 March 2016	1 133 268	06 March 2013
06 March 2017	1 133 268	06 March 2013
06 March 2018	1 133 268	06 March 2013
01 April 2017	938 051	01 April 2014
01 April 2018	938 051	01 April 2014
01 April 2019	938 051	01 April 2014
01 April 2018	1 362 734	01 April 2015
01 April 2019	1 362 734	01 April 2015
01 April 2020	1 362 734	01 April 2015
Total	15 074 929	

** Note: This relates to the equivalent share grants which were not awarded as a vesting condition was not met on the respective measurement dates. Based on the rules of the scheme, participants may claw-back any shares not awarded by meeting the cumulative hurdles on future anniversaries.*

8. Equity-settled share-based payment reserve *(continued)*

8.2 Share grants *(continued)*

The following share grants relating to executive directors were outstanding at 31 December 2015:

Vesting date	ZJ Matlala	K Bissessor
1 October 2014	114 275*	-
29 October 2016	457 094	-
1 April 2014	17 456*	4 100*
1 April 2015	17 456*	4 100*
1 April 2016	139 650	81 991
4 May 2016	183 950	70 754
4 May 2017	183 950	70 754
13 June 2016	1 488 584	-
13 June 2017	1 488 584	-
6 March 2016	759 575	166 600
6 March 2017	759 575	166 600
6 March 2018	759 575	166 600
1 April 2017	626 752	136 182
1 April 2018	626 752	136 182
1 April 2019	626 752	136 182
1 April 2018	850 548	302 337
1 April 2019	850 548	302 337
1 April 2020	850 548	302 337
Total	10 801 624	2 047 056

** Note: This relates to the equivalent share grants which were not awarded as a vesting condition was not met on the respective measurement dates. Based on the rules of the scheme, participants may claw-back any shares not awarded by meeting the cumulative hurdles on future anniversaries.*

8. Equity-settled share-based payment reserve *(continued)*

8.2 Share grants *(continued)*

2015

	Total
Opening balance	**20 219 031**
Granted during the year	**4 088 202**
Vested during the year – employees	**(3 619 518)**
Vested during the year – retrenchments	**(5 350 371)**
Share grants forfeited during 2015	**(262 414)**
Closing balance 31 December 2015	**15 074 930**

2014

Opening balance	21 208 578
Granted during the year	6 101 500
Vested during the year	(7 091 047)
Closing balance	20 219 031

		Group		Company	
		2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
9.	**Loans and borrowings**				
9.1	Finance leases – property, plant and equipment	**14 451**	13 787	**24**	109
9.2	ABSA Capital/Standard Bank	**559 480**	616 900	**-**	-
9.3	Horizon Nature Conservation Trust	**-**	-	**1 947**	1 839
	Total loans and borrowings	**573 931**	630 687	**1 971**	1 948
	Current portion of loans and borrowings	**101 176**	80 778	**24**	95
	– ABSA Capital/Standard Bank	**100 000**	80 000	**-**	-
	– Finance leases	**1 176**	778	**24**	95
	Non-current portion of loans and borrowings	**472 755**	549 909	**1 947**	1 853

9. Loans and borrowings *(continued)*

9.1 Finance leases – property, plant and equipment

These loans are secured by finance leases over plant and equipment with a carrying value of R36m (31 December 2014: R38m) as per Note 2.2. The loans are repayable in monthly installments averaging R267k (31 December 2014: R185k) on all finance leases excluding the company's head office. Interest is payable at an average of 13.5% (31 December 2014: 13.5%) per annum on all finance leases, excluding the company's head office. The finance lease relating to the company's head office is repayable in monthly installments averaging R12k (2014: R12k) and interest is payable at 13.7%.

In accordance with the agreement with the Venture, Merafe Ferrochrome receives 20.5% of the Venture's EBITDA whilst retaining ownership of its assets. The finance lease obligations in the group's statement of financial position and the finance lease repayments represent 20.5% of the Venture's total obligations whereas the carrying values of assets that secure the finance leases, relate to the assets that are controlled by the group and are reflected in the group statement of financial position.

Minimum finance lease repayments:

2015	**Capital R'000**	**Interest R'000**	**Total R'000**
Repayable 2016	**1 176**	**1 811**	**2 987**
Repayable 2017 to 2020	**4 806**	**5 844**	**10 650**
Repayable thereafter	**8 469**	**5 488**	**13 957**
Total	**14 451**	**13 143**	**27 594**

2014	Capital R'000	Interest R'000	Total R'000
Repayable 2015	778	1 796	2 574
Repayable 2016 to 2019	3 818	6 111	9 929
Repayable thereafter	9 191	6 584	15 775
Total	13 787	14 491	28 278

9. Loans and borrowings *(continued)*

9.2 ABSA Capital/Standard Bank

This facility was concluded in the first quarter of 2015. R500m being a term facility repayable in 10 half yearly instalments expiring in March 2020 and R300m being a Revolving Credit Facility (RCF) expiring after 3 years in March 2018. The term facility bears interest at the Johannesburg Interbank Agreed Rate (JIBAR) plus a margin of 300 basis points and the RCF bears interest at JIBAR plus a margin of 280 basis points. At 31 December 2015 JIBAR was 6.30% (31 December 2014: 6.00%). At 31 December 2015, R559,5m (31 December 2014: R617m) of the total facility was utilised, with headroom of R190,5m available.

The loans are secured by the following:
* A general notarial bond over movable plant and equipment;
* A cession of rights, title and interest of Merafe Ferrochrome's participation interest under the Pooling and Sharing Agreement with Glencore;
* A cession of rights, title and interest of the Wonderkop assets, Bokamoso assets, Lion I and Lion II assets; and
* A cession of bank accounts.

Further to the above security, there is a negative pledge in place over all Merafe Ferrochrome's assets.

There were no defaults on loan agreements in both the 2014 and 2015 financial year.

9.3 Horizon Nature Conservation Trust

This loan is unsecured, interest free, has no fixed repayment terms but by intent is of a long-term nature.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
10. Provision for closure and restoration costs				
Balance at beginning of year	**129 029**	111 456	**-**	-
Horizon mine disposal	**(8 408)**	-	**-**	-
Utilised during the year	**(418)**	(869)	**-**	-
Provisions made during the year	**2 054**	17 917	**-**	-
Current portion: 2014	**7 932**	-	**-**	-
Unwinding of discount	**9 162**	8 457	**-**	-
Less: current portion	**-**	(7 932)	**-**	-
Balance at end of year	**139 351**	129 029	**-**	-

10. Provision for closure and restoration costs *(continued)*

The provision is for a liability for the rehabilitation of land involved in any prospecting or mining operations of the group and to discharge any liability which may arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act, No 73 of 1989, the Minerals Act, No 50 of 1991, the Water Act, No 54 of 1956 and any such other legislation that may be enacted in the future. The environmental obligations and corresponding liability remains the sole responsibility of the Venture.

The Venture engages an expert every three year period to perform an independent assessment of the rehabilitation provision. The next independent assessment will be performed during 2016.

The Horizon mine provision was re-classified from a non current provision to a current provision in 2014 as the mine was sold during 2015.

For purposes of calculating the provision, management have assumed a long-term inflation rate of 6% (2014: 5%) and a discount rate of 8% for both the current and prior year. The expected timing of outflows ranges between eight and thirty years.

	Group		Company	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
11. Deferred tax (liabilities)/assets				
Recognised deferred tax (liabilities)/assets:				
Property, plant and equipment	**(841 782)**	(752 140)	**14**	(3)
Provisions and accruals	**76 057**	61 984	**2 025**	892
Finance lease obligations	**4 047**	3 861	**7**	31
Tax losses	**15 949**	12 598	**15 949**	12 598
	(745 729)	(673 697)	**17 995**	13 518
Deferred tax assets	**17 995**	13 518	**17 995**	13 518
Deferred tax liabilities	**(763 724)**	(687 215)	**-**	-
Net balance	**(745 729)**	(673 697)	**17 995**	13 518

Management are of the view that the deferred tax asset is recoverable based on the fact that the management fee and dividends are controlled by the holding company.

11. Deferred tax (liabilities)/assets *(continued)*

Movement in temporary differences during the year – Group

	Balance 31 December 2013	Recognised in profit or loss in 2014	Balance 31 December 2014	Recognised in profit or loss in 2015	Balance 31 December 2015
	R'000	R'000	R'000	R'000	R'000
Property, plant and equipment	(694 348)	(57 792)	(752 140)	(89 642)	(841 782)
Provisions and accruals	52 010	9 974	61 984	14 073	76 057
Finance leases	4 076	(215)	3 861	186	4 047
Tax losses	12 163	435	12 598	3 351	15 949
	(626 099)	(47 598)	(673 697)	(72 032)	(745 729)

The company had a tax loss of R57m at 31 December 2015 (2014: R48m).

Movement in temporary differences during the year – Company

	Balance 31 December 2013	Recognised in profit or loss in 2014	Balance 31 December 2014	Recognised in profit or loss in 2015	Balance 31 December 2015
	R'000	R'000	R'000	R'000	R'000
Property, plant and equipment	(35)	32	(3)	17	14
Provisions and accruals	782	110	892	1 133	2 025
Finance leases	62	(31)	31	(24)	7
Tax losses	12 163	435	12 598	3 351	15 949
	12 972	546	13 518	4 477	17 995

	Group		Company	
	2015	2014	**2015**	2014
	R'000	R'000	**R'000**	R'000
12. Current tax assets				
Balance at the beginning of the year	**15 485**	7 440	**-**	-
Current tax expense	**(64 743)**	(39 984)	**-**	-
Prior year overprovision	**1 059**	1 044	**-**	-
Provisional tax payments	**58 972**	46 985	**-**	-
Balance at the end of the year	**10 773**	15 485	**-**	-

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
13. Trade and other payables				
Trade payables	**256 882**	263 738	**-**	-
Employee benefit accruals	**71 189**	69 264	**6 612**	13 588
Other payables and accruals*	**116 245**	93 764	**5 144**	7 708
Short term inventory facility	**-**	189 007	**-**	-
Merafe Ferrochrome loan	**-**	-	**74 345**	-
	444 316	615 773	**86 101**	21 296

** Includes VAT accruals*

Trade payables are non–interest bearing and are normally settled on 30 to 45 day terms. Other payables are non–interest bearing and are normally settled on 30 day terms.

An accrual is recognised for the employer's liability for annual leave and associated costs. The accrual for compensated absences is recognised when the employee renders the service and the accrual is updated on a monthly basis. Employee benefits include an accrual for bonuses in terms of the group's bonus scheme.

The group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 20.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
14. Revenue				
Revenue from the sale of ferrochrome	**3 945 577**	3 270 191	**-**	-
Revenue from the sale of chrome ore	**482 418**	338 795	**-**	-
Dividend received	**-**	-	**45 000**	60 000
Management fees	**80**	80	**4 593**	14 398
	4 428 075	3 609 066	**49 593**	74 398

14. Revenue *(continued)*

Geographical areas of ferrochrome sales

The majority of customers are stainless steel mills located at the following revenue destinations:

	2015		2014	
	Revenue R'000	**% of revenue in relation to total ferrochrome revenue**	Revenue R'000	% of revenue in relation to total ferrochrome revenue
Revenue destination				
Africa*	**141 515**	**4**	112 421	3
Americas**	**254 189**	**6**	609 398	19
Asia***	**2 813 715**	**71**	1 810 858	55
Europe****	**736 158**	**19**	737 514	23
Total	**3 945 577**	**100**	3 270 191	100

Geographical areas of chrome ore sales

	2015		**2014**	
	Revenue R'000	**% of revenue in relation to total chrome revenue**	Revenue R'000	% of revenue in relation to total chrome revenue
Revenue destination				
South Africa, Oman, Turkey and UAE	**59 243**	**12**	92 683	27
Asia, Australia, USA and Europe	**423 175**	**88**	246 112	73
Total	**482 418**	**100**	338 795	100

* *Includes South Africa, Morocco and Oman*
** *Includes Canada, Latin America and USA*
*** *Includes China, Japan, Hong Kong, Korea, Singapore, Taiwan, Thailand, India, United Arab Emirates*
**** *Includes UK, Austria, Belgium, France, Germany, Italy, Netherlands, Slovenia, Spain, Sweden, Finland and Luxembourg*

14. Revenue *(continued)*

Sales to the following customers individually comprise more than 10% of total sales:

Ferrochrome	**2015 Revenue R'000**	**2015 % of revenue in relation to total ferrochrome revenue**	2014 Revenue R'000	2014 % of revenue in relation to total ferrochrome revenue
Customer C	**477 893**	**12%**	243 344	7%
Customer B	**796 029**	**20%**	287 170	9%
Total	**1 273 922**	**32%**	530 514	16%

Chrome ore	**2015 Revenue R'000**	**2015 % of revenue in relation to total chrome ore revenue**	2014 Revenue R'000	2014 % of revenue in relation to total chrome ore revenue
Customer D	**73 763**	**15%**	25 720	8%
Total	**73 763**	**15%**	25 720	8%

Note: The marketing agent, Glencore, accepts 60% of the risk related to non–payment of credit sales of ferrochrome and 100% of the risk related to non–payment of credit sales of chrome ore.

Notes to the financial statements

for the year ended 31 December 2015

		Group		Company	
		2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
15.	**Results from operating activities** The following items have been taken into account in arriving at results from operating activities:				
	Corporate social investment	**(7 389)**	(2 117)	**(3 964)**	(522)
	Social and labour plans	**(1 341)**	(2 530)	**-**	-
	Embedded derivative recognised on sales contracts	**(58 871)**	(3 689)	**-**	-
	Consulting fees	**(9 420)**	(7 431)	**(3 650)**	(1 464)
	Increase in provision for closure and restoration	**(2 049)**	(10 587)	**-**	-
	Operating lease expenses	**(6 982)**	(6 669)	**-**	-
	Personnel expenses*	**(595 227)**	(576 016)	**(5 679)**	(19 311)
	– Salaries and wages	**(478 246)**	(461 397)	**(2 210)**	(5 919)
	– Defined contribution expense – provident fund	**(53 726)**	(47 541)	**(258)**	(466)
	– Defined contribution expense – medical aid	**(49 382)**	(43 587)	**(61)**	(122)
	– Equity-settled share-based payment expense	**(1 852)**	(11 201)	**(1 852)**	(11 201)
	– Increase in accrual for leave pay	**(4 675)**	(3 245)	**(45)**	(107)
	– Increase in accrual for bonuses	**(7 346)**	(9 045)	**(1 253)**	(1 496)

** Includes remuneration relating to key management personnel (see note 22.1)*

The proportion of the group's employees covered by the provident fund is as follows:

	% of employees covered by the plan	
	2015	2014
The company	**100**	100
The Venture	**100**	100

Notes to the financial statements

for the year ended 31 December 2015

		Group		Company	
		2015 R'000	2014 R'000	2015 R'000	2014 R'000
16.	**Net finance (expense)/income recognised in profit or loss**				
	Finance expense	**(65 008)**	(52 372)	**(9)**	(25)
	Finance expense on financial liabilities measured at amortised cost	**(55 846)**	(43 915)	**(9)**	(25)
	Interest on loans and borrowings	**(55 837)**	(43 890)	**-**	-
	Finance expense on bank overdraft and finance lease	**(9)**	(25)	**(9)**	(25)
	Unwinding of discount on rehabilitation provision	**(9 162)**	(8 457)	**-**	-
	Finance income	**1 943**	1 077	**1 617**	823
	Interest income on bank deposits	**1 943**	1 077	**1 617**	823
	Net finance (expense)/income	**(63 065)**	(51 295)	**1 608**	798
	Net finance (expense)/income per financial instrument category				
	Loans and receivables	**1 934**	1 052	**1 608**	798
	Interest income on bank deposits	**1 943**	1 077	**1 617**	823
	Finance expense on bank overdraft and finance lease	**(9)**	(25)	**(9)**	(25)
	Financial liabilities measured at amortised cost	**(64 999)**	(52 347)	**-**	-
	Interest expense on borrowings	**(55 837)**	(43 890)	**-**	-
	Unwinding of discount on rehabilitation provision	**(9 162)**	(8 457)	**-**	-
		(63 065)	(51 295)	**1 608**	798

Notes to the financial statements

for the year ended 31 December 2015

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
17. Income tax				
Normal taxation	**(135 717)**	(86 538)	**4 477**	546
Current tax	**(63 685)**	(38 940)	**-**	-
– current year	**(64 743)**	(39 984)	**-**	-
– prior year's over provision	**1 058**	1 044	**-**	-
Deferred tax	**(72 032)**	(47 598)	**-**	546
Deferred taxation – current charge	**(72 032)**	(47 598)	**4 477**	546
Total taxation	**(135 717)**	(86 538)	**4 477**	546
At 31 December 2015, the total estimated unredeemed capital expenditure in the group was R174m which was taken into account in determining the deferred tax liability (31 December 2014: R489m).				
Profit before income tax R'000	**479 174**	300 635	**31 744**	46 673
Taxation on profit before taxation at standard rate	**28.0**	28.0	**28.0**	28.0
Taxation effect of non–deductible expenditure	**0.7[1]**	1.7	**6.0[1]**	7.4
Taxation effect of non–taxable income	**-**	-	**(39.7)[2]**	(36.0)
Taxation effect of unrecognised temporary differences	**(0.1)**	(0.4)	**(8.4)[3]**	-
Prior years' overprovision	**(0.2)**	(0.5)	**-**	(0.6)
Effective tax rate	**28.4**	28.8	**(14.1)**	(1.2)

[1] Includes equity settled share based payments, legal and consulting fees
[2] Relates to inter-company dividends received
[3] Relates to share based payments change of intention from equity to cash

		2015 (cents)	2014 (cents)
18.	**Earnings per share**		
18.1	Basic earnings per share	**13.7**	8.6

The calculation of basic earnings per share is based on profit attributable to ordinary shareholders of R343m (2014: R214m) and a weighted average number of ordinary shares outstanding during the year of 2 509 634 174 (2014: 2 496 949 439).

18.2 Calculation of weighted average number of shares

	Number of shares 2015	2014
Issued ordinary shares at 1 January	**2 505 353 877**	2 493 679 476
Effect of share options exercised	**4 280 297**	3 269 963
Weighted average number of shares at 31 December	**2 509 634 174**	2 496 949 439

		2015 (cents)	2014 (cents)
18.3	Headline earnings per share	**13.9**	8.4

The calculation of headline earnings per share is based on profit attributable to ordinary shareholders of R348m (2014: R210m) and a weighted average number of shares outstanding during the year of 2 509 634 174 (31 December 2014: 2 496 949 439).

	2015 R'000	2014 R'000
Headline earnings is calculated as follows:		
Total comprehensive income for the year	**343 457**	214 097
Impairments*	**4 609**	-
Profit on sale of assets**	**(35)**	(4 544)
Headline earnings	**348 031**	209 553

* Net of taxation of R2m (2014: nil)
** Net of taxation of R13k (2014: R1,8m)

18. Earnings per share *(continued)*

		2015 (cents)	2014 (cents)
18.4	Diluted earnings per share	**13.7**	8.5

The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders of R343m (2014: R214m) and a weighted average number of shares outstanding during the year of 2 509 634 174 (31 December 2014: 2 515 772 683).

	Number of shares	
	2015	2014
Calculation of weighted average number of shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	**2 509 634 174**	2 496 949 439
Deemed issue of ordinary shares in respect of share options and share grants	**-**	18 823 244
Weighted average number of ordinary shares used in calculating diluted earnings per share	**2 509 634 174**	2 515 772 683

		2015 (cents)	2014 (cents)
18.5	Diluted headline earnings per share	**13.9**	8.3

The calculation of diluted headline earnings per share is based on profit attributable to ordinary shareholders of R348m (2014: R210m) and a weighted average number of shares outstanding during the year of 2 509 634 174 (31 December 2014: 2 515 772 683).

Notes to the financial statements

for the year ended 31 December 2015

		Group		Company	
	Note	**2015 R'000**	2014 R'000	**2015 R'000**	2014 R'000
19. Cash generated from operating activities					
Profit before tax		**479 174**	300 635	**31 744**	46 673
Adjustments for:					
Depreciation		**267 352**	237 335	**252**	294
Impairment		**6 401**	-	**-**	-
Finance income	*16*	**(1 943)**	(1 077)	**(1 617)**	(823)
Finance expense	*16*	**65 008**	52 372	**9**	25
Share based payment expense		**1 852**	11 201	**1 852**	11 201
Embedded derivative expense		**34 681**	3 689	**-**	-
Profit on sale of asset		**-**	(6 311)	**-**	-
Provision for closure and restoration		**(7 869)**	17 048	**-**	-
Effect of exchange rate fluctuations on cash held during the year		**74 953**	28 058	**-**	-
		919 609	642 950	**32 240**	57 370
Change in inventories		**(9 548)**	(300 363)	**-**	-
Change in trade and other receivables		**328 456**	21 348	**89 986**	15 043
Change in trade and other payables		**(184 122)**	31 983	**64 805**	3 080
Cash generated from operating activities		**1 054 395**	395 918	**187 031**	75 493
19.1 Cash and cash equivalents					
Positive cash balances		**325 126**	44 541	**103 039**	8 140
Bank balance		**222 636**	38 584	**724**	2 298
Call deposits		**102 313**	5 932	**102 313**	5 838
Cash on hand		**177**	25	**2**	4
Bank overdraft		**(15 556)**	(207 009)	**-**	-
Net cash and cash equivalents in statements of cash flows		**309 570**	(162 468)	**103 039**	8 140
Reconciliation of cash in the group					
Cash in the Venture		**200 860**	(177 050)	**-**	-
Cash in Merafe Ferrochrome, the company and Merafe Kroondal Rehabilitation Trust		**108 710**	14 582	**103 039**	8 140
Total		**309 570**	(162 468)	**103 039**	8 140

Note: Cash at bank earns interest at a floating rate based on daily bank deposit rates. Call deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the group, and earn interest at the respective call deposit rates.

The group's exposure to interest rate risk and sensitivity analysis for financial assets and financial liabilities are disclosed in Note 20.

20. Financial instruments

Principles of risk management

The group has exposure to the following risks from its use of financial instruments:
* Credit risk;
* Liquidity risk; and
* Market risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established a group Audit and Risk Committee, which is responsible for monitoring the group's risk management policies. The committee reports directly to the board of directors on its activities.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The group Audit and Risk Committee oversees how management monitors compliance with the group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group Audit and Risk Committee is assisted in the oversight role at operations level by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the group Audit and Risk Committee.

Whilst the recommendations are reviewed and approved by the board of directors, the Venture's treasury department is responsible for implementing these recommendations at the Venture level.

The overall objective of the Venture's treasury department is to effectively manage credit risk, liquidity risk and market risks in accordance with the group's strategy. Other responsibilities of the Venture's treasury department include management of the group's cash resources, approval of counter–parties and relevant transaction limits and the monitoring of all significant treasury activities undertaken by the group.

The Venture's treasury department prepares monthly treasury reports which monitor all significant treasury activities undertaken by the Venture. The report also benchmarks significant treasury activities and monitors key banking risks to ensure continued effectiveness.

The group's significant financial instruments comprise loans and receivables, cash and cash equivalents and financial liabilities measured at amortised cost. The main purpose of these financial instruments is to finance the group's acquisitions and ongoing operations.

20. Financial instruments *(continued)*

20.1 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counter-party to a financial instrument fails to meet its contractual obligation.

Exposure to credit risk arises as a result of transactions in the group's ordinary course of business and is applicable to all financial assets. Counter-parties are assessed both prior to, during and after conclusion of transactions to ensure exposure to credit risk is limited to an acceptable level.

Cash and cash equivalents

The group limits its exposure to credit risk by investing only in liquid securities and only with approved banks and financial institutions. The group's cash balances are in the form of short-term deposits in both local and foreign currency.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which the customers operate, has less of an influence on credit risk. Management have considered recoverability of trade and other receivables and no significant impairment losses are expected.

The group sells the majority of its ferrochrome to a broad range of international customers in terms of the Venture agreement. As a result, the group believes that no concentration of credit risk exists with regard to sales to these customers.

The marketing agent, Glencore, accepts 60% of the risk related to non-payment of credit sales of ferrochrome and 100% of the risk of non-payment of credit sales of chrome ore. In general, Glencore acts as a sales and marketing agent, on-selling purchases from the group to a wide variety of customers. These sales are governed by various sales, marketing and distribution agreements. As these agreements have been in place for a number of years and the group has not been exposed to significant unrecoverable amounts, the group does not believe that these arrangements expose it to unacceptable credit risks.

Where concentrations of credit risk exist, management closely monitors the receivable and ensures appropriate controls are in place to ensure recovery. The group does not have netting arrangements with any debtors.

Investments

The company has a loan receivable from Merafe Chrome and Alloys Proprietary Limited, a wholly-owned subsidiary. The recoverability of the loan is assessed periodically.

20. Financial instruments *(continued)*

20.1 Credit risk *(continued)*

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
Exposure to credit risk The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was: (refer Note 20.4)				
Inter company loan	**-**	-	**1 190 972**	1 145 972
Trade and other receivables	**236 598**	575 686	**643**	89 276
Cash and cash equivalents	**325 126**	44 541	**103 039**	8 140
	561 724	620 227	**1 294 654**	1 243 388
The ageing of trade receivables at the reporting date was:				
Not past due	**227 236**	560 273	**643**	89 276
Past due	**9 362**	15 413	**-**	-
	236 598	575 686	**643**	89 276

20.2 Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations on time. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Venture's treasury department is responsible for management of liquidity risk, including funding, settlements, related processes and policies. The group manages its liquidity risk on a concentrated basis, utilising various sources of finance to maintain flexibility while ensuring access to cost-effective funds when required. The operational, tax, capital and regulatory requirements and obligations of the group are considered in the management of liquidity risk. In addition, management utilises both short-and long term cash flow forecasts and other consolidated financial information to manage liquidity risk.

20. Financial instruments *(continued)*

20.2 Liquidity risk *(continued)*

The group uses activity-based costing to cost its products, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations, this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the group maintained the following facilities at 31 December 2015:
The Company
* ABSA Bank Limited: R1m credit card facilities. Interest is payable at ABSA Bank Limited's prime lending rate. At year end the prime lending rate was 9.75%; and
* ABSA Bank Limited: R0.3m guarantee facility.

Merafe Ferrochrome
* ABSA Bank Limited: R15m general banking facility and/or customer foreign currency account facility. Interest would be payable at the prime overdraft rate;
* ABSA Bank Limited: R20.2m financial guarantee facility;
* ABSA Bank Limited: R0.5m credit card facility. Interest on arrears is payable at prime overdraft rate plus 4.5%; and
* ABSA Bank Limited: R450m term loan and R300m revolving credit facility

The Venture
* ABSA Bank Limited: US$182m foreign currency overdraft account. Interest charged at US$ LIBOR plus a margin of between 0.5% and 2.00%;
* Standard Bank debtors factoring facility: US$160m. Interest is charged at US$ LIBOR plus a margin of 1.5%.

At year end US$ LIBOR was 0.4 % (31 December 2014: 0.2%).

The following guarantee facilities are in place:

	ABSA R'000	Nedbank R'000	FNB R'000	Standard R'000	Total R'000
31 December 2015					
Facility available and utilised	17 574	19 310	58 532	44 539	139 955
Eskom	11 514	-	41 980	-	53 494
DMR	4 386	19 310	16 552	44 539	84 787
Customs and excise	314	-	-	-	314
Town councils and water boards	1 360	-	-	-	1 360
Percentage utilised	100%	100%	100%	100%	100%

20. Financial instruments *(continued)*

20.2 Liquidity risk *(continued)*

	FNB R'000	ABSA R'000	Nedbank R'000	Total R'000
31 December 2014				
Facility available and utilised	41 980	21 360	4 657	39 858
Eskom	41 980	11 514	-	-
DMR	-	8 172	4 657	39 858
Customs and excise	-	314	-	-
Town councils and water boards	-	1 360	-	-
Percentage utilised	100%	100%	100%	100%

Note: All of the above guarantees are in the name of Glencore and relate to the Venture.

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting arrangements.

Group 2015	Year ended 31 December 2016 R'000	Year ended 31 December 2017 R'000	Year ended 31 December 2018 R'000	Year ended 31 December 2019 onwards R'000	Total R'000
Non derivative					
ABSA and Standard Bank	(147 227)	(137 467)	(116 824)	(157 199)	(558 717)
Interest	(47 227)	(37 467)	(16 824)	(7 199)	(108 717)
Repayments	(100 000)	(100 000)	(100 000)	(150 000)	(450 000)
Drawdown	-	-	-	-	-
Finance lease liabilities	(3 209)	(2 818)	(2 585)	(19 212)	(27 824)
Trade and other payables	(256 882)	-	-	-	(256 882)
Bank overdraft	(15 556)	-	-	-	(15 556)
Total	**(422 874)**	**(140 285)**	**(119 409)**	**(176 411)**	**(858 979)**

20. Financial instruments *(continued)*

20.2 Liquidity risk *(continued)*

Group 2014	Year ended 31 December 2015 R'000	Year ended 31 December 2016 R'000	Year ended 2017 R'000	Year ended 2018 and onwards R'000	Total R'000
Non derivative					
ABSA Bank Limited	71 300	(175 000)	(165 000)	(385 000)	(653 700)
Interest	(61 700)	(75 000)	(65 000)	(135 000)	(336 700)
Repayments	(50 000)	(100 000)	(100 000)	(250 000)	(500 000)
Drawdown	183 000	-	-	-	183 000
Finance lease liabilities	(2 478)	(2 479)	(2 479)	(20 732)	(28 168)
Trade and other payables	(544 307)	-	-	-	(544 307)
Bank overdraft	(207 009)	-	-	-	(207 009)
Total	(682 494)	(177 479)	(167 479)	(405 732)	(1 433 184)

Company 2015
Trade and other payables mature during the year ending 31 December 2016. The installments relating to finance leases are R24k for 2016.

Company 2014
Trade and other payables mature during the year ending 31 December 2015. The installments relating to finance leases are R95k for 2015 and R24k for 2016.

20.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and ferrochrome prices, will affect the group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

20. Financial instruments *(continued)*

20.3 Market risk *(continued)*

Currency risk

Foreign currency
In the normal course of business, the group enters into transactions denominated in foreign currencies (primarily US$). As a result, the group was subject to transaction and translation exposure from flutuations in foreign currency exchange rates.

	31 December 2015 US$ '000	31 December 2014 US$ '000
Exposure to currency risk		
The group's exposure to foreign currency risk is as follows:		
Trade receivables	**35 844**	67 867
Trade receivables sold	**(26 546)**	(24 484)
CFC account	**8 469**	(15 109)
Short-term inventory facility	**-**	(16 400)
Net exposure	**17 767**	11 874

	Average rate		**Reporting date spot rate**	
	2015	2014	**2015**	2014
The following exchange rates were applied during the year:				
Rand: United States Dollar	**12.8**	10.8	**15.5**	11.5

Sensitivity analysis
A 10 percent (strengthening)/weakening of the rand against the US$ at 31 December 2015 would have (decreased)/increased equity and profit before tax by R28m. A 10 percent (strengthening)/weakening of the rand at 31 December 2014 against the US$ would have (decreased)/increased equity and profit before taxation by R14m. This analysis assumes that all other variables, in particular interest rates, remain constant. This sensitivity does not represent the statement of comprehensive income impact that would be expected from a movement in foreign currency exchange rates over the course of a period of time.

20. Financial instruments *(continued)*

20.3 Market risk *(continued)*

Interest rate risk

Profile

At the reporting date, the interest rate profile of the group's interest-bearing financial instruments were:

	2015		2014	
	Average interest rate %	**Carrying amount R'000**	Average interest rate %	Carrying amount R'000
Variable rate instruments				
ABSA Bank Limited	**9.0**	**(559 480)**	7.8	(616 900)
Finance leases – plant and equipment	**13.5**	**(14 451)**	13.5	(13 787)
Short–term warehousing facility	**-**	**-**	1.3	(189 007)
Cash and cash equivalents				
– local currency	**4.5***	**178 301**	4.5*	11 286
– foreign currency	**1.2**	**131 269**	1.2	(173 754)
		(264 361)		(982 162)

* *Cash balances in local currency receive interest as follows:*
a The Venture: prime less 4.15%
b The Company and Merafe Ferrochrome
** Call deposits: daily call deposits rates. At year end the call deposit rate was 5%*
** Current account balances*
– favourable: 1%
– unfavourable: prime (at year end prime was 9.75%)
** Money market: The average rate was 6% (at year end was 6.9%).*

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
20.4 Financial instruments carrying amounts				
Loans and receivables	**561 724**	620 227	**1 294 654**	1 243 388
Inter company loan	**-**	-	**1 190 972**	1 145 972
Trade and other receivables	**236 598**	575 686	**643**	89 276
Cash and cash equivalents	**325 126**	44 541	**103 039**	8 140
Financial liabilities measured at amortised cost	**(831 918)**	(1 368 216)	**(76 292)**	(7 485)
Loans and borrowings – long-term	**(459 480)**	(536 900)	**(1 947)**	(1 839)
Loans and borrowings – short-term	**(100 000)**	(80 000)	**-**	-
Bank overdraft	**(15 556)**	(207 009)	**-**	-
Trade and other payables	**(256 882)**	(544 307)	**(74 345)**	(5 646)

The carrying amount of financial assets and financial liabilities reflected in the statements of financial position approximate their fair values.

21. Capital management

The board's policy is to maintain a strong capital base in order to maintain investor, debt providers and the market confidence in the business.

The strong capital base should ensure that any organic or acquisitive growth in the business is sustainable and provides a cushion for the cyclical nature of the resources business.

The board has actively pursued a policy of debt reduction and its objective is to maintain its net gearing level to a maximum of 25% versus total assets. This ratio is calculated taking into account interest bearing debt excluding cash balances divided by total assets. At 31 December 2015 year end, the gearing level was 11% (31 December 2014: 19%).

As the required gearing level has been achieved, the board will focus on balancing the requirement to pay dividends, while at the same time ensuring that there is sufficient capital in the business to see the company through the continued global economic uncertainty, to fund working capital, to fund capital expenditure requirements and to fund other growth opportunities in the business.

When analysing growth opportunities, the board seeks to obtain a minimum internal rate of return of 20%.

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

22. Related parties

Identity of the related party	Relationship	Transaction and balances
The Venture	In July 2004, Glencore and Merafe Ferrochrome pooled and shared ferrochrome assets to form the Venture.	Refer Note 22.2 for the amounts that are included in the consolidated financial statements of the group.
Merafe Ferrochrome and Mining Proprietary Limited (Merafe Ferrochrome)	Merafe Ferrochrome is a wholly–owned subsidiary of Merafe Chrome.	Merafe Resources charges Merafe Ferrochrome a management fee as per note 14. Dividends were paid to Merafe Chrome of R45m (2014: R60m).
Merafe Chrome and Alloys Proprietary Limited (Merafe Chrome)	Merafe Chrome is a wholly owned subsidiary of Merafe Resources Limited (Merafe Resources)	A loan account is recognised with Merafe Resources and Merafe Ferrochrome as per note 13 and note 5. Dividends were received from Merafe Ferrochrome of R45m (2014: R60m).

22. Related parties *(continued)*

Identity of the related party	Relationship	Transaction and balances
Horizon Nature Conservation Trust (SE)	The Trust, which was registered on 15 July 1998, was established to provide funds for the rehabilitation of land involved in any prospecting or mining operations of Merafe Ferrochrome's Horizon mine and to discharge any liability which may arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act, No 73 of 1989, the Minerals Act, No 50 of 1991, the Water Act, No 54 of 1956 and any such other legislation as may be enacted in the future.	A loan account is recognised with Merafe Resources of R87k (2014: R75k) which relates to the payment of audit fees. Merafe Resources owes Horizon Nature Conservation Trust R1.9m (2014: R1.8m).
Merafe Kroondal Rehabilitation Trust (SE)	The Trust, which was registered on 31 May 2006, was established to provide funds for the rehabilitation of land involved in any prospecting or mining operations of Merafe Ferrochrome of the Kroondal mine and to discharge any liability which might arise in terms of the Atmospheric Pollution Prevention Act of 1965, the Environment Conservation Act, No 50 of 1991, the Water Act, No 54 of 1956 and any such other legislation as may be enacted in the future. The environmental obligations and corresponding liability remains the sole responsibility of the Venture.	A loan account is recognised with Merafe Resources of R72k (2014: R60k) which relates to the payment of audit fees.
Merafe Resources Limited Share Incentive Scheme	The Trust was established for the purpose of implementing the company's share incentive scheme in 1999. The trust operates and administers share options which the company may grant to participants.	No transactions occurred during the year. The trust is dormant.

22. Related parties *(continued)*

Identity of the related party	Relationship	Transaction and balances
Industrial Development Corporation of South Africa Limited (IDC)	The IDC holds 21.8% of the issued share capital of Merafe Resources Limited and has the ability to exercise significant influence over Merafe Resources Limited as a result of their shareholding.	The IDC received the non–executive directors' fees for M Mosweu and M Mamathuba as disclosed in Note 22.1. IDC received dividends declared by Merafe Resources.
Royal Bafokeng Resources Holdings Proprietary Limited (RBRH) and Glencore (Nederland) B.V.	RBRH held 28.7% of the issued share capital of Merafe Resources Limited and had the ability to exercise significant influence over Merafe Resources Limited as a result of their shareholding. This shareholding was disposed of to Glencore (Nederland) B.V. effective 29 April 2015.	No transactions occurred during the year. RBRH received dividends declared by Merafe Resources.
C Molefe, M Mosweu, BN Majova, Z van der Walt, A Mngomezulu, K Nondumo, ZJ Matlala, K Bissessor, S Blankfield	Directors of Merafe Resources Limited at 31 December 2015. Refer to Directors' Report for changes in directorate.	Refer to Note 22.1

22.1 Transactions with key management personnel and non-executive directors

Executive directors of the company and their immediate families control 0.1% (31 December 2014: 0.3%) of the voting shares of the company. In addition to their salaries, the company also contributes to a provident fund (defined contribution plan) and medical aid fund on their behalf. Executive directors also participate in the company's share incentive schemes (refer note 8).

	Company	
	2015	2014
Directors' fees - Non-executive directors	**R'000**	R'000
C Molefe	**(662)**[1]	(671)[1]
A Mngomezulu	**(373)**	(395)
M Mamathuba[2]	**(31)**	(323)
BN Majova	**(505)**	(484)
M Mosweu	**(294)**	(252)
Z van der Walt	**(515)**	(528)
K Nondumo	**(457)**	(488)
M Salanje*	**-**	(150)
S Blankfield[3]	**(207)**	-
	(3 044)	(3 291)

The above fees relate to services rendered as directors. No other services were rendered.
[1] *includes cell phone allowance*
[2] *resigned effective 2 March 2015*
[3] *appointed effective 13 May 2015*
* *passed away in June 2014*

22. Related parties *(continued)*

22.1 Transactions with key management personnel *(continued)*

	Company	
	2015	2014
	R'000	R'000
Executive directors and prescribed officers remuneration		
ZJ Matlala		
Salary	**(3 618)**	(3 409)
Bonus	**(3 822)**	(2 798)
Fringe benefits and leave pay	**(283)**	(313)
Provident fund contributions	**(635)**	(511)
Share grants vested	**(2 019)**	(1 132)
	(10 377)	(8 163)
DC Chocho		
Salary	**-**	(2 527)
Bonus	**-**	(1 535)
Severance pay	**-**	(4 686)
Leave pay	**-**	(289)
Fringe Benefits	**-**	(374)
Provident Fund contributions	**-**	(379)
Share grants vesting	**-**	(3 518)
	-	(13 308)
B McBride		
Salary	**(646)**	(2 901)
Bonus	**-**	(1 907)
Severance pay	**(5 411)**	-
Fringe benefits and leave pay	**(448)**	(457)
Provident fund contributions	**(91)**	(435)
Share grants vesting	**(4 441)***	(2 339)
	(11 037)	(8 039)
Cost of share options and grants exercised	**-**	1 100
Proceeds on disposal of share options and share grants exercised	**(4 441)**	(3 439)

** Includes R1 014k retrenchment share grants (retrenced effective 15 March 2015).*

22. Related parties *(continued)*

22.1 Transactions with key management personnel *(continued)*

	Company	
	2015	2014
	R'000	R'000
Executive directors and prescribed officers remuneration *(continued)*		
K Bissessor		
Salary	**(1 806)**	(1 224)
Bonus	**(1 643)**	(778)
Fringe benefits and leave pay	**(237)**	(172)
Provident fund contributions	**(310)**	(169)
Share grants vested	**(269)**	(292)
	(4 265)	(2 635)
A Mahendranath		
Salary	**-**	(526)
Bonus	**-**	(296)
Severance pay	**-**	(1 269)
Fringe benefits	**-**	(121)
Leave pay	**-**	(88)
Provident fund contributions	**-**	(73)
Share grants vested and options exercised	**(30)**	(1 448)*
	(30)	(3 821)
Total key management personnel remuneration	**(25 709)**	(35 966)
Short-term employee benefits	**(18 950)**	(27 237)
Share grants and options	**(6 759)**	(8 729)

** includes R338k retrenchment shares*

Note: In accordance with the Remuneration Policy, the 2015 bonus will be paid during March 2016.

There are no fixed term director service contracts and there are no director service contracts with provisions for predetermined compensation on termination of the contracts in excess of one year's salary and benefits.

22. Related parties *(continued)*

22.2 Directors interests in Merafe Resources Limited

As at 31 December 2015, the directors of the company are beneficially interested (directly and indirectly) in 2 774 915 (31 December 2014: 6 612 862) shares in the company.

	2015		2014	
	Direct	**Indirect**	Direct	Indirect
Kajal Bissessor*	**700 000**	**-**	-	-
Bruce McBride**	**-**	**-**	-	1 500 194
Zanele Matlala	**2 012 305**	**-**	1 000 000	-
Steve Phiri**	**-**	**-**	254 000	-
Belese Majova	**-**	**62 610**	-	62 610
Ditabe Chocho**	**-**	**-**	3 796 058	-
	2 712 305	**62 610**	5 050 058	1 562 804

** Appointed effective 1 January 2015*
*** Resigned in 2015*

22.3 Transactions with the Glencore–Merafe Chrome Venture

The Venture resulted in Glencore and Merafe Ferrochrome pooling and sharing their ferrochrome assets. The Venture's head-office is located at Portion 27, Farm Waterval 306 JQ, Rustenburg, 0302. While Merafe Ferrochrome's assets form part of the Venture, Merafe Ferrochrome retains ownership of its assets and is closely involved in the Venture's operations through the Chrome Executive Committee, joint board and sub–committees (Treasury, Audit and Risk, Transformation, Sustainable Development and Health and Safety) formed to oversee the combined operation of both companies. The group receives 20.5% of the Venture's earnings before interest, tax, depreciation and amortisation (EBITDA) and owns 20.5% of the Venture's working capital.

Included in the consolidated financial statements are the following items that represent the group's share of the working capital and EBITDA of the Venture.

	Year ended 31 December 2015 R'000	Year ended 31 December 2014 R'000
Inventories	**1 445 887**	1 435 799
Trade and other receivables	**316 305**	646 525
Net cash	**200 860**	(177 050)
Finance leases	**(14 428)**	(13 677)
Long-term provisions	**(139 351)**	(129 029)
Short-term provisions	**-**	(7 932)
Trade and other payables	**(413 580)**	(587 967)
Net working capital	**1 395 693**	1 166 669
Revenue	**4 428 075**	3 608 986
Foreign exchange gains/(losses)	**83 424**	(1 251)
Operating expenses: the Venture	**(3 659 608)**	(2 956 854)
EBITDA	**851 891**	650 881

23. Contingencies

To the best of our knowledge and belief, other than as set out elsewhere in this report, there are no contingencies in both the current and prior year which may materially affect the financial position of the group.

	Group		Company	
	2015 R'000	2014 R'000	**2015 R'000**	2014 R'000
24. Operating leases				
Non–cancellable operating lease rentals are payable as follows:				
Less than one year	**(3 701)**	(1 339)	–	–
Between one and five years	**(4 351)**	(3 142)	–	–
Greater than five years	**(5 299)**	(1 697)	–	–
	(13 351)	(6 178)	–	–

The group leases various items of office equipment, mine properties and buildings. The lease payments escalate between 7% to 10% per annum for both the prior and current year.

25. Capital commitments				
The group's capital commitments at year end in respect of the Venture were:				
– contracted for but not provided for	**36 275**	74 593	–	–
– authorised but not contracted for	**82 008**	106 277	–	–
	118 283	180 870	–	–

26. Events after the reporting date

No material facts or circumstances occurred between 31 December 2015 and 8 March 2016 that may require adjustment or disclosure in these annual financial statements.

27. Dividends

An interim dividend of R25m (2014: R28m) was declared on 4 August 2015. A final dividend of R30m (2014:R20m) was declared on 8 March 2016.

Merafe Resources Limited

Shareholder Information

1. Distribution of ordinary shareholders

	Number of shareholders	% of all members	Number of shares held	% of issued capital
Public shareholders	6 989	99.93	1 240 935 346	49.43
Non-public shareholders	5	0.07	1 269 768 902	50.57
Directors and their associates	3	0.04	2 774 915	0.11
Glencore (Nederland) B.V.	1	0.01	720 163 887	28.68
Industrial Development Corporation of South Africa Limited	1	00.1	546 830 100	21.78
	6 994	100	2 510 704 248	100

2. Holders holding 5% or more of shares in issue

	Number of shares held	% issued share capital
Glencore (Nederland) B.V.	720 163 887	28.68
Industrial Development Corporation of South Africa Limited	546 830 100	21.78

3. Shareholding spread

	Number of shareholders	% of all shareholders	Number of shares held	% of share capital
1 – 1000 shares	1 208	17.27	613 606	0.02
1 001 – 5 000 shares	1 715	24.52	5 238 458	0.21
5001 – 10 000 shares	1 074	15.36	8 841 936	0.35
10 001 – 100 000 shares	2 307	32.99	78 489 526	3.13
100 001 – 1 000 000 shares	535	7.65	163 269 285	6.50
1 000 001 and more shares	155	2.22	2 254 251 437	89.79
	6 994	100	2 510 704 248	100

4. Distribution of shareholders

	Number of shareholders	% of all shareholders	Number of shares held	% of share capital
Diluted funds	31	0.44	340 213 257	13.55
Pension funds	109	1.56	325 910 098	12.98
Private companies	111	1.59	134 560 174	5.36
Individuals	6 253	89.41	231 076 694	9.20
Close corporations	95	1.36	16 028 737	0.64
Other corporations	359	5.13	1 401 969 176	55.84
Nominees and other institutions	22	0.31	46 119 558	1.84
Banks	14	0.20	14 826 554	0.59
	6 994	100	2 510 704 248	100

Merafe Resources Limited

Shareholder Information *(continued)*

5. JSE share performance

	2015	2014
Market capitalisation as at 31 December	**1 707 278 889**	2 355 032 644
Share Price (cents)		
High	**105**	150
Low	**49**	81
Closing	**68**	94
Shares traded		
Volume of shares traded	**1 258 123 042**	761 052 920
Value of shares (ZAR)	**1 012 019 912**	844 802 539
Volume of shares traded as a percentage of weighted average of shares in issue	**50%**	30%
Shares in issue as at 31 December	**2 510 704 248**	2 505 353 877

6. Distribution of local and foreign beneficial shareholding

	% of issued capital
South African	68.93
Foreign	31.07

SHAREHOLDERS' DIARY

Meetings

Annual general meeting for the 2015 financial year to be held on 5 May 2016.

Reports

Interim reports for the six months to 30 June 2016 to be released on 2 August 2016.
Annual results for the twelve months to 31 December 2016 to be released and published in March 2017.