



# Committed to generating sustainable value in South Africa

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Earnings before interest, tax,  
depreciation and amortisation  
(EBITDA) of

**£2.4million**

(2015: £1.4 million)

Operating profit before  
depreciation, fair value adjustments  
and exchange movements  
(Adjusted EBITDA) of

**£1.5million**

(2015: £1.7 million)

Dividend yield of

**5.4%**

at year end share price.

# Strategic report

The directors present the Strategic Report of the company for the year ending 31 December 2016. The aim of the Strategic Report is to provide shareholders with the ability to assess how the Directors have performed their duty to promote the success of the company for the collective benefit of shareholders.

## STRATEGIC REPORT

# Chairman's Statement

**For the year ended 31 December 2016, your company achieved earnings before interest, tax, depreciation and amortisation (EBITDA) of £2.4million (2015: £1.4 million) and operating profit before depreciation, fair value adjustments and exchange movements (Adjusted EBITDA) of £1.5million (2015: £1.7 million).**

In 2017 we continue to make strong progress in developing our new opencast reserves at Black Wattle and coal prices have improved significantly. We therefore remain highly confident about the prospects for our South African coal mining operations and their ability to contribute to our group earnings and cash generation.

A fuller explanation on the performance of our mining operations for the year can be found within the Mining Review and Financial & Performance Review sections of this report.

The company's UK retail property portfolio, which underpins the group and which is managed actively by London & Associated Properties Plc, continues to perform well, with average rental yields for the portfolio remaining stable during the year. A fuller explanation of the portfolio's valuation results and financial position are discussed in the Financial & Performance Review and Directors report. Looking forward, management will continue to look for opportunities to strengthen and develop the company's UK retail property portfolio.

Finally, your directors have decided to hold the dividend at the 2015 level and will recommend to you, our shareholders, a final dividend of 3p (2015: 3p) payable on Friday 28 July 2017 to shareholders registered at the close of business on 7 July 2017 making the total for the year 4p (2015: 4p). Based on the 2016 year end share price, this represents a 5.4% yield, which is at the high end of the mining sector.

On behalf of the Board and shareholders, I would like to thank all of our staff for their hard work during the course of the year.

*Michael Heller*

**Sir Michael Heller**  
Chairman

26 April 2017



In 2017 we continue to make strong progress in developing our new opencast reserves at Black Wattle



Bisich Mining PLC 3

# Principal activity, strategy & business model

The company carries on business as a mining company and its principal activity is coal mining in South Africa. The company's strategy is to create and deliver long terms sustainable value to all our stakeholders through our business model which can be broken down into three key areas

## 1 ACQUISITION & INVESTMENT



### Strategy

The group actively seeks new opportunities to extend the life of mine of its existing mining operations or develop new independent mining operations in South Africa. The group aims to achieve this through new commercial arrangements and the acquisition of additional coal reserves nearby to or independent from our existing mining operations.

## 2 PRODUCTION & SUSTAINABILITY



### Strategy

The group strives to mine its coal reserves in an economical and sustainable manner that delivers long term value to all our stakeholders.

## 3 PROCESSING & MARKETING



### Strategy

The group seeks to achieve additional value from its mining investments through the washing, transportation and marketing of coal into both the domestic and export markets.

In addition to the three key areas outlined above, we seek to balance the high risk of our mining operations with a dependable cash flow and capital appreciation from our UK property investment operations. The company invests in retail property across the UK. The UK property portfolio is managed by London & Associated Properties PLC whose responsibility is to actively manage the portfolio to improve rental income and thus enhance the value of the portfolio over time.

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## STRATEGIC REPORT

# Mining Review

**The overall performance of Black Wattle, our South African coal mining operation, was effected by both mining challenges and a suppressed coal market for most of 2016. Looking forward into 2017, management will look to ensure production from our newly developed opencast areas is increased in order to benefit from the improved prices achievable for our coal.**

### Production and operations

For the first half of 2016 Black Wattle continued to supplement production from its own reserves with coal mined at Blue Nightingale under an agreement to purchase Run of Mine coal. Unfortunately, the quality of the Blue Nightingale coal deteriorated as the reserve came to an end and the higher Rand cost per tonne produced, along with suppressed coal prices, impacted on overall earnings during the first half of the year.

In anticipation of the Blue Nightingale reserve coming to an end, management plans were already in place to increase production from Black Wattle's own reserves. Part of this plan entailed increasing the production from an existing opencast area at Black Wattle as well as the development of a new opencast area to replace the coal purchased from Blue Nightingale.

In these new opencast areas we have had to deal with stone contamination issues which have affected both yield and mining production through the washing plant. This impacted on sales volumes and earnings in the second half of the year.

We are pleased to report that management have initiated various infrastructure improvements to the coal washing plant which will be completed by the end of the second quarter of 2017 and will deal with these issues. The new infrastructure will assist in reducing stone contamination through the plant and will allow Black Wattle to mine at a higher rate of production at our opencast areas and increase yield.

As a result of the lower production in the second half of the year, overall Run of Mine production from Black Wattle decreased in 2016, with total production for the year of 1.26million metric tonnes (2015: 1.58million metric tonnes). As part of Black Wattle's mining plan, the opencast areas that we began to develop in 2016 will be mined throughout 2017. We expect improved volumes of production to come from these reserves from the second half of 2017.

### Main trends/markets

During 2016 management continued to sell coal into both the export and domestic market. Black Wattle's export sales were via Richards Bay Coal Terminal and primarily under the Quattro programme, which allows junior black-economic empowerment coal producers direct access to the coal export market via Richards Bay Coal Terminal. We would like to thank Vunani Limited, our black economic empowered shareholders at Black Wattle, for managing and developing this opportunity.

The general downturn in commodity and energy prices experienced in recent years continued for most of 2016. However, in the last few months of the year, a surge in international coal prices along with increased demand in both the export and domestic market, began to have a positive impact on the prices achievable for our coal.

At the beginning of 2016, the average weekly price of Free on Board (FOB) Coal from Richards Bay Coal Terminal (API4) was \$50. For the first half of 2016 the API4 price remained largely range bound between \$50 and \$60. In the third quarter of the year, improvements in the US Dollar linked export price were largely offset by a reversal of the depreciation of the South African Rand. However at the end of the third quarter, a shortage of coal on the international seaborne market resulted in a surge in the API4 price to new levels. API4 prices rose from around \$65 in September 2016 to a peak of over \$100 in November 2016, before stabilising at \$85 by the end of the year.

## STRATEGIC REPORT MINING REVIEW

In the domestic market, a similar increase in demand in the last quarter of 2016 impacted positively on prices achievable for our coal going into 2017. These improved domestic prices are expected to remain stable as long as the shortage of coal in the domestic market continues.

Overall, the decrease in group revenue, compared to the prior year, can mainly be attributable to the lower Run of Mine production at Black Wattle as explained above; offsetting the impact of the higher prices achievable for our coal in the last quarter.

Looking forward into 2017, both the export and domestic coal prices have continued to remain stable at these higher levels and we continue to see strong demand for our coal in both markets.

### Sustainable development

Black Wattle continues to strive to conduct business in a safe, environmentally and socially responsible manner. Some highlights of our Health, Safety and Environment performance in 2016:

- Black Wattle Colliery recorded one Lost Time Injury during 2016 (2015: Two).
- No cases of Occupational Diseases were recorded.
- Zero claims for the Compensation for Occupational Diseases were submitted.

We continue to adhere and make progress in terms of our Social and Labour Plan and our various BEE initiatives. A fuller explanation of these can be found in our Sustainable Development Report on page 8.

### Prospects

Looking forward to 2017, management will continue to focus on improving production from our newly developed opencast area and keeping our cost of production low.

Although production in the first quarter of the year to date has been impacted by higher than expected seasonal rains, the various infrastructure improvements initiated at Black Wattle remain on track to be completed by the end of the second quarter of 2017. With strong demand and improved prices achievable for our coal, we believe the group is in a strong position to achieve significant value from our South African mining operations especially in the second half of 2017.



**Andrew Heller**  
Managing Director

26 April 2017





At present, approximately 80 percent of Black Wattle's equipment and services are provided by Broad Based Black Economic Empowerment companies



# Sustainable development

**The group is fully committed to ensuring the sustainability of both our UK and South African mining operations and delivering long term value to all our stakeholders.**

## Health, Safety & Environment (HSE)

Black Wattle is committed to creating a safe and healthy working environment for its employees and the health and safety of our employees is of the utmost importance.

HSE performance in 2016:

- No cases of Occupational Diseases were recorded.
- Zero claims for the Compensation for Occupational Diseases were submitted.
- No machines operating at Black Wattle exceeded the regulatory noise level.
- Black Wattle Colliery recorded one Lost time Injuries during 2016.

In addition to the required personnel appointments and assignment of direct health and safety responsibilities on the mine, a system of Hazard Identification and Risk Assessments has been designed, implemented and maintained at Black Wattle.

Health and Safety training is conducted on an ongoing basis. We are pleased to report all employees to date have received training in hazard identification and risk assessment in their work areas.

A medical surveillance system is also in place which provides management with information used in determining measures to eliminate, control and minimise employee health risks and hazards and all Occupational Health hazards are monitored on an ongoing basis.

Various systems to enhance the current HSE strategy have been introduced as follows:

- In order to improve hazard identification before the commencing of tasks, mini risk assessment booklets have been distributed to all mine employees and long term contractors on the mine.
- Dover testing is conducted for all operators. Dover testing is a risk detection and accident reduction tool which identifies employees' problematic areas in their fundamental skills in order to receive appropriate training.
- Ongoing basic rigging training is being conducted for all washing plant personnel.
- A Job Safety Analysis form is utilised to ensure effective identification of hazards in the workplace.
- In order to capture and record investigation findings from incidents, an incident recording sheet is utilised by line management and contractors.
- Black Wattle Colliery utilises ICAM (Incident Cause Analysis Method).
- Ongoing training on conveyor belt operation is being conducted with all employees involved with this discipline.

## Black wattle colliery social and labour plan (slp) progress

Black Wattle Colliery is committed to true transformation and empowerment as well as poverty eradication within the surrounding and labour providing communities.

Black Wattle is committed to providing opportunities for the sustainable socio-economic development of its stakeholders, such as:

- Employees and their families, through Skills Development, Education Development, Human Resource Development, Empowerment and Progression Programmes.
- Surrounding and labour sending communities, through Local Economic Development, Rural and Community Development, Housing and Living Condition, Enterprise Development and Procurement Programmes.
- Empowerment partners, through Broad-Based Black Economic Empowerment (BBBEE) and Joint Ventures with Historically Disadvantaged South African (HDSA) new mining entrants and enterprises.
- The company engages in ongoing consultation with its stakeholders to develop strong company-employee relationships, strong company-community relationships and strong company-HDSA enterprise relationships.

## STRATEGIC REPORT **SUSTAINABLE DEVELOPMENT**

The key focus areas in terms of the detailed SLP programmes were updated as follows:

- Implementation of new action plans, projects, targets and budgets were established through regular workshops with all stakeholders.
- A comprehensive desktop socio-economic assessment was undertaken on baseline data of the Steve Tshwete Local Municipality (STLM) and Nkangala District Municipality (NDM).
- Black Wattle has drawn up a new SLP Plan for the next five years (2017 – 2021).
- The current Black Wattle Colliery Local Economic Development (LED) programmes were upgraded, and new LED projects were selected in consultation with the key stakeholders from the STLM.
- An appropriate forum was established on the mine and a process initiated for the consultation, empowerment and participation of the employee representatives in the Black Wattle Colliery SLP process.
- Included within the new SLP Plan is a new LED project in the Mhluzi township called Mhluzi Design Printing. The primary focus is to provide printing and embroidery services to local businesses. Three supply contracts have already been concluded with business being conducted with two schools as well as a local South African Military base.
- Black Wattle Colliery has concluded extensive work on various Agricultural projects as well as the E-Bag Recycling projects. The E-Bag Recycling project aims to minimize the environmental impact of post-consumer Polyethylene Terephthalate plastic (PET) on the South African landscape. The project was awarded the PET Entrepreneur award for 2013. To date in 2016, the E-Bag recycling project has initiated up to 70 local community jobs in the region. Black Wattle Colliery has entered into a joint venture project with Enviroserve Waste Management to further develop and ensure the future sustainability of this project.
- Various upgrades were initiated at the Evergreen School nearby to Black Wattle including the erection of new toilet facilities for the boys and girls, which formed part of the mines portable skills development programme for our employees.

### **Social, community and human rights issues**

The group believes that it is in the shareholders' interests to consider social and human rights issues when conducting business activities both in the UK and South Africa.

### **Environment & Environment Management Programme**

#### **South Africa**

Under the terms of the mine's Environmental Management Programme approved by the Department of Mineral Resource ("DMR"), Black Wattle undertakes a host of environmental protection activities to ensure that the approved Environmental Management Plan is fully implemented. In addition to these routine activities, Black Wattle regularly carries out environmental monitoring activities on and around the mine, including evaluation of ground water quality, air quality, noise and lighting levels, ground vibrations, air blast monitoring, and assessment of visual impacts. In addition to this Black Wattle also does quarterly monitoring of all boreholes around the mine to ensure that no contaminated water filters through to the surrounding communities.

Black Wattle is fully compliant with the regulatory requirements of the Department of Water Affairs and Forestry and has an approved water use licence.

Black Wattle Colliery has substantially improved its water management by erecting and upgrading all its pollution control dams in consultation with the Department of Water Affairs and Forestry.

A performance assessment audit was conducted to verify compliance to our Environmental Management Programme and no significant deviations were found.

#### **United Kingdom**

The group's UK activities are principally property investment whereby we provide premises which are rented to retail businesses. We seek to provide those tenants with good quality premises from which they can operate in an efficient and environmentally sound manner.

#### **Procurement**

Black Wattle is a level 4 contributor to B-BBEE and has achieved a 100% BEE procurement recognition level. In compliance with the Mining Charter and the Mineral and Petroleum Resource Development Act, Black Wattle has implemented a BBBEE-focussed procurement policy which strongly encourages our suppliers to establish and maintain BBBEE credentials. At present, BBBEE companies provide approximately 80 percent of Black Wattle's equipment and services.

We closely monitor our monthly expenditure and welcome potential BBBEE suppliers to compete for equipment and service contracts at Black Wattle.



Black Wattle Colliery has concluded extensive work on various Agricultural projects in the surrounding community.





## STRATEGIC REPORT SUSTAINABLE DEVELOPMENT

### Employment

As part of Black Wattle's commitment to the South African government Mining Charter, the company seeks to:

- Expand opportunities for historically disadvantaged South Africans (HDSAs), including women, to enter the mining and minerals industry and benefit from the extraction and processing of the country's resources;
- Utilise the existing skills base for the empowerment of HDSAs; and
- Expand the skills base of HDSAs in order to serve the community.

In addition Black Wattle is committed to achieving the goals of the South African Employment Equity Act and is pleased to report the following:

- Black Wattle Colliery has exceeded the 10 percent women in management and core mining target.
- Black Wattle Colliery has achieved 22 percent women in core mining.
- 94 percent of the women at Black Wattle Colliery are HDSA females.

Black Wattle Colliery has successfully submitted their annual Employment Equity Report to the Department of Labour.

In terms of staff training some highlights for 2016 were:

- 17 employees were trained in ABET (Adult Basic Educational Training) on various levels;
- An additional 5 disabled women continued their training on ABET level one and two.
- 4 HDSA Females have completed and qualified in their respective apprenticeships at the mine.
- Black Wattle had several of the staff of Silver Solutions CC, a black owned private contractor on the mine, trained to become competent to perform plastic pipe welding. The mine makes extensive use of their services in this area.

Employment terms and conditions for our employees based at our UK office and at our South African mining operations are regulated by and are operated in compliance with all relevant prevailing national and local legislation. Employment terms and conditions provided to mining staff meet or exceed the national average. The group's mining operations and coal washing plant facility are labour intensive and unionised. During the year no labour disputes, strikes or wage negotiations disrupted production or had a significant impact on earnings. The group's relations to date with labour representatives and labour related unions continue to remain strong.

In terms of directors, employees and gender representation, at the year end the group had 6 directors (6 male, 0 female), 7 senior managers (6 male, 1 female) and 187 employees (143 male, 44 female).

### Green House Gas reporting

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations.

The group has employed the Operational Control boundary definition to outline our carbon footprint boundary. Included within that boundary are Scope 1 & 2 emissions from coal extraction and onsite mining processes for Black Wattle Colliery. We have not measured and reported on our Scope 3 emissions sources. Excluded from the footprint boundary are emission sources considered non material by the group, including refrigerant use onsite.

We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and a methodology adapted from the Intergovernmental Panel on Climate Change (2006) to calculate fugitive emissions from surface coal mining activities. Further emission factors were used from UK Government's GHG Conversion Factors for company Reporting 2016.

### THE GROUP'S CARBON FOOTPRINT:

	2016 CO <sub>2</sub> e Tonnes	2015 CO <sub>2</sub> e Tonnes
<b>Emissions source:</b>		
Scope 1 Combustion of fuel & operation of facilities	11,860	10,571
Scope 1 Emissions from coal mining activities	22,171	27,789
Scope 2 Electricity, heat, steam and cooling purchased for own use	8,530	7,571
<b>Total</b>	<b>42,561</b>	<b>45,931</b>
<b>Intensity:</b>		
Intensity 1 Tonnes of CO <sub>2</sub> per pound sterling of revenue	0.0019	0.0018
Intensity 2 Tonnes of CO <sub>2</sub> per tonne of coal produced	0.034	0.029

## STRATEGIC REPORT

# Principal risks & uncertainties

### PRINCIPAL RISK

### PERFORMANCE AND MANAGEMENT OF THE RISK

#### COAL PRICE RISK

The group is exposed to coal price risk as its future revenues will be derived based on contracts or agreements with physical off-take partners at prices that will be determined by reference to market prices of coal at delivery date.

The group's South African mining operational earnings are significantly dependent on movements in both the export and domestic coal price.

The price of export sales is derived from a US Dollar-denominated export coal price and therefore the price achievable in South African Rands can be influenced by movements in exchange rates and overall global demand and supply.

The domestic market coal prices are denominated in South African Rand and are primarily dependant on local demand and supply.

#### MINING RISK

As with many mining operations, the reserve that is mined has the risk of not having the qualities and accessibility expected from geological and environmental analysis. This can have a negative impact on revenue and earnings as the quality and quantity of coal mined and sold by our mining operations may be lower than expected.

The group primarily focuses on managing its underlying production costs to mitigate coal price volatility as well as from time to time entering into forward sales contracts with the goal of preserving future revenue streams. The group has not entered into any such contracts in 2016 and 2015.

The group's export and domestic sales are determined based on the ability to deliver the quality of coal required by each market and Quattro programme quotas, together with the market factors set out opposite. Volumes of export sales achieved during the year were primarily dependent on the mine's ability to produce the higher quality of coal required for export as well as allowable quotas under the Quattro programme and overall global demand. The volume of domestic market sales achieved during the year were primarily dependant on local demand and supply as well as the mine's ability to produce the lower overall quality of coal required.

This risk is managed by engaging independent geological experts, referred to in the industry as the "Competent Person", to determine the estimated reserves and their technical and commercial feasibility for extraction. In addition, management engage Competent Persons to assist management in the production of detailed life of mine plans as well as in the monitoring of actual mining results versus expected performance and management's response to variances. The group continued to engage an independent Competent Person in the current year. Refer to page 5 for details of mining performance.

## STRATEGIC REPORT PRINCIPAL RISKS & UNCERTAINTIES

### PRINCIPAL RISK

### PERFORMANCE AND MANAGEMENT OF THE RISK

#### CURRENCY RISK

The group's operations are sensitive to currency movements, especially those between the South African Rand, US Dollar and British Pound. These movements can have a negative impact on the group's mining operations revenue as noted above, as well as operational earnings.

The group is exposed to currency risk in regard to the Sterling value of inter-company trading balances with its South African operations. It arises as a result of the retranslation of Rand denominated inter-company trade receivable balances into Sterling that are held within the UK and which are payable by South African Rand functional currency subsidiaries.

The group is exposed to currency risk in regard to the retranslation of the group's South African functional currency net assets to the Sterling reporting functional currency of the group. A weakening of the South African Rand against Sterling can have a negative impact on the financial position and net asset values reported by the group.

Export sales within the group's South African operations are derived from a US Dollar-denominated export coal price. A weakening of the US Dollar can have a negative impact on the South African Rand prices achievable for coal sold by the group's South African mining operations. This in turn can have a negative impact on the group's mining operations revenue as well as operational earnings as the group's mining operating costs are Rand denominated. In order to mitigate this, the group may enter into forward sales contracts in local currencies with the goal of preserving future revenue streams. The group has not entered into any such contracts in 2016 and 2015.

Although it is not the group's policy to obtain forward contracts to mitigate foreign exchange risk on inter-company trading balances or on the retranslation of the group's South African functional currency net assets, management regularly review the requirement to do so in light of any increased risk of future volatility.

Refer to the "Financial Review" for details of significant currency movement impacts in the year.

#### NEW RESERVES AND MINING PERMISSIONS

The life of the mine, acquisition of additional reserves, permissions to mine (including ongoing and once-off permissions) and new mining opportunities in South Africa generally are contingent on a number of factors outside of the group's control such as approval by the Department of Mineral Resources, the Department of Water Affairs and Forestry and other regulatory or state owned entities.

In addition, the group's South African operations are subject to the government Mining Charter.

Any regulatory changes to the Mining Charter, or failure to meet existing targets, could adversely affect the mine's ability to retain its mining rights in South Africa.

The maintenance of compliance with permits includes factors such as environmental management, health and safety, labour laws and Black Empowerment legislation; as failure to maintain appropriate controls and compliance may in turn result in the withdrawal of the necessary permissions to mine. The management of these regulatory risks and performance in the year is noted on page 15 under the headings environmental risk, health & safety risk and labour risk. Additionally, in order to mitigate this risk, the group strives to provide adequate resources to this area including the employment of adequate personnel and the utilisation of third party consultants competent in regulatory compliance related to mining rights and mining permissions.

The group also continues to actively seek new opportunities to expand its mining operations in South Africa through the acquisition of additional coal reserves and new commercial arrangements with existing mining right holders.

#### POWER SUPPLY RISK

The current utility provider for power supply in South Africa is the government run Eskom. Eskom continues to undergo capacity problems resulting in power cuts and lack of provision of power supply to new projects. Any power cuts or lack of provision of power supply to the group's mining operations may disrupt mining production and impact on earnings.

The group's mining operations have to date not been affected by power cuts. However the group manages this risk through regular monitoring of Eskom's performance and ongoing ability to meet power requirements. In addition, the group continues to assess the ability to utilise diesel generators as an alternative means of securing power in the event of power outages.

#### FLOODING RISK

The group's mining operations are susceptible to seasonal flooding which could disrupt mining production and impact on earnings.

Management monitors water levels on an ongoing basis and various projects have been completed, including the construction of additional dams, to minimise the impact of this risk as far as possible. Refer to page 6 for details of the effect of flooding in early 2017.



## STRATEGIC REPORT **PRINCIPAL RISKS & UNCERTAINTIES**

### PRINCIPLE RISK

### PERFORMANCE AND MANAGEMENT OF THE RISK

#### ENVIRONMENTAL RISK

The group's South African mining operations are required to adhere to local environmental regulations. Any failure to adhere to local environmental regulations, could adversely affect the mine's ability to mine under its mining right in South Africa.

In line with all South African mining companies, the management of this risk is based on compliance with the Environment Management Plan. In order to ensure compliance, the group strives to provide adequate resources to this area including the employment of personnel and the utilisation of third party consultants competent in regulatory compliance related to environmental management.

To date, Black Wattle is fully compliant with the regulatory requirements of the Department of Water Affairs and Forestry and has an approved water use licence. Further details of the group's Environment Management Programme are disclosed in the Sustainable development report on page 9.

#### HEALTH & SAFETY RISK

Attached to mining there are inherent health and safety risks. Any such safety incidents disrupt operations, and can slow or even stop production. In addition, the group's South African mining operations are required to adhere to local Health and Safety regulations.

The group has a comprehensive Health and Safety programme in place to mitigate this risk. Management strive to create an environment where Health and safety of our employees is of the utmost importance. Our Health & Safety programme provides clear guidance on the standards our mining operation is expected to achieve. In addition, management receive regular updates on how our mining operations are performing. Further details of the group's Health and Safety Programme are disclosed in the Sustainable development report on page 8.

#### LABOUR RISK

The group's mining operations and coal washing plant facility are labour intensive and unionised. Any labour disputes, strikes or wage negotiations may disrupt production and impact earnings.

In order to mitigate this risk, the group strives to ensure open and transparent dialogue with employees across all levels. In addition, appropriate channels of communication are provided to all employment unions at Black Wattle to ensure effective and early engagement on employment matters, in particular wage negotiations and disputes. Refer to the 'Employment' section on page 12 for further details.

#### CASHFLOW RISK

Commodity price risk, currency volatility and the uncertainties inherent in mining may result in favourable or unfavourable cashflows.

In order to mitigate this, we seek to balance the high risk of our mining operations with a dependable cash flow from our UK property investment operations which are actively managed by London & Associated Properties PLC. Due to the long term nature of the leases, the effect on cash flows from property investment activities are expected to remain stable as long as tenants remain in operation. Refer to page 20 for details of the property portfolio performance.

#### PROPERTY VALUATION RISK

Fluctuations in property values, which are reflected in the Consolidated Income Statement and Balance Sheet, are dependent on an annual valuation of commercial properties. A fall in UK commercial property can have a marked effect on the profitability and the net asset value of the group as well as impact on covenants and other loan agreement obligations.

The group utilises the services of London & Associated Properties PLC whose responsibility is to actively manage the portfolio to improve rental income and thus enhance the value of the portfolio over time. In addition, management regularly monitor banking covenants and other loan agreement obligations as well as the performance of our property assets in relation to the overall market over time. Refer to page 20 for details of the property portfolio performance.



Black Wattle Colliery has achieved 22 percent women in core mining and has exceeded the 10 percent target of women in management and core mining

## STRATEGIC REPORT

# Financial & performance review

The movement in the Group's Adjusted EBITDA from £1.7million in 2015 to £1.5million in 2016 can mainly be attributable to the lower Run of Mine production at Black Wattle offsetting the impact of the higher prices achievable for our coal in the last quarter. As we continue into 2017, the group's financial position remains strong and we expect to achieve significant additional value from our existing mining operations as noted in the Mining Review.

### Key performance indicators

The key performance indicators for the group are:

	2016 £'000	2015 £'000
<b>For the group:</b>		
Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA)	1,516	1,717
EBITDA	2,415	1,365
Profit/(loss) before tax	346	(147)
<b>For our property investment operations:</b>		
Net property valuation (excluding joint ventures)	13,245	12,800
Net property revenue (excluding joint ventures)	1,084	1,014
<b>For our mining activities:</b>		
Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA)	755	996
EBITDA	1,204	499
	<b>Tonnes '000</b>	<b>Tonnes '000</b>
Mining production	1,260	1,580

EBITDA, adjusted EBITDA and mining production are used as key performance indicators for the group and its mining activities as the group has a strategic focus on the long term development of its existing mining reserves and the acquisition of additional mining reserves in order to realise shareholder value. Whilst profit/(loss) before tax is considered as one of the key performance

indicators of the group, the profitability of the group and the group's mining activities can be impacted by the volatile and capital intensive nature of the mining sector. Accordingly, EBITDA and adjusted EBITDA are primarily used as key performance indicators as they are indicative of the value associated with the group's mining assets expected to be realised over the long

term life of the group's mining reserves. In addition, for the group's property investment operations, the net property valuation and net property revenue are utilised as key performance indicators as the group's substantial property portfolio reduces the risk profile for shareholders by providing stable cash generative UK assets and access to capital appreciation.

## STRATEGIC REPORT

The key performance indicators of the group can be reconciled as follows:

	Mining £'000	Property £'000	Other £'000	2016 £'000	2015 £'000
<b>Revenue</b>	<b>21,703</b>	<b>1,084</b>	<b>28</b>	<b>22,815</b>	25,655
Mining and washing costs	(16,184)	-	-	(16,184)	(19,177)
Other operating costs excluding depreciation	(4,764)	(348)	(3)	(5,115)	(4,761)
<b>Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA)</b>	<b>755</b>	<b>736</b>	<b>25</b>	<b>1,516</b>	1,717
Exchange movements	449	-	-	449	(497)
Fair value adjustments	-	445	12	457	214
Operating profit excluding depreciation	1,204	1,181	37	2,422	1,434
Share of (loss)/profit in joint venture	-	(7)	-	(7)	69
Loss on reclassification of asset as held for sale	-	-	-	-	(138)
<b>EBITDA</b>	<b>1,204</b>	<b>1,174</b>	<b>37</b>	<b>2,415</b>	1,365
Net interest movement				(284)	(228)
Depreciation				(1,785)	(1,284)
<b>Profit/(loss) before tax</b>				<b>346</b>	(147)

Adjusted EBITDA is used as a key indicator of the trading performance of the group and its operating segments before the impact of depreciation, fair value adjustments and foreign exchange movements. The group's operating segments include its South African mining operations and UK property investments. The performance of these two operating segments are discussed in more detail below.

The group achieved EBITDA for the year of £2.4million (2015: £1.4million). The movement compared to the prior year can mainly be attributable to revaluation gains on our UK investment property of £0.4million (2015: £0.2million) and exchange rate gains of £0.4million (2015: loss of £0.5million) related to the rand denominated intercompany balances held by the company with our South African mining subsidiary.

Depreciation for the year, related to our mining operations, increased to £1.8million (2015: £1.3million). This increase can mainly be attributable to capital expenditure incurred during 2016 in developing our new opencast areas. This increase impacted on the group's overall profit before tax reported of £0.3million (2015: loss of £0.1million).

### SOUTH AFRICAN MINING OPERATIONS

#### Performance

The key performance indicators of the group's South African mining operations are presented in South African Rand and UK Sterling as follows:

	South African Rand		UK Sterling	
	2016 R'000	2015 R'000	2016 £'000	2015 £'000
Revenue	432,481	479,903	21,703	24,608
Mining and washing costs	(322,505)	(373,982)	(16,184)	(19,177)
Operating profit before other operating costs and depreciation	109,976	105,921	5,519	5,431
Other operating costs (excluding depreciation)			(4,764)	(4,435)
<b>Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA)</b>			<b>755</b>	996
Exchange movements			449	(497)
<b>EBITDA</b>			<b>1,204</b>	499



## STRATEGIC REPORT FINANCIAL & PERFORMANCE REVIEW

	2016 '000	2015 '000
<b>Mining production in tonnes</b>	<b>1,260</b>	<b>1,580</b>
	2016 R	2015 R
Revenue per tonne	343	302
Mining and washing costs per tonne	(256)	(235)
Operating profit per tonne before other operating costs and depreciation	87	67

Total revenue for the group's mining operations for the year increased on a per tonne basis from R303 in 2015 to R343 with the improved South African Rand prices achievable for our coal in the second half of the year, and in particular the last quarter. As a result of the overall lower Run of Mine production, overall revenue for the group's South African mining operations decreased in the year to R432.5million (2015: R480.0million).

Total mining and washing costs for the group decreased from R374.0million in 2015 to R322.5million in 2016. This decrease can also mainly be attributable to the lower Run of Mine production in the second half of the year. The overall increase in cost per tonne from R304 per tonne to R343 per tonne can mainly be attributable to the deterioration of the Blue nightingale reserve in the first half of the year and the impact on mining production and washing costs as a result of the stone contamination issues in the second half of the year.

Other operating costs (excluding depreciation) of £4.8million (2015: £4.4million) include general administrative costs as well as administrative salaries and wages related to our South African mining operations that are incurred both in South Africa and in the UK. These costs are not significantly impacted by movements in mining production and the increase during the year was in line with management's expectations and local inflation.

Overall, the group's South African mining operations achieved an adjusted EBITDA of £0.8million (2015: £1.0million) with the lower Run of Mine production for the year offsetting the impact of the higher prices achievable for our coal.

The volatility in the South African Rand continued to impact on earnings during the year. Although our mining activities achieved an EBITDA of £1.2million (2015: £0.5million), this result, compared to the prior year, was positively impacted by an exchange rate gain of £0.4million in the current year compared to an exchange rate loss of £0.5million incurred during the prior year. These exchange movements can mainly be attributable to the retranslation of Rand denominated inter-company trade receivable balances with our South African mining operations that are held within the UK.

A further explanation of the mines operational performance can be found in the Mining Review on page 5.

### Other mining Investments

The group holds a £1.8million (2015: £1.2million) investment in Ezimbokodweni Mining (Pty) Limited made up of a £1.35million loan (2015: £0.9million) and a £0.45million (2015: £0.3million) joint venture investment. The increase in the overall investment, compared to the prior year, can mainly be attributable to exchange rate gains on translation of year end South African Rand balances into Sterling of £0.5million. The carrying value of the investment is dependent upon the completion of the acquisition of the Pegasus coal project ("the project") in South Africa and details of the background to the transaction, significant developments and the significant judgment applied in determining that the transaction will ultimately complete are set out in the financial statements on page 60. The carrying value of the underlying project is supported by its coal reserves and Life of Mine plan and is considered appropriate given the underlying economic value of the project.

## STRATEGIC REPORT FINANCIAL & PERFORMANCE REVIEW

### UK PROPERTY INVESTMENT

#### Performance

The group's portfolio is managed actively by London & Associated properties plc and continues to perform well with voids across the portfolio at the low level of 1.79%. Overall, the group achieved Net Property revenue (excluding joint ventures) of £1.09million (2015: £1.01million). The increase, compared to the prior year, can mainly be attributable to the contribution to revenue from our new retail property in Northampton, which was acquired in October 2015.

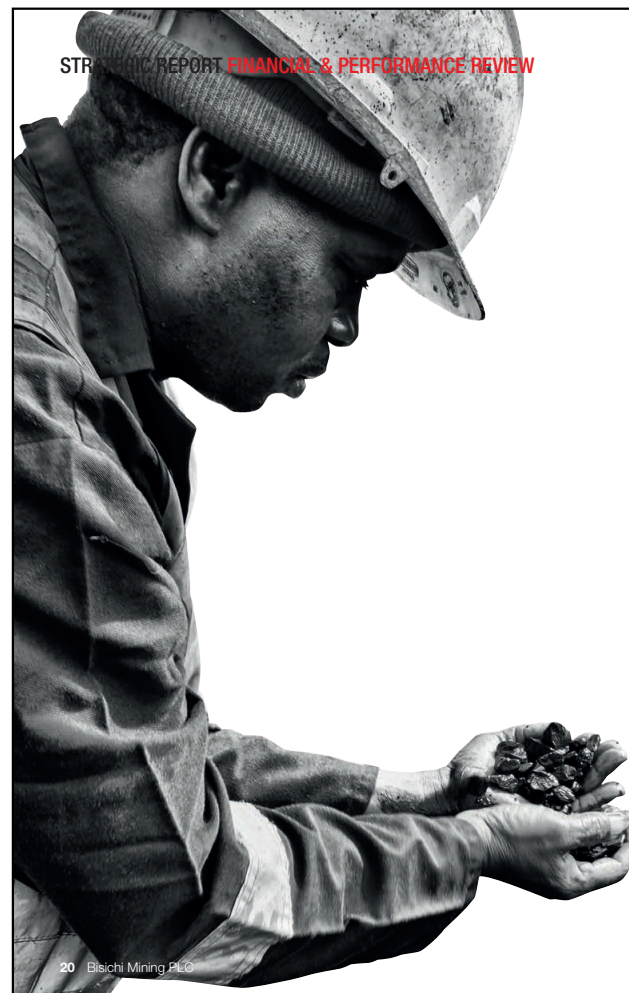
The property portfolio was externally valued at 31 December 2016 and the value of UK investment properties attributable to the group at year end was £13.25 million (2015: £12.8million). This increase, compared to the prior year, can also mainly be attributable to our new retail property in Northampton which was valued at £1.35million (2015: £1.0million) at year end. Certain units within the property have recently undergone complete refurbishment and the property has achieved increased rental levels from its re-let units.

#### Joint venture property investments

The group holds a £0.9million (2015: £0.9million) joint venture investment in Dragon Retail Properties Limited, a UK property investment company. In March 2016, the group disposed of its joint venture investment in Langney Shopping Centre in Eastbourne for £1.14million in cash. The investment was classified as a non-current asset held for sale within the group's consolidated balance sheet in the prior period with a loss on discontinued operations in 2015 of £0.1million.

The open market value of the company's share of investment properties included within its joint venture investment in Dragon Retail Properties is £1.3million (2015: £1.3million) and within non-current assets held for sale is £nil (2015: £2.3million).

Overall, the group achieved net property revenue of £1.2million (2015: £1.3million) for the year which includes the company's share of net property revenue from its investment in joint ventures of £86,000 (2015: £86,000) and non-current assets held for sale of £nil (2015: £172,000).



## STRATEGIC REPORT FINANCIAL & PERFORMANCE REVIEW

### LOANS

#### South Africa

In South Africa, the group holds a R80million (South African Rand) structured trade finance facility with Absa Bank Limited, a South African subsidiary of Barclays Bank PLC. The facility is renewable annually at 30 June and is secured against inventory, debtors and cash that are held in the group's South African operations. This facility comprises of a R60million revolving loan to cover the fluctuating working capital requirements of the group's South African operations, and a fully drawn R20million loan

facility to cover guarantee requirements related to the group's South African mining operations. The Board anticipate the facility will be renewed again this year.

#### United Kingdom

In December 2014, the group signed a £6 million term loan facility with Santander. The Loan is secured against the group's UK retail property portfolio. The facility has a five year term, and is repayable at the end of the term. The interest cost of the loan is 2.35% above LIBOR. During the year the group breached a loan to value covenant on the bank loan and a

payment of £123,300 (2015: £nil) was made against the loan during the year and the covenant breach was remediated. This covenant is intact at the year end.

### CASHFLOW & FINANCIAL POSITION

The following table summarises the main components of the consolidated cashflow for the year:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
<b>Cash flow generated from operations before working capital and other items</b>	<b>1,625</b>	<b>1,869</b>
<b>Cash flow from operating activities</b>	<b>2,614</b>	<b>1,731</b>
<b>Cash flow from investing activities</b>	<b>(1,691)</b>	<b>(2,888)</b>
<b>Cash flow from financing activities</b>	<b>(521)</b>	<b>(584)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>402</b>	<b>(1,741)</b>
Cash and cash equivalents at 1 January	(626)	719
Exchange adjustment	(666)	396
<b>Cash and cash equivalents at 31 December</b>	<b>(890)</b>	<b>(626)</b>
<b>Cash and cash equivalents at 31 December comprise:</b>		
Cash and cash equivalents as presented in the balance sheet	2,444	1,608
Bank overdrafts (secured)	(3,334)	(2,234)
	(890)	(626)

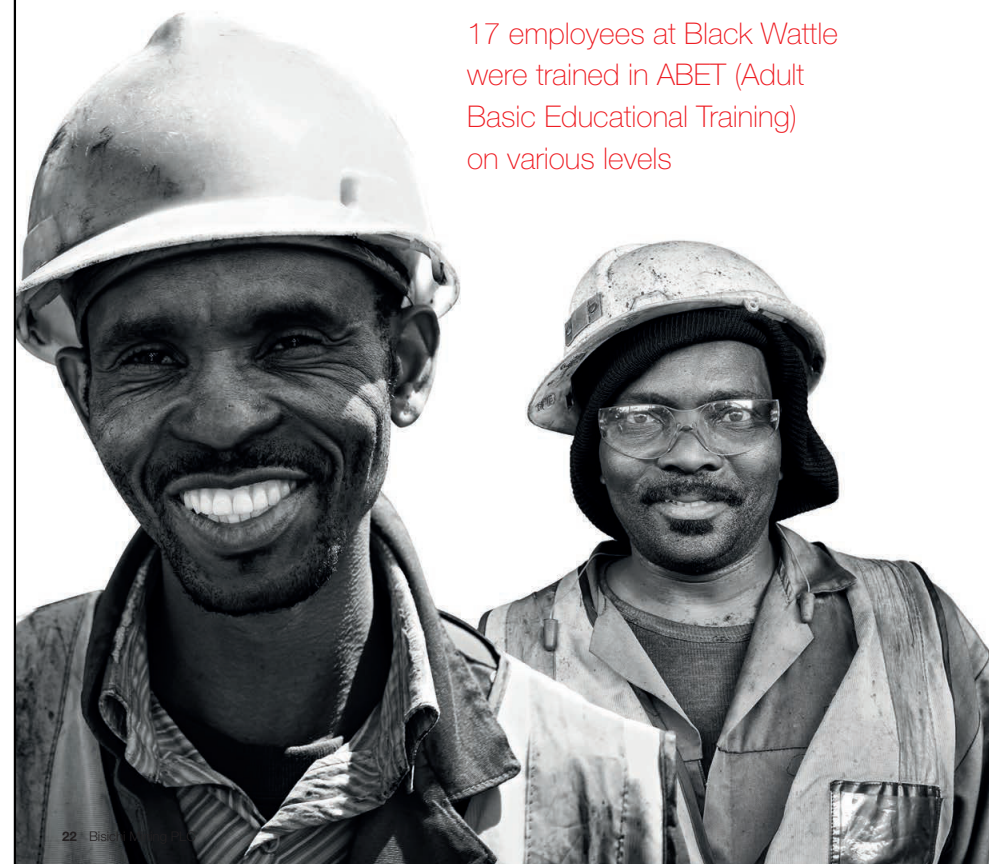
Cash flow generated from operating activities of £2.6million (2015: £1.7 million) increased compared to the prior year as a result of an increase in working capital of £1.4million (2015: £0.1million) for the year, mainly attributable to an increase in trade payables of £1.4million as a result of an increase in trade payables related to mining production costs at our new opencast operations at Black Wattle which offset the reduced adjusted EBITDA of the group's South African mining operations as outlined above.

Investing cashflows primarily reflect the net effect of capital expenditure during the year of £2.9million (2015: £3.0million) which can mainly be attributable to development costs at our new opencast operations at Black Wattle and the disposal of its joint venture investment in Langney Shopping Centre for £1.14million in cash. As at year end the group's mining reserves, plant and equipment had a net asset value of £8.5million (2015: £5.4million). In addition to movements in capital expenditure and depreciation during the year,

the increase in value of the group's mining reserves, plant and equipment can be attributed to exchange rate gains on translation of the group's South African assets into Sterling of £2.1million (2015: loss of £1.4million).

Cash outflows from financing activities included dividends paid to shareholders of £0.4million (2015: 0.4 million) and a £0.1million payment against the company's UK loan facility with Santander.

## STRATEGIC REPORT FINANCIAL & PERFORMANCE REVIEW



17 employees at Black Wattle were trained in ABET (Adult Basic Educational Training) on various levels



## STRATEGIC REPORT FINANCIAL & PERFORMANCE REVIEW

Overall, the group managed to achieve an overall increase in cash and cash equivalents of £0.4million (2015: decrease of £1.7million) for the year. After taking into account an exchange loss of £0.7million on the translation of the group's year end net cash borrowings that were held in South African Rand, the group's net balance owing of cash and cash equivalents (including bank overdrafts) at year end was £0.9 million (2015: £0.6million).

The group has considerable financial resources available at short notice including cash and cash equivalents (excluding bank overdrafts) of £2.4million (2015: £1.6million), investments available for sale of £0.8million (2015: £0.6million) and its £2m loan to Dragon Retail Properties Limited which accrues annual interest at 6.875 per cent.

The net assets of the group reported as at year end were £17.0million (2015: £15.6million). Total assets increased from £31.1million to £36.9million mainly due to the capital expenditure noted above, property fair value uplifts and the impact of exchange rate gains on retranslation of assets held by the South African mining subsidiary. Liabilities increased from £15.5million to £19.9million primarily due to the increased trade payables noted above and the effect of exchange rate movements on liabilities held by the South African mining subsidiary. The overall exchange gain recorded through the translation reserve on translation of the group's South African net assets at year end was £1.0million (2015: loss of £1.1million).

Further details on the group's cashflow and financial position are stated in the Consolidated Cashflow Statement on page 57 and the Consolidated Balance Sheet on page 54

### FUTURE PROSPECTS

As we continue into 2017, the group's financial position remains strong. The group expects to achieve significant additional value from our existing mining operations. In addition, the group seeks to expand its operations in South Africa through the acquisition of additional coal reserves. Further information on the outlook of the company can be found in both the Chairman's Statement on page 2 and the Mining Review on page 5 which form part of the Strategic Report.

Signed on behalf of the Board of Directors



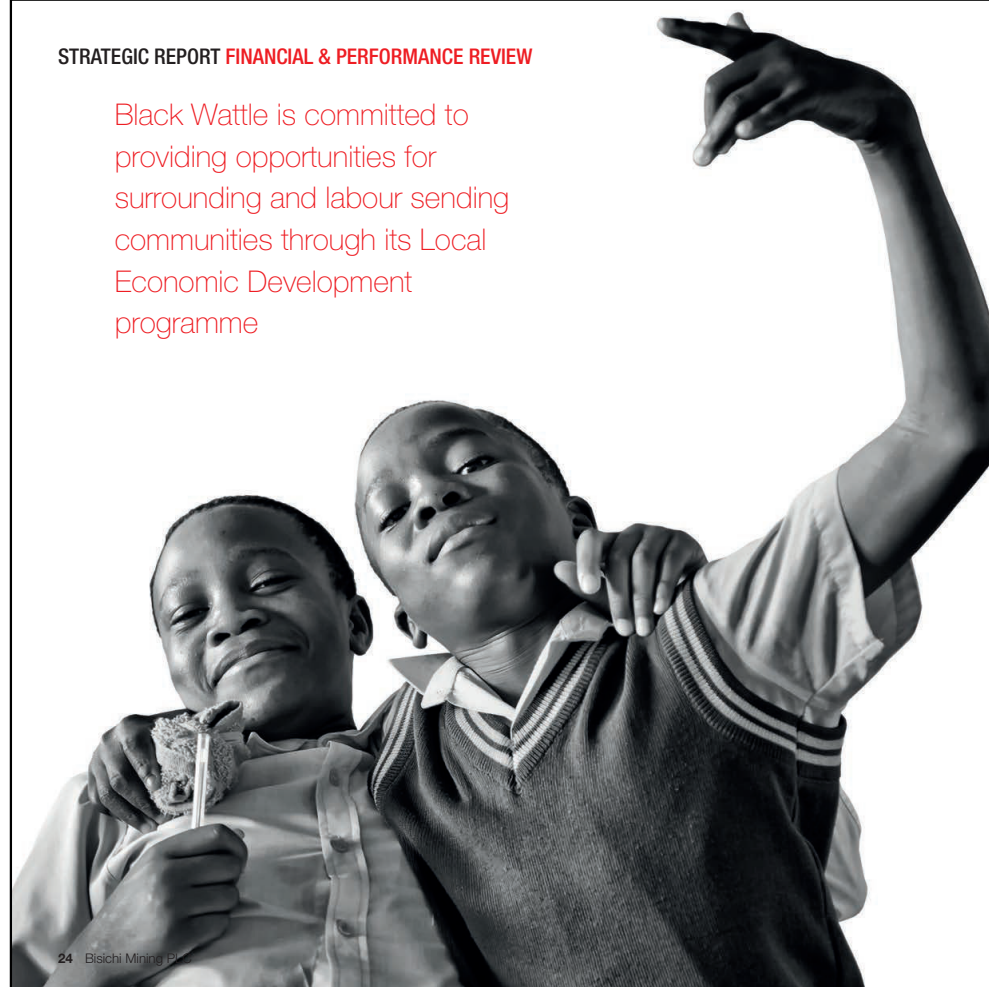
**Garrett Casey**  
Finance Director

26 April 2017



## STRATEGIC REPORT FINANCIAL & PERFORMANCE REVIEW

Black Wattle is committed to providing opportunities for surrounding and labour sending communities through its Local Economic Development programme



# Governance

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## GOVERNANCE

### Management team



**1 SIR MICHAEL HELLER**  
Chairman  
Bisichi Mining PLC

**2 ANDREW HELLER**  
Managing Director  
Bisichi Mining PLC  
Managing Director  
Black Wattle Colliery

**3 CHRISTOPHER JOLL**  
Senior Independent Director  
Chairman Audit and  
Remuneration Committees

**4 GARRETT CASEY**  
Finance Director  
Bisichi Mining PLC  
Director  
Black Wattle Colliery

**5 ROBERT GROBLER**  
Director of Mining  
Bisichi Mining PLC  
Director  
Black Wattle Colliery

**6 ETHAN DUBE**  
Director  
Black Wattle Colliery

**7 NICO SERFONTEIN**  
Mine Manager  
Black Wattle Colliery



## GOVERNANCE

# Directors and advisors

\* **SIR MICHAEL HELLER**  
MA, FCA (Chairman)

**ANDREW R HELLER**  
MA, ACA  
(Managing Director)

**GARRETT CASEY**  
CA (SA)  
(Finance Director)

**ROBERT GROBLER**  
Pr Cert Eng  
(Director of mining)

o **CHRISTOPHER A JOLL**  
MA (Non-executive)  
Christopher Joll was appointed a Director on 1 February 2001. He has held a number of non-executive directorships of quoted and un-quoted companies and is currently senior partner of MJ2 Events LLP an event management business.

o **JOHN A SIBBALD**  
BL (Non-executive)  
John Sibbald has been a Director since 1988. After qualifying as a Chartered Accountant he spent over 20 years in stockbroking, specialising in mining and international investment.

\* Member of the nomination committee

+ Senior independent director

o Member of the audit, nomination and remuneration committees.

**Secretary and registered office**  
**Garrett Casey CA (SA)**  
24 Bruton Place  
London W1J 6NE

**Black Wattle Colliery Directors**  
**Andrew Heller**  
(Managing Director)  
**Ethan Dube**  
**Robert Grobler**  
**Garrett Casey**

**Property portfolio asset manager**  
**James Charlton** BSc MRICS

**Company Registration**  
Company registration No. 112155  
(Incorporated in England and Wales)

**Website**  
www.bisichi.co.uk

**E-mail**  
admin@bisichi.co.uk

**Auditor**  
BDO LLP

**Principal bankers**  
**United Kingdom**  
Santander UK PLC  
National Westminster Bank PLC  
Investec PLC  
**South Africa**  
ABSA Bank (SA)  
First National Bank (SA)  
Standard Bank (SA)

**Corporate solicitors**  
**United Kingdom**  
Fladgate LLP, London  
Memery Crystal, London  
Olswang LLP, London

**South Africa**  
Tugendhaft Wapnick Banchetti and Partners, Johannesburg  
Hogan Lovells, Johannesburg  
Brandmullers Attorneys, Middelburg

**Stockbrokers**  
Shore Capital & Corporate Ltd

**Registrars and transfer office**  
Capita Asset Services  
The Registry  
34 Beckenham Road  
Beckenham  
Kent, BR3 4TU  
Telephone 0871 664 0300  
(Calls cost 12p per minute + network extras) or  
+44 (0) 208 639 3399 for overseas callers  
www.capitaassetservices.com  
Email: ssd@capitaregistrars.com

## GOVERNANCE

# Five year summary

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
<b>Consolidated income statement items</b>					
Revenue	22,815	25,655	26,500	35,105	35,962
Operating profit/(loss)	637	150	1,364	123	2,568
Profit/(loss) before tax	346	(147)	1,568	102	2,190
Trading profit/(loss) before tax	(74)	(188)	1,157	17	2,808
Revaluation and impairment profit/(loss) before tax	420	41	411	85	(618)
EBITDA	2,415	1,365	4,609	3,039	4,684
Operating profit before depreciation, fair value adjustments and exchange movements (adjusted EBITDA)	1,516	1,717	4,276	3,834	5,484
<b>Consolidated balance sheet items</b>					
Investment properties	13,245	12,800	11,575	11,559	11,612
Fixed asset investments	2,703	2,112	4,090	4,370	4,309
	15,948	14,912	15,665	15,929	15,921
Available for sale investments	781	594	796	822	787
	16,729	15,506	16,461	16,751	16,708
Other assets less liabilities less non-controlling interests	(72)	(196)	854	(123)	607
<b>Total equity attributable to equity shareholders</b>	<b>16,657</b>	<b>15,310</b>	<b>17,315</b>	<b>16,628</b>	<b>17,315</b>
<b>Net assets per ordinary share (attributable)</b>	<b>156.0p</b>	<b>143.4p</b>	<b>162.2p</b>	<b>156.3p</b>	<b>164.0p</b>
<b>Dividend per share</b>	<b>4.00p</b>	<b>4.00p</b>	<b>4.00p</b>	<b>4.00p</b>	<b>4.00p</b>

# Financial calendar

<b>7 June 2017</b>	Annual General Meeting
<b>28 July 2017</b>	Payment of final dividend for 2016 (if approved)
<b>Late August 2017</b>	Announcement of half-year results to 30 June 2017
<b>Late April 2018</b>	Announcement of results for year ending 31 December 2017

## GOVERNANCE

# Directors' report

**The directors submit their report together with the audited financial statements for the year ended 31 December 2016.**

### Activities and review of business

The group continues its mining activities. Income for the year was derived from sales of coal from its South African operations. The group also has a property investment portfolio for which it receives rental income.

The results for the year and state of affairs of the group and the company at 31 December 2016 are shown on pages 51 to 92 and in the Strategic Report on pages 2 to 23. Future developments and prospects are also covered in the Strategic Report. Over 99 per cent. of staff are employed in the South African coal mining industry – employment matters and health and safety are dealt with in the Strategic Report.

The management report referred to in the Director's responsibilities statement encompasses this Directors' Report and Strategic Report on pages 2 to 23.

### Corporate responsibility Environment

The environmental considerations of the group's South African coal mining operations are covered in the Strategic Report on pages 2 to 23.

The group's UK activities are principally property investment whereby premises are provided for rent to retail businesses. The group seeks to provide those tenants with good quality premises from which they can operate in an efficient and environmentally friendly manner. Wherever possible, improvements, repairs and replacements are made in an environmentally efficient manner and waste re-cycling arrangements are in place at all the company's locations.

### Greenhouse Gas Emissions

Details of the group's greenhouse gas emissions for the year ended 31 December 2016 can be found on page 12 of the Strategic Report.

### Employment

The group's policy is to attract staff and motivate employees by offering competitive terms of employment. The group provides equal opportunities to all employees and prospective employees including those who are disabled. The Strategic Report gives details of the group's activities and policies concerning the employment, training, health and safety and community support and social development concerning the group's employees in South Africa.

### Dividend policy

An interim dividend for 2016 of 1p was paid on 5 February 2017 (Interim 2015: 1p). The directors recommend the payment of a final dividend for 2016 of 3p per ordinary share (2015: 3p) making a total dividend for 2016 of 4p (2015: 4p).

Subject to shareholder approval, the total dividend per ordinary share for 2016 will be 4p per ordinary share.

The final dividend will be payable on Friday 28 July 2017 to shareholders registered at the close of business on 7 July 2017.

### Investment properties

The investment property portfolio is stated at its open market value of £13,245,000 at 31 December 2016 (2015: £12,800,000) as valued by professional external valuers. The open market value of the company's share of investment properties included within its investments in joint ventures is £1,315,000 (2015: £1,334,000) and within non-current assets held for sale is £nil (2015: £2,286,000).

### Financial instruments

Note 22 to the financial statements sets out the risks in respect of financial instruments. The Board reviews and agrees overall treasury policies, delegating appropriate authority to the managing director. Financial instruments are used to manage the financial risks facing the group. Treasury operations are reported at each Board meeting and are subject to weekly internal reporting.

### Directors

The directors of the company for the whole year were Sir Michael Heller, A R Heller, G J Casey, C A Joll, R J Grobler (a South African citizen), and J A Sibbald.

The director retiring by rotation is Mr G J Casey who offers himself for re-election. Mr GJ Casey has been an executive director of the company since 2010. He is a chartered accountant and has a contract of employment determinable at three months' notice. The board recommends the re-election of GJ Casey.

No director had any material interest in any contract or arrangement with the company during the year other than as shown in this report.

### Directors' shareholdings

The interests of the directors in the shares of the company, including family and trustee holdings where appropriate, are shown on page 38 of the Annual Remuneration Report.

## GOVERNANCE DIRECTORS' REPORT

### Substantial interests

The following have advised that they have an interest in 3 per cent. or more of the issued share capital of the company as at 26 April 2017:

London & Associated Properties PLC – 4,432,618 shares representing 41.52 per cent. of the issued capital. (Sir Michael Heller is a director and shareholder of London & Associated Properties PLC).

Sir Michael Heller –	330,117 shares representing 3.09 per cent. of the issued capital.
A R Heller –	785,012 shares representing 7.35 per cent. of the issued capital.
Cavendish Asset Management Limited –	1,906,360 shares representing 17.86 per cent. of the issued share capital.
James Hyslop –	341,126 shares representing 3.20 per cent. of the issued share capital.

### Disclosure of information to auditor

The directors in office at the date of approval of the financial statements have confirmed that as far as they are aware that there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all reasonable steps they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

### Corporate governance

The Board acknowledges the importance of the guidelines set out in the Quoted Companies Alliance (QCA) published Corporate Governance Code and complies with these so far as is appropriate having regard to the size and nature of the company. The paragraphs below set out how the company has applied this guidance during the year.

### Principles of corporate governance

The group's Board appreciates the value of good corporate governance not only in the areas of accountability and risk management, but also as a positive contribution to business prosperity. The Board endeavours to apply corporate governance principles in a sensible and pragmatic fashion having regard to the circumstances of the group's business. The key objective is to enhance and protect shareholder value.

### Board structure

During the year the Board comprised the executive chairman, the managing director, two other executive directors and two non-executive directors. Their details appear on page 27. The Board is responsible to shareholders for the proper management of the group. The Directors' responsibilities statement in respect of the accounts is set out on page 49. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully considered. To enable the Board to discharge its duties, all directors have full and timely access to all relevant information and there is a procedure for all directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the group. The Board has a formal schedule of matters reserved to it and meets bi-monthly.

The Board is responsible for overall group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The following Board committees, which have written terms of reference, deal with specific aspects of the group's affairs:

- The nomination committee is chaired by Christopher Joll and comprises the non-executive directors and the executive chairman. The committee is responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. In appropriate cases recruitment consultants are used to assist the process. Each director is subject to re-election at least every three years.

- The remuneration committee is responsible for making recommendations to the Board on the company's framework of executive remuneration and its cost. The committee determines the contractual terms, remuneration and other benefits for each of the executive directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the non-executive directors. The committee comprises the non-executive directors. It is chaired by Christopher Joll. The company's executive chairman is normally invited to attend meetings. The report on directors' remuneration is set out on pages 35 to 42.

- The audit committee comprises the two non-executive directors and is chaired by Christopher Joll. Its prime tasks are to review the scope of external audit, to receive regular reports from the company's auditor and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the group's internal control and risk management systems and processes. The committee also considers annually the need for an internal audit function. It advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. The committee, which meets formally at least twice a year, provides a forum for reporting by the group's external auditors.



## GOVERNANCE DIRECTORS' REPORT

Meetings are also attended, by invitation, by the company chairman, managing director and finance director.

- The audit committee also undertakes a formal assessment of the auditors' independence each year which includes:
  - a review of non-audit services provided to the group and related fees;
  - discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;
  - a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
  - obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

The audit committee report is set out on page 46.

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 4 to the financial statements.

### Performance evaluation – board, board committees and directors

The performance of the board as a whole and of its committees and the non-executive directors is assessed by the chairman and the managing director and is discussed with the senior independent director. Their recommendations are discussed at the nomination committee prior to proposals for re-election being recommended to the Board. The performance of executive directors is discussed and assessed by the remuneration committee. The senior independent director meets regularly with the chairman and both the executive and non-executive directors individually outside of formal meetings. The directors will take outside advice in reviewing performance but have not found this necessary to date.

### Independent directors

The senior independent non-executive director is Christopher Joll. The other independent non-executive director is John Sibbald.

Christopher Joll has been a non-executive director for over fifteen years and John Sibbald has been a non-executive director for over twenty five years. The Board encourages Christopher Joll and John Sibbald to act independently. The board considers that their length of service and connection with the company's public relations advisers, does not, and has not, resulted in their inability or failure to act independently. In the opinion of the Board, Christopher Joll and John Sibbald continue to fulfil their role as independent non-executive directors.

The independent directors regularly meet prior to Board meetings to discuss corporate governance issues.

### Board and board committee meetings

The number of meetings during 2016 and attendance at regular Board meetings and Board committees was as follows:

		Meetings held	Meetings Attended
Sir Michael Heller	Board	5	5
	Nomination committee	1	1
A R Heller	Board	5	5
	Audit committee	2	2
G J Casey	Board	5	5
	Audit committee	2	2
R J Grobler	Board	5	1
C A Joll	Board	5	5
	Audit committee	2	2
	Nomination committee	1	1
	Remuneration committee	1	1
J A Sibbald	Board	5	5
	Audit committee	2	2
	Nomination committee	1	1
	Remuneration committee	1	1

## GOVERNANCE DIRECTORS' REPORT

### Internal control

The directors are responsible for the group's system of internal control and review of its effectiveness annually. The Board has designed the group's system of internal control in order to provide the directors with reasonable assurance that its assets are safeguarded, that transactions are authorised and properly recorded and that material errors and irregularities are either prevented or would be detected within a timely period. However, no system of internal control can eliminate the risk of failure to achieve business objectives or provide absolute assurance against material misstatement or loss.

The key elements of the control system in operation are:

- the Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clearly defined lines of responsibility and with appropriate delegation of authority;
- there are established procedures for planning, approval and monitoring of capital expenditure and information systems for monitoring the group's financial performance against approved budgets and forecasts;
- UK property and financial operations are closely monitored by members of the Board and senior managers to enable them to assess risk and address the adequacy of measures in place for its monitoring and control. The South African operations are closely supervised by the UK based executives through daily, weekly and monthly reports from the directors and senior officers in South Africa. This is supplemented by monthly visits by the UK based finance director to the South African operations which include checking the integrity of information supplied to the UK. The directors are guided by the internal control guidance for directors issued by the Institute of Chartered Accountants in England and Wales.

During the period, the audit committee has reviewed the effectiveness of internal control as described above. The Board receives periodic reports from its committees.

There are no significant issues disclosed in the Annual Report for the year ended 31 December 2016 (and up to the date of approval of the report) concerning material internal control issues. The directors confirm that the Board has reviewed the effectiveness of the system of internal control as described during the period.

### Communication with shareholders

Communication with shareholders is a matter of priority. Extensive information about the group and its activities is given in the Annual Report, which is made available to shareholders. Further information is available on the company's website, [www.bisichi.co.uk](http://www.bisichi.co.uk). There is a regular dialogue with institutional investors. Enquiries from individuals on matters relating to their shareholdings and the business of the group are dealt with informatively and promptly.

### Takeover directive

The company has one class of share capital, ordinary shares. Each ordinary share carries one vote. All the ordinary shares rank *pari passu*. There are no securities issued in the company which carry special rights with regard to control of the company. The identity of all substantial direct or indirect holders of securities in the company and the size and nature of their holdings is shown under the "Substantial interests" section of this report above.

A relationship agreement dated 15 September 2005 (the "Relationship Agreement") was entered into between the company and London & Associated Properties PLC ("LAP") in regard to the arrangements between them whilst LAP is a controlling shareholder of the company. The Relationship Agreement includes a provision under which LAP has agreed to exercise the voting rights attached to the ordinary shares in the company owned by LAP to ensure the independence of the Board of directors of the company.

Other than the restrictions contained in the Relationship Agreement, there are no restrictions on voting rights or on the transfer of ordinary shares in the company. The rules governing the appointment and replacement of directors, alteration of the articles of association of the

company and the powers of the company's directors accord with usual English company law provisions. Each director is re-elected at least every three years. The company is not party to any significant agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid. The company is not aware of any agreements between holders of its ordinary shares that may result in restrictions on the transfer of its ordinary shares or on voting rights.

There are no agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

### The Bribery Act 2010

The Bribery Act 2010 came into force on 1 July 2011, and the Board took the opportunity to implement a new Anti-Bribery Policy. The company is committed to acting ethically, fairly and with integrity in all its endeavours and compliance of the code is closely monitored.

### Annual General Meeting

The annual general meeting of the company ("Annual General Meeting") will be held at 24 Bruton Place, London W1J 6NE on Wednesday, 7 June 2017 at 11.00 a.m. Resolutions 1 to 8 will be proposed as ordinary resolutions. More than 50 per cent. of shareholders' votes cast must be in favour for those resolutions to be passed. Resolutions 9 to 11 will be proposed as special resolutions. At least 75 per cent. of shareholders' votes cast must be in favour for those resolutions to be passed.

The directors consider that all of the resolutions to be put to the meeting are in the best interests of the company and its shareholders as a whole. The Board recommends that shareholders vote in favour of all resolutions.

Please note that the following paragraphs are only summaries of certain resolutions to be proposed at the Annual General Meeting and not the full text of the resolutions. You should therefore read this section in conjunction with the full text of the resolutions contained in the notice of Annual General Meeting.

## GOVERNANCE DIRECTORS' REPORT

### Remuneration policy (Resolution 3)

Resolution 3 is to approve the new remuneration policy of the Company for the three year period from the date of this Annual General Meeting in compliance with section 439A of the Companies Act 2006. The vote on the remuneration policy is binding in nature in that the company may not make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a director of the Company unless that payment is consistent with the approved remuneration policy, or has otherwise been approved by a resolution of members. If resolution 3 is passed, the remuneration policy will take effect from the conclusion of the Annual General Meeting. The remuneration policy will be put to shareholders again no later than the Company's annual general meeting in 2020.

### Directors' authority to allot shares (Resolution 8)

In certain circumstances it is important for the company to be able to allot shares up to a maximum amount without needing to seek shareholder approval every time an allotment is required. Paragraph 8.1.1 of resolution 8 would give the directors the authority to allot shares in the company and grant rights to subscribe for, or convert any security into, shares in the company up to an aggregate nominal value of £355,894. This represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) at 26 April 2017 (being the last practicable date prior to the publication of this Directors' Report). Paragraph 8.1.2 of resolution 8 would give the directors the authority to allot shares in the company and grant rights to subscribe for, or convert any security into, shares in the company up to a further aggregate nominal value of £355,894, in connection with a pre-emptive rights issue. This amount represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) at 26 April 2017 (being the last practicable date prior to the publication of this Directors' Report).

Therefore, the maximum nominal value of shares or rights to subscribe for, or convert any security into, shares which may be allotted or granted under resolution 8 is £711,788.

Resolution 8 complies with guidance issued by the Investment Association (IA).

The authority granted by resolution 8 will expire on 31 August 2018 or, if earlier, the conclusion of the next annual general meeting of the company. The directors have no present intention to make use of this authority. However, if they do exercise the authority, the directors intend to follow emerging best practice as regards its use as recommended by the IA.

### Disapplication of pre-emption rights (Resolution 9)

A special resolution will be proposed at the Annual General Meeting in respect of the disapplication of pre-emption rights.

Shares allotted for cash must normally first be offered to shareholders in proportion to their existing shareholdings. The directors will, at the forthcoming Annual General Meeting seek power to allot equity securities (as defined by section 560 of the Companies Act 2006) or sell treasury shares for cash as if the pre-emption rights contained in Section 561 of the Companies Act 2006 did not apply:

- (a) in relation to pre-emptive offers and offers to holders of other equity securities if required by the rights of those securities or as the directors otherwise consider necessary, up to a maximum nominal amount of £355,894 which represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares) and, in relation to rights issues only, up to a maximum additional amount of £355,894 which represents approximately 1/3 (one third) of the ordinary share capital of the company in issue (excluding treasury shares), in each case as at 26 April 2017 (being the last practicable date prior to the publication of this Directors' Report); and

- (b) in any other case, up to a maximum nominal amount of £53,384 which represents approximately 5 per cent. of the ordinary share capital of the company in issue (excluding treasury shares) as at 26 April 2017 (being the last practicable date prior to the publication of this Directors' Report).

In compliance with the guidelines issued by the Pre-emption group, the directors will ensure that, other than in relation to a rights issue, no more than 7.5 per cent. of the issued ordinary shares (excluding treasury shares) will be allotted for cash on a non-pre-emptive basis over a rolling three year period unless shareholders have been notified and consulted in advance.

The power in resolution 9 will expire when the authority given by resolution 8 is revoked or expires.

The directors have no present intention to make use of this authority.

### Notice of General Meetings (Resolution 10)

Resolution 10 will be proposed to allow the company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. A resolution in the same terms was passed at the Annual General Meeting in 2016. The notice period required by the Companies Act 2006 for general meetings of the company is 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. Annual General Meetings must always be held on at least 21 clear days' notice. It is intended that the flexibility offered by this resolution will only be used for time-sensitive, non-routine business and where merited in the interests of shareholders as a whole. The approval will be effective until the company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the company must make a means of electronic voting available to all shareholders for that meeting.

## GOVERNANCE DIRECTORS' REPORT

### Purchase of own Ordinary Shares (Resolution 11)

The effect of resolution 11 would be to renew the directors' current authority to make limited market purchases of the company's ordinary shares of 10 pence each. The power is limited to a maximum aggregate number of 1,067,683 ordinary shares (representing approximately 10 per cent. of the company's issued share capital as at 26 April 2017 (being the last practicable date prior to publication of this Directors' Report)). The minimum price (exclusive of expenses) which the company would be authorised to pay for each ordinary share would be 10 pence (the nominal value of each ordinary share). The maximum price (again exclusive of expenses) which the company would be authorised to pay for an ordinary share is an amount equal to 105 per cent. of the average market price for an ordinary share for the five business days preceding any such purchase.

The authority conferred by resolution 11 will expire at the conclusion of the company's next annual general meeting or 15 months from the passing of the resolution, whichever is the earlier. Any purchases of ordinary shares would be made by means of market purchase through the London Stock Exchange. If granted, the authority would only be exercised if, in the opinion of the directors, to do so would result in an increase in earnings per share or net asset value per share and would be in the best interests of shareholders generally. In exercising the authority to purchase ordinary shares, the directors may treat the shares that have been bought back as either cancelled or held as treasury shares (shares held by the company itself). No dividends may be paid on shares which are held as treasury shares and no voting rights are attached to them.

As at 26 April 2017 (being the last practicable date prior to the publication of this Directors' Report) the total number of new ordinary shares over which options have been granted was 380,000 shares representing 3.56 per cent. of the company's issued share capital (excluding treasury shares) as at that date. Such number of options to subscribe for new ordinary shares

would represent approximately 3.95 per cent. of the reduced issued share capital of the company (excluding treasury shares) assuming full use of the authority to make market purchases sought under resolution 11.

### Donations

No political or charitable donations were made during the year (2015: Nil).

### Going concern

The group's business activities, together with the factors likely to affect its future development are set out in the Chairman's Statement on the preceding page 2, the Mining Review on pages 5 to 6 and its financial position is set out on page 21 of the Strategic Report. In addition Note 22 to the financial statements includes the group's treasury policy, interest rate risk, liquidity risk, foreign exchange risks and credit risk.

The group has prepared cash flow forecasts which demonstrate that the group has sufficient resources to meet its liabilities as they fall due for at least the next 12 months.

In South Africa, a structured trade finance facility for R80million is held by Black Wattle Colliery (Pty) Limited ("Black Wattle") with Absa Bank Limited, a South African subsidiary of Barclays Bank PLC. The facility is renewable annually at 30 June and is secured against inventory, debtors and cash that are held in the group's South African operations. The Directors do not foresee any reason why the facility will not continue to be renewed at the next renewal date, in line with prior periods and based on their banking relationships. This facility comprises of a R60million revolving loan to cover the working capital requirements of the group's South African operations, and a R20million loan facility to cover guarantee requirements related to the group's South African mining operations.

The directors expect that the improved coal market conditions experienced by Black Wattle Colliery, its direct mining asset, in the last quarter of 2016 and the first quarter of 2017 will be similar for at least the next 12 months. The directors therefore have a reasonable

expectation that the mine will continue to achieve positive levels of cash generation for the group for at least the next 12 months. As a consequence, the directors believe that the group is well placed to manage its South African business risks successfully.

In the UK, a £6 million term loan facility repayable in 2019 is held with Santander Bank PLC. The loan is secured against the company's UK retail property portfolio. The debt package has a five year term and is repayable at the end of the term. The interest cost of the loan is 2.35% above LIBOR.

If required, the group has sufficient financial resources available at short notice including cash, available-for-sale investments and its £2m loan to Dragon Retail Properties Limited which is repayable on demand. In addition its investment property assets benefit from long term leases with the majority of its tenants.

As a result of the banking facilities held as well as the acceptable levels of profitability and cash generation the group's South African operations are expected to achieve for at least the next 12 months, the Directors believe that the group has adequate resources to continue in operational existence for the foreseeable future and that the group is well placed to manage its business risks. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

By order of the board

**G.J Casey**  
**Secretary**

24 Bruton Place  
London W1J 6NE

26 April 2017



## GOVERNANCE

# Statement of the Chairman of the remuneration committee

**The remuneration committee presents its report for the year ended 31 December 2016, which this year is presented in two parts in accordance regulations.**

The first part is the Annual Remuneration Report which details remuneration awarded to directors and non-executive directors during the year. The shareholders will be asked to approve the Annual Remuneration Report as an ordinary resolution (as in previous years) at the AGM in June 2017.

The current remuneration policy, which details the remuneration policy for directors, can be found at [www.bisichi.co.uk](http://www.bisichi.co.uk). The current remuneration policy was subject to a binding vote which was approved by shareholders at the AGM in June 2014. The approval will continue to apply for a 3 year period up to the AGM on 7 June 2017.

The second part, is the new Remuneration Policy Report which can be found on page 43. The new remuneration policy is subject to a binding vote which will be proposed to shareholders at the AGM on 7 June 2017. Once approved, the approval of the new policy will apply for a 3 year period effective from the conclusion of the AGM on 7 June 2017.

The new policy is very much in line with the previous policy. Both of the above reports have been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The company's auditors, BDO LLP are required by law to audit certain disclosures and where disclosures have been audited they are indicated as such.

**Christopher Joll**  
**Chairman – remuneration committee**

24 Bruton Place  
London W1J 6NE

26 April 2017

## GOVERNANCE

# Annual remuneration report

The following information has been audited:

Single total figure of remuneration for the year ended 31 December 2016:

	Salaries and Fees £'000	Bonuses £'000	Benefits £'000	Pension £'000	Total before Share options £'000	Share options £'000	Total 2016 £'000
<b>Executive Directors</b>							
Sir Michael Heller	75	-	-	-	75	-	75
A R Heller	450	300	68	32	850	-	850
G J Casey	133	100	14	18	265	-	265
R Grobler	154	60	14	8	236	-	236
<b>Non-Executive Directors</b>							
C A Joll*	30	-	-	-	30	-	30
J A Sibbald*	2	-	3	-	5	-	5
<b>Total</b>	<b>844</b>	<b>460</b>	<b>99</b>	<b>58</b>	<b>1,461</b>	<b>-</b>	<b>1,461</b>

\*Members of the remuneration committee for the year ended 31 December 2016

Single total figure of remuneration for the year ended 31 December 2015:

	Salaries and Fees £'000	Bonuses £'000	Benefits £'000	Pension £'000	Total before Share options £'000	Share options £'000	Total 2015 £'000
<b>Executive Directors</b>							
Sir Michael Heller	75	-	-	-	75	-	75
A R Heller	450	300	67	36	853	59	912
G J Casey	133	100	15	18	266	59	325
R Grobler	146	62	14	7	229	-	229
<b>Non-Executive Directors</b>							
C A Joll*	30	-	-	-	30	-	30
J A Sibbald*	2	-	3	-	5	-	5
<b>Total</b>	<b>836</b>	<b>462</b>	<b>99</b>	<b>61</b>	<b>1,458</b>	<b>118</b>	<b>1,576</b>

\*Members of the remuneration committee for the year ended 31 December 2015

In addition, in the year ended 31 December 2015, A Heller received £109,000 in cash on cancellation of share options representing the increase in value of the shares under option at the cancellation date.

## GOVERNANCE ANNUAL REMUNERATION REPORT

Summary of directors' terms	Date of contract	Unexpired term	Notice period
<b>Executive directors</b>			
Sir Michael Heller	November 1972	Continuous	6 months
A R Heller	January 1994	Continuous	3 months
G J Casey	June 2010	Continuous	3 months
R J Grobler	April 2008	Continuous	3 months
<b>Non-executive directors</b>			
C A Joll	February 2001	Continuous	3 months
J A Sibbald	October 1988	Continuous	3 months

### Pension schemes and incentives

Two (2015: two) directors have benefits under money purchase pension schemes. Contributions in 2016 were £58,000 (2015: £61,000), see table above.

### Scheme interests awarded during the year

No scheme interests were awarded in the year ended 31 December 2016.

The 2015 single figure share based payment charge of £118,000 relates to the 300,000 share options granted to A R Heller and G J Casey in 2015 which vested in 2015. £9,000 of this charge was expensed in the financial statements in the prior year as an IFRS 2 charge as part of the £31,000 accounting charge which also included charges in respect of other options which had fully vested prior to 2015. There were no vesting conditions attached to these share options and therefore the £118,000 should have been fully expensed in 2015 under IFRS2. As the above error is not considered to be material to the current or prior year financial statements the remaining £109,000 of the charge has been expensed in the current year and therefore the error has been corrected in the current period. The correction referred to above does not affect the information in this section of the annual report, which was correctly stated in both 2015 and 2016.

### Share option schemes

The company currently has one "Unapproved" Share Option Schemes which is not subject to HM Revenue and Customs (HMRC) approval. The "2010 Scheme" was approved by shareholders on 7 June 2011. The "2012 Scheme" was approved by the remuneration committee of the company on 28 September 2012. Existing options over ordinary shares under the 2006 scheme lapsed during the year.

	Number of share options					
	Option price*	1 January 2016	Options lapsed in 2016	31 December 2016	Exercisable from	Exercisable to
<b>The 2006 Scheme</b>						
A R Heller	237.05p	275,000	(275,000)	-	4/10/2009	3/10/2016
Employee	237.05p	50,000	(50,000)	-	4/10/2009	3/10/2016
<b>The 2010 Scheme</b>						
G J Casey	202.05p	80,000	-	80,000	31/08/2013	30/08/2020
<b>The 2012 Scheme</b>						
A R Heller	87.01p	150,000	-	150,000	18/09/2015	17/09/2025
G J Casey	87.01p	150,000	-	150,000	18/09/2015	17/09/2025

\*Middle market price at date of grant

No consideration is payable for the grant of options under the Unapproved Share Option Scheme.

## GOVERNANCE ANNUAL REMUNERATION REPORT

### Performance conditions:

The exercise of options under the Unapproved Share Option Schemes, for certain option issues, is subject to the satisfaction of objective performance conditions specified by the remuneration committee, which will conform to institutional shareholder guidelines and best practice provisions in force from time to time. The performance conditions for the 2010 scheme, agreed by members on 31 August 2010, requires growth in net assets over a three year period to exceed the growth in the retail price index by a scale of percentages. There are no performance conditions attached to the 2012 Unapproved Share Option scheme.

### Payments to past directors

No payments were made to past directors in the year ended 31 December 2016.

### Payments for loss of office

No payments for loss of office were made in the year ended 31 December 2016.

### Statement of directors' shareholding and share interest

#### Directors' interests

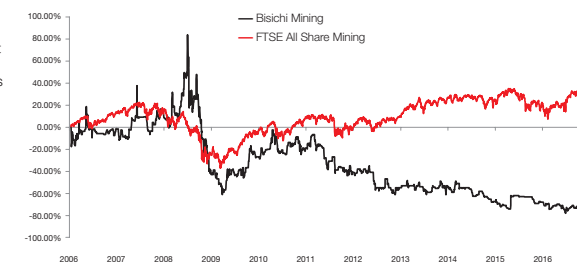
The interests of the directors in the shares of the company, including family and trustee holdings where appropriate, were as follows:

	Beneficial		Non-beneficial	
	31.12.2016	1.1.2016	31.12.2016	1.1.2016
Sir Michael Heller	148,783	148,783	181,334	181,334
A R Heller	785,012	785,012	-	-
C A Joll	-	-	-	-
J A Sibbald	-	-	-	-
R J Grobler	-	-	-	-
G J Casey	40,000	40,000	-	-

### The following section is unaudited.

The following graph illustrates the company's performance compared with a broad equity market index over a ten year period. Performance is measured by total shareholder return. The directors have chosen the FTSE All Share Mining index as a suitable index for this comparison as it gives an indication of performance against a spread of quoted companies in the same sector.

The middle market price of Bisichi Mining PLC ordinary shares at 31 December 2016 was 74p (2015-77.5p). During the year the share price ranged between 52.50p and 80.00p.





## GOVERNANCE ANNUAL REMUNERATION REPORT

### Remuneration of the Managing Director over the last ten years

The table below demonstrates the remuneration of the holder of the office of Managing Director for the last ten years for the period from 1 January 2007 to 31 December 2016.

Year	Managing Director	Managing Director Single total figure of remuneration £'000	Annual bonus payout against maximum opportunity* %	Long-term incentive vesting rates against maximum opportunity* %
2016	A R Heller	850	22%	N/A
2015	A R Heller	912	22%	N/A
2014	A R Heller	862	22%	N/A
2013	A R Heller	614	N/A	N/A
2012	A R Heller	721	N/A	N/A
2011	A R Heller	626	N/A	N/A
2010	A R Heller	568	N/A	N/A
2009	A R Heller	817	N/A	N/A
2008	A R Heller	961	N/A	N/A
2007	A R Heller	716	N/A	N/A

Bisichi Mining PLC does not have a Chief Executive so the table includes the equivalent information for the Managing Director.

\*There were no formal criteria or conditions to apply in determining the amount of bonus payable or the number of shares to be issued prior to 2014.

### Percentage change in remuneration of director undertaking role of Managing Director

	Managing Director £'000			UK based employees £'000		
	2016	2015	% change	2016	2015	% change
Base salary	450	450	0%	208	208	0%
Benefits	68	67	1%	14	15	(6%)
Bonuses	300	300	0%	100	100	0%

Bisichi Mining PLC does not have a Chief Executive so the table includes the equivalent information for the Managing Director.

The comparator group chosen is all UK based employees as the remuneration committee believe this provides the most accurate comparison of underlying increases based on similar annual bonus performances utilised by the group.

### Relative importance of spend on pay

The total expenditure of the group on remuneration to all employees (see Notes 29 and 8 to the financial statements) is shown below:

	2016 £'000	2015 £'000
Employee remuneration	5,321	5,094
Distribution to shareholders	427	427

## GOVERNANCE ANNUAL REMUNERATION REPORT

### Statement of implementation of new remuneration policy

The new remuneration policy will be approved at the AGM on 7 June 2017. The policy will take effect from the conclusion of the AGM and will apply for 3 years unless changes are deemed necessary by the Remuneration committee. The company may not make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a director of the company unless that payment is consistent with the approved remuneration policy, or has otherwise been approved by a resolution of members.

### Consideration by the directors of matters relating to directors' remuneration

The remuneration committee considered the executive directors remuneration and the board considered the non-executive directors remuneration in the year ended 31 December 2016. No increases were awarded and no external advice was taken in reaching this decision.

### Shareholder voting

At the Annual General Meeting on 10 June 2016, there was an advisory vote on the resolution to approve the remuneration report, other than the part containing the remuneration policy. In addition, on 11 June 2014 there was a binding vote on the resolution to approve the current remuneration policy the results of which are detailed below:

	% of votes for	% of votes against	No of votes withheld
Resolution to approve the Remuneration Report (10 June 2016)	99.96%	0.04%	1,859,302
Resolution to approve the Remuneration Policy (11 June 2014)	98.75%	1.04%	5,405

### Service contracts

All executive directors have full-time contracts of employment with the company. Non-executive directors have contracts of service. No director has a contract of employment or contract of service with the company, its joint venture or associated companies with a fixed term which exceeds twelve months. Directors notice periods (see page 37 of the annual remuneration report) are set in line with market practice and of a length considered sufficient to ensure an effective handover of duties should a director leave the company.

All directors' contracts as amended from time to time, have run from the date of appointment. Service contracts are kept at the registered office.

## GOVERNANCE ANNUAL REMUNERATION REPORT

### Remuneration policy table

The remuneration policy table below is an extract of the group's current remuneration policy on directors' remuneration, which was approved by a binding vote at the 2014 AGM. The approved policy took effect from 11 June 2014. A copy of the full policy can be found at [www.bisichi.co.uk](http://www.bisichi.co.uk).

Element	Purpose	Policy	Operation	Opportunity and performance conditions
<b>Executive directors</b>				
Base salary	To recognise: Skills Responsibility Accountability Experience Value	Considered by remuneration committee on appointment Set at a level considered appropriate to attract, retain motivate and reward the right individuals	Reviewed annually Paid monthly in cash	There is no prescribed maximum salary or maximum rate of increase No specific performance conditions are attached to base salaries
Pension	To provide competitive retirement benefits	Company contribution offered at up to 10% of base salary as part of overall remuneration package	The contribution payable by the company is included in the director's contract of employment Paid into money purchase schemes	Company contribution offered at up to 10% of base salary as part of overall remuneration package No specific performance conditions are attached to pension contributions
Benefits	To provide a competitive benefits package	Contractual benefits can include but are not limited to: Car or car allowance Group health cover Death in service cover Permanent health insurance	The committee retains the discretion to approve changes in contractual benefits in exceptional circumstances or where factors outside the control of the group lead to increased costs (e.g. medical inflation)	The costs associated with benefits offered are closely controlled and reviewed on an annual basis No specific performance conditions are attached to contractual benefits The value of benefits for each director for the year ended 31 December 2016 is shown in the table on page 36
Annual Bonus	To reward and incentivise	In assessing the performance of the executive team, and in particular to determine whether bonuses are merited the remuneration committee takes into account the overall performance of the business Bonuses are generally offered in cash	The remuneration committee determines the level of bonus on an annual basis applying such performance conditions and performance measures as it considers appropriate	The current maximum bonus opportunity will not exceed 200% of base salary in any one year, but the remuneration committee reserves the power to award up to 300% in an exceptional year Performance conditions will be assessed on an annual basis. The performance measures applied may be financial, non-financial, corporate, divisional or individual and in such proportion as the remuneration committee considers appropriate
Share Options	To provide executive directors with a long-term interest in the company	Granted under existing schemes (see page 37)	Offered at appropriate times by the remuneration committee	Entitlement to share options is not subject to any performance conditions Share options will be offered by the remuneration committee as appropriate There are no maximum levels for share options offered

## GOVERNANCE ANNUAL REMUNERATION REPORT

Element	Purpose	Policy	Operation	Opportunity and performance conditions
<b>Non-executive directors</b>				
Base salary	To recognise: Skills Experience Value	Considered by the board on appointment Set at a level considered appropriate to attract, retain and motivate the individual Experience and time required for the role are considered on appointment	Reviewed annually	There is no prescribed maximum salary or maximum rate of increase No specific performance conditions are attached to base salaries
Pension		No pension offered		
Benefits		No benefits offered except to one non-executive director who is eligible for health cover (see annual remuneration report page 36)		The costs associated with the benefit offered is closely controlled and reviewed on an annual basis No specific performance conditions are attached to contractual benefits
Share Options		Non-executive directors do not participate in the share option schemes		

The remuneration committee consider the performance measures outlined in the table above to be appropriate measures of performance and that the KPI's chosen align the interests of the directors and shareholders.

## GOVERNANCE

# Remuneration Policy

**The remuneration policy below is the group's new remuneration policy on directors' remuneration, which will be proposed for a binding vote at the 2017 AGM. If approved it is intended that the policy take effect from the conclusion of the AGM on 7 June 2017.**

In setting the policy, the Remuneration Committee has taken the following into account:

- The need to attract, retain and motivate individuals of a calibre who will ensure successful leadership and management of the company
- The group's general aim of seeking to reward all employees fairly according to the nature of their role and their performance
- Remuneration packages offered by similar companies within the same sector

- The need to align the interests of shareholders as a whole with the long-term growth of the group; and
- The need to be flexible and adjust with operational changes throughout the term of this policy

The remuneration of non-executive directors is determined by the board, and takes into account additional remuneration for services outside the scope of the ordinary duties of non-executive directors.

### Future policy table

Element	Purpose	Policy	Operation	Opportunity and performance conditions
<b>Executive directors</b>				
Base salary	To recognise: Skills Responsibility Accountability Experience Value	Considered by remuneration committee on appointment. Set at a level considered appropriate to attract, retain motivate and reward the right individuals.	Reviewed annually Paid monthly in cash	No individual director will be awarded a base salary in excess of £700,000 per annum. No specific performance conditions are attached to base salaries.
Pension	To provide competitive retirement benefits	Company contribution offered at up to 10% of base salary as part of overall remuneration package	The contribution payable by the company is included in the director's contract of employment. Paid into money purchase schemes	Company contribution offered at up to 10% of base salary as part of overall remuneration package. No specific performance conditions are attached to pension contributions
Benefits	To provide a competitive benefits package	Contractual benefits can include but are not limited to: Car or car allowance Group health cover Death in service cover Permanent health insurance	The committee retains the discretion to approve changes in contractual benefits in exceptional circumstances or where factors outside the control of the Group lead to increased costs (e.g. medical inflation)	The costs associated with benefits offered are closely controlled and reviewed on an annual basis. No director will receive benefits of a value in excess of 30% of his base salary. No specific performance conditions are attached to contractual benefits. The value of benefits for each director for the year ended 31 December 2016 is shown in the table on page 36.
Annual Bonus	To reward and incentivise	In assessing the performance of the executive team, and in particular to determine whether bonuses are merited the remuneration committee takes into account the overall performance of the business. Bonuses are generally offered in cash	The remuneration committee determines the level of bonus on an annual basis applying such performance conditions and performance measures as it considers appropriate	The current maximum bonus opportunity will not exceed 200% of base salary in any one year, but the remuneration committee reserves the power to award up to 300% in an exceptional year. Performance conditions will be assessed on an annual basis. The performance measures applied may be financial, non-financial, corporate, divisional or individual and in such proportion as the remuneration committee considers appropriate

## GOVERNANCE REMUNERATION POLICY

Element	Purpose	Policy	Operation	Opportunity and performance conditions
<b>Executive directors (Continued)</b>				
Share Options	To provide executive directors with a long-term interest in the company	Granted under existing schemes (see page 37)	Offered at appropriate times by the remuneration committee	Entitlement to share options is not subject to any specific performance conditions. Share options will be offered by the remuneration committee as appropriate.  The aggregate number of shares over which options may be granted under all of the company's option schemes (including any options and awards granted under the company's employee share plans) in any period of ten years, will not exceed, at the time of grant, 10% of the ordinary share capital of the company from time to time. In determining the limits no account shall be taken of any shares where the right to acquire the shares has been released, lapsed or has otherwise become incapable of exercise. The company currently has two Share Option Schemes (see page 37). The performance conditions for the 2010 scheme requires growth in net assets over a three year period to exceed the growth in the retail price index by a scale of percentages. For the 2012 scheme the remuneration committee has the ability to impose performance criteria in respect of any new share options granted, however there is no requirement to do so. There are no performance conditions attached to the options already issued under the 2012 scheme.
<b>Non-executive directors</b>				
Base salary	To recognise: Skills Experience Value	Considered by the board on appointment. Set at a level considered appropriate to attract, retain and motivate the individual. Experience and time required for the role are considered on appointment.	Reviewed annually	No individual director will be awarded a base salary in excess of £40,000 per annum. No specific performance conditions are attached to base salaries.
Pension		No pension offered		
Benefits		No benefits offered except to one non-executive director who is eligible for health cover (see annual remuneration report page 36)	The committee retains the discretion to approve changes in contractual benefits in exceptional circumstances or where factors outside the control of the Group lead to increased costs (e.g. medical inflation)	The costs associated with the benefit offered is closely controlled and reviewed on an annual basis. No director will receive benefits in excess of the higher of 30% of his base salary or £10,000. No specific performance conditions are attached to contractual benefits.
Share Options		Non-executive directors do not participate in the share option schemes		

### Notes to the future policy table

In order to ensure that shareholders have sufficient clarity over director remuneration levels, the company has, where possible, specified a maximum that may be paid to a director in respect of each component of remuneration. There have been no other significant changes made to the future policy from the previous remuneration policy. The remuneration committee consider the performance measures outlined in the table above to be appropriate measures of performance and that the KPI's chosen align the interests of the directors and shareholders.

For details of remuneration of other company employees please see page 45.

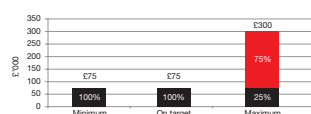


## GOVERNANCE REMUNERATION POLICY

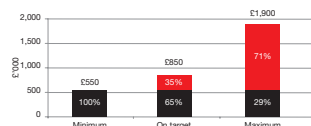
### Remuneration scenarios

An indication of the possible level of remuneration that would be received by each Executive Director in the year commencing 7 June 2017 in accordance with the directors' remuneration policy is shown below.

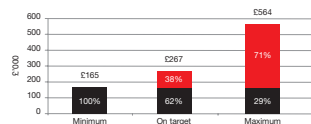
#### Sir Michael Heller



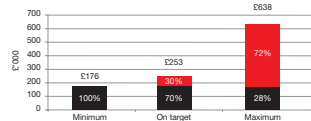
#### A R Heller



#### G J Casey



#### R J Grobler



■ Bonus  
■ Salary, benefits and pension

### Assumptions

#### Minimum

Consists of base salary, benefits and pension.

Base salary, benefits and pension for 2017 are assumed at the levels included in the single total figure remuneration table for the year ended 31 December 2016 on page 36.

#### On target

Based on the average percentage bonus awarded to the individual in the three years ending on 31 December 2016. As outlined in the policy table above, the remuneration committee has discretion to award bonuses of up to 200% of base salary in any one year (up to 300% in an exceptional year).

Base salary, benefits and pension for 2017 are assumed at the levels included in the single total figure remuneration table for the year ended 31 December 2016 on page 36.

#### Maximum

Based on maximum remuneration receivable of 300% of base salary awarded as bonus in an exceptional year.

Base salary, benefits and pension for 2017 are assumed at the levels included in the single total figure remuneration table for the year ended 31 December 2016 on page 36.

### Approach to recruitment remuneration

All appointments to the board are made on merit. The components of a new director's remuneration package (who is recruited within the life of the approved remuneration policy) would comprise base salary, pension, benefits, annual bonus and opportunity to be granted share options as outlined above and the company's approach to such appointments are detailed with in the future policy table above. The company will pay such levels of remuneration to new directors that would enable the company to attract appropriately skilled and experienced individuals that is not in the opinion of the remuneration committee excessive.

### Service contracts

All executive directors have full-time contracts of employment with the company. Non-executive directors have contracts of service. No director has a contract of employment or contract of service with the company, its joint venture or associated companies with a fixed term which exceeds twelve months. Directors' notice periods (see page 37 of the annual remuneration report) are set in line with market practice and of a length considered sufficient to ensure an effective handover of duties should a director leave the company.

All directors' contracts as amended from time to time, have run from the date of appointment. Service contracts are kept at the registered office.

### Policy on payment for loss of office

There are no contractual provisions agreed prior to 27 June 2012 that could impact on a termination payment. Termination payments will be calculated in accordance with the existing contract of employment or service contract. It is the policy of the remuneration committee to issue employment contracts to executive directors with normal commercial terms and without extended terms of notice which could give rise to extraordinary termination payments.

### Consideration of employment conditions elsewhere in the Group

In setting this policy for directors' remuneration the remuneration committee has been mindful of the company's objective to reward all employees fairly according to their role, performance and market forces. In setting the policy for Directors' remuneration the remuneration committee has considered the pay and employment conditions of the other employees within the group. No formal consultation has been undertaken with employees in drawing up the policy. The remuneration committee has not used formal comparison measures.

### Consideration of shareholder views

No shareholder views have been taken into account when formulating this policy. In accordance with the new regulations, an ordinary resolution for approval of this policy will be put to shareholders at the AGM in June 2017.

## GOVERNANCE

# Audit committee report

**The committee's terms of reference have been approved by the board and follow published guidelines, which are available from the company secretary. The audit committee comprises the two non-executive directors, Christopher Joll (chairman), an experienced financial PR executive and John Sibbald, a retired chartered accountant.**

The Audit Committee's prime tasks are to:

- review the scope of external audit, to receive regular reports from the auditor and to review the half-yearly and annual accounts before they are presented to the board, focusing in particular on accounting policies and areas of management judgment and estimation;
  - monitor the controls which are in force to ensure the integrity of the information reported to the shareholders;
  - assess key risks and to act as a forum for discussion of risk issues and contribute to the board's review of the effectiveness of the group's risk management control and processes;
  - act as a forum for discussion of internal control issues and contribute to the board's review of the effectiveness of the group's internal control and risk management systems and processes;
  - consider each year the need for an internal audit function;
  - advise the board on the appointment of external auditors and rotation of the audit partner every five years, and on their remuneration for both audit and non-audit work, and discuss the nature and scope of their audit work;
  - participate in the selection of a new external audit partner and agree the appointment when required;
- undertake a formal assessment of the auditors' independence each year which includes:
    - a review of non-audit services provided to the group and related fees;
    - discussion with the auditors of a written report detailing all relationships with the company and any other parties that could affect independence or the perception of independence;
    - a review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner; and
    - obtaining written confirmation from the auditors that, in their professional judgement, they are independent.

## GOVERNANCE AUDIT COMMITTEE REPORT

### MEETINGS

The committee meets prior to the annual audit with the external auditors to discuss the audit plan and again prior to the publication of the annual results. These meetings are attended by the external audit partner, managing director, director of finance and company secretary. Prior to bi-monthly board meetings the members of the committee meet on an informal basis to discuss any relevant matters which may have arisen. Additional formal meetings are held as necessary.

During the past year the committee:

- met with the external auditors, and discussed their report to the Audit Committee;
- approved the publication of annual and half-year financial results;
- considered and approved the annual review of internal controls;
- decided that due to the size and nature of operation there was not a current need for an internal audit function;
- agreed the independence of the auditors and approved their fees for both audit and not-audit services as set out in note 4 to the financial statements.

### FINANCIAL REPORTING

As part of its role, the Audit Committee assessed the audit findings that were considered most significant to the financial statements, including those areas requiring significant judgment and/or estimation. When assessing the identified financial reporting matters, the committee assessed quantitative materiality primarily by reference to the carrying value of the group's total assets, given that the group operates a principally asset based business. The Board also gave consideration to the value of revenues generated by the group, given the importance of production, and its Adjusted EBITDA, given that it is a key trading KPI, when determining quantitative materiality. The qualitative aspects of any financial reporting matters identified during the audit process were also considered when assessing their materiality. Based on the considerations set out above we have considered quantitative errors individually or in aggregate in excess of approximately £325,000 to £375,000 to be material.

### EXTERNAL AUDITORS

BDO LLP held office throughout the year. In the United Kingdom the company is provided with extensive administration and accounting services by London & Associated Properties PLC which has its own audit committee and employs a separate firm of external auditors, RSM UK Audit LLP (Formerly Baker Tilly UK Audit LLP). In South Africa Grant Thornton (Jhb) Inc. acts as the external auditor to the South African companies, and the work of that firm was reviewed by BDO LLP for the purpose of the group audit.

**Christopher Joll**  
**Chairman – audit committee**

24 Bruton Place  
London W1J 6NE  
26 April 2017

## GOVERNANCE

# Valuers' certificates

### To the directors of Bisichi Mining PLC

In accordance with your instructions we have carried out a valuation of the freehold property interests held as at 31 December 2016 by the company as detailed in our Valuation Report dated 31 December 2016.

Having regard to the foregoing, we are of the opinion that the open market value as at 31 December 2016 of the interests owned by the company was £13,245,000 being made up as follows:

	£'000
Freehold	10,550
Leasehold	2,695
	<b>13,245</b>
Leeds 31 December 2016	<b>Carter Towler</b> Regulated by Royal Institute of Chartered Surveyors

## GOVERNANCE

# Directors' responsibilities statement

### The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss for the group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state with regard to the group financial statements whether they have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements;

- state with regard to the parent company financial statements, whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

### Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- the group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the group.
- the annual report includes a fair review of the development and performance of the business and the financial position of the group and the parent company, together with a description of the principal risks and uncertainties that they face.

## GOVERNANCE

# Independent auditor's report

### To the members of Bisichi Mining PLC

We have audited the financial statements of Bisichi Mining PLC for the year ended 31 December 2016 which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated balance sheet, the consolidated statement of changes in shareholders' equity, the consolidated cash flow statement, the parent company balance sheet, the parent company statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law

and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit;

- the information given in the strategic report and directors' report for the financial year

ended 31 December 2016 for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Ryan Ferguson

(senior statutory auditor)  
For and on behalf of BDO LLP,  
statutory auditor

London, United Kingdom  
28 April 2017

BDO LLP is a limited liability partnership  
registered in England and Wales  
(with registered number OC305127).



# Financial statements

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## FINANCIAL STATEMENTS

### Consolidated income statement

for the year ended 31 December 2016

	Notes	2016 Trading £'000	2016 Revaluations and impairment £'000	2016 Total £'000	2015 Trading £'000	2015 Revaluations and impairment £'000	2015 Total £'000
<b>Group revenue</b>	1	<b>22,815</b>	-	<b>22,815</b>	25,655	-	25,655
Operating costs	2	(21,299)	-	(21,299)	(23,938)	-	(23,938)
Operating profit before depreciation, fair value adjustments and exchange movements		<b>1,516</b>	-	<b>1,516</b>	1,717	-	1,717
Depreciation	2	(1,785)	-	(1,785)	(1,284)	-	(1,284)
Operating (loss)/profit before fair value adjustments and exchange movements	1	(269)	-	(269)	433	-	433
Exchange gains/(losses)		<b>449</b>	-	<b>449</b>	(497)	-	(497)
Increase in value of investment properties	3	-	<b>445</b>	<b>445</b>	-	225	225
Increase/(decrease) in value of other investments		-	<b>12</b>	<b>12</b>	-	(11)	(11)
<b>Operating profit/(loss)</b>	1	<b>180</b>	<b>457</b>	<b>637</b>	(64)	214	150
Share of profit/(loss) in joint ventures	12	<b>30</b>	(37)	(7)	104	(35)	69
Loss on reclassification of asset as held for sale	14	-	-	-	-	(138)	(138)
<b>Profit before interest and taxation</b>		<b>210</b>	<b>420</b>	<b>630</b>	40	41	81
Interest receivable		<b>270</b>	-	<b>270</b>	245	-	245
Interest payable	6	(554)	-	(554)	(473)	-	(473)
<b>(Loss)/profit before tax</b>	4	<b>(74)</b>	<b>420</b>	<b>346</b>	(188)	41	(147)
Taxation	7	<b>150</b>	(89)	<b>61</b>	(84)	(24)	(108)
<b>Profit/(loss) for the year</b>		<b>76</b>	<b>331</b>	<b>407</b>	(272)	17	(255)
<b>Attributable to:</b>							
Equity holders of the company		<b>148</b>	<b>331</b>	<b>479</b>	(276)	17	(259)
Non-controlling interest	27	(72)	-	(72)	4	-	4
(Loss)/profit for the year		<b>76</b>	<b>331</b>	<b>407</b>	(272)	17	(255)
Profit/(loss) per share – basic	9			<b>4.48p</b>			(2.43p)
Profit/(loss) per share – diluted	9			<b>4.48p</b>			(2.43p)

Trading gains and losses reflect all the trading activity on mining and property operations. Revaluation gains and losses reflects the revaluation of investment properties and other assets within the group and any proportion of these amounts within Joint Ventures, together with impairment loss on reclassification of assets to held for sale. The total column represents the consolidated income statement presented in accordance with IAS 1.

## FINANCIAL STATEMENTS

# Consolidated statement of other comprehensive income

for the year ended 31 December 2016

	2016 £'000	2015 £'000
<b>Profit/(loss) for the year</b>	<b>407</b>	<b>(255)</b>
<b>Other comprehensive income/(expense):</b>		
<b>Items that may be subsequently recycled to the income statement:</b>		
Exchange differences on translation of foreign operations	1,106	(1,167)
Gain/(loss) on available for sale investments	193	(202)
Taxation	(13)	41
<b>Other comprehensive income/(expense) for the year net of tax</b>	<b>1,286</b>	<b>(1,328)</b>
<b>Total comprehensive income/(expense) for the year net of tax</b>	<b>1,693</b>	<b>(1,583)</b>
<b>Attributable to:</b>		
Equity shareholders	1,665	(1,500)
Non-controlling interest	28	(83)
	<b>1,693</b>	<b>(1,583)</b>

## FINANCIAL STATEMENTS

# Consolidated balance sheet

at 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Value of investment properties	10	13,245	12,800
Fair value of head lease	31	181	194
Investment properties		13,426	12,994
Mining reserves, plant and equipment	11	8,520	5,374
Investments in joint ventures accounted for using equity method	12	1,321	1,198
Loan to joint venture	12	1,350	900
Other investments	12	32	14
<b>Total non-current assets</b>		<b>24,649</b>	<b>20,480</b>
<b>Current assets</b>			
Inventories	16	1,721	1,049
Trade and other receivables	17	7,246	6,187
Corporation tax recoverable		32	29
Available for sale investments	18	781	594
Cash and cash equivalents		2,444	1,608
Non-current assets held for sale	14	-	1,168
<b>Total current assets</b>		<b>12,224</b>	<b>10,635</b>
<b>Total assets</b>		<b>36,873</b>	<b>31,115</b>

## FINANCIAL STATEMENTS CONSOLIDATED BALANCE SHEET

	Notes	2016 £'000	2015 £'000
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	20	(3,358)	(2,267)
Trade and other payables	19	(6,950)	(4,234)
Current tax liabilities		(18)	-
<b>Total current liabilities</b>		<b>(10,326)</b>	<b>(6,501)</b>
<b>Non-current liabilities</b>			
Borrowings	20	(5,876)	(5,940)
Provision for rehabilitation	21	(1,236)	(847)
Finance lease liabilities	31	(181)	(194)
Deferred tax liabilities	23	(2,248)	(2,002)
<b>Total non-current liabilities</b>		<b>(9,541)</b>	<b>(8,983)</b>
<b>Total liabilities</b>		<b>(19,867)</b>	<b>(15,484)</b>
<b>Net assets</b>		<b>17,006</b>	<b>15,631</b>
<b>Equity</b>			
Share capital	24	1,068	1,068
Share premium account		258	258
Translation reserve		(1,751)	(2,757)
Available for sale reserve		60	(120)
Other reserves	25	683	574
Retained earnings		16,339	16,287
<b>Total equity attributable to equity shareholders</b>		<b>16,657</b>	<b>15,310</b>
Non-controlling interest	27	349	321
<b>Total equity</b>		<b>17,006</b>	<b>15,631</b>

These financial statements were approved and authorised for issue by the board of directors on 26 April 2017 and signed on its behalf by:

A R Heller  
Director

G J Casey  
Director

Company Registration No. 112155

## FINANCIAL STATEMENTS

# Consolidated statement of changes in shareholders' equity

for the year ended 31 December 2016

	Share capital £'000	Share Premium £'000	Translation reserves £'000	Available-for-sale reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 January 2015	1,068	258	(1,677)	41	652	16,973	17,315	404	17,719
Revaluation and impairments	-	-	-	-	-	17	17	-	17
Trading	-	-	-	-	-	(276)	(276)	4	(272)
Profit/(loss) for the year	-	-	-	-	-	(259)	(259)	4	(255)
Other comprehensive expense	-	-	(1,080)	(161)	-	-	(1,241)	(87)	(1,328)
Total comprehensive expense for the year	-	-	(1,080)	(161)	-	(259)	(1,500)	(83)	(1,583)
Dividend (note 8)	-	-	-	-	-	(427)	(427)	-	(427)
Share options charge	-	-	-	-	31	-	31	-	31
Share options cancelled	-	-	-	-	(109)	-	(109)	-	(109)
Balance at 1 January 2016	1,068	258	(2,757)	(120)	574	16,287	15,310	321	15,631
Revaluation and impairments	-	-	-	-	-	331	331	-	331
Trading	-	-	-	-	-	148	148	(72)	76
Profit/(loss) for the year	-	-	-	-	-	479	479	(72)	407
Other comprehensive income	-	-	1,006	180	-	-	1,186	100	1,286
Total comprehensive income for the year	-	-	1,006	180	-	479	1,665	28	1,693
Dividend (note 8)	-	-	-	-	-	(427)	(427)	-	(427)
Share options charge (note 26)	-	-	-	-	109	-	109	-	109
<b>Balance at 31 December 2016</b>	<b>1,068</b>	<b>258</b>	<b>(1,751)</b>	<b>60</b>	<b>683</b>	<b>16,339</b>	<b>16,657</b>	<b>349</b>	<b>17,006</b>



## FINANCIAL STATEMENTS

# Consolidated cash flow statement

for the year ended 31 December 2016

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
<b>Cash flows from operating activities</b>		
Operating profit	637	150
Adjustments for:		
Depreciation	1,785	1,284
Share based payments	109	31
Unrealised gain on investment properties	(445)	(225)
Unrealised (gain)/loss on other investments and other write-offs	(12)	132
Exchange adjustments	(449)	497
<b>Cash flow before working capital</b>	<b>1,625</b>	<b>1,869</b>
Change in inventories	(258)	393
Change in trade and other receivables	224	(212)
Change in trade and other payables	1,396	(71)
<b>Cash generated from operations</b>	<b>2,987</b>	<b>1,979</b>
Interest received	121	115
Interest paid	(448)	(363)
Income tax paid	(46)	-
<b>Cash flow from operating activities</b>	<b>2,614</b>	<b>1,731</b>
<b>Cash flows from investing activities</b>		
Acquisition of reserves, property, plant and equipment	(2,859)	(2,992)
Share of profit in joint ventures	30	104
Disposal of non-current asset held for sale	1,138	-
<b>Cash flow from investing activities</b>	<b>(1,691)</b>	<b>(2,888)</b>
<b>Cash flows from financing activities</b>		
Borrowings drawn	37	18
Borrowings repaid	(131)	(66)
Equity dividends paid	(427)	(427)
Cancelled share options	-	(109)
<b>Cash flow from financing activities</b>	<b>(521)</b>	<b>(584)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>402</b>	<b>(1,741)</b>
Cash and cash equivalents at 1 January	(626)	719
Exchange adjustment	(666)	396
<b>Cash and cash equivalents at 31 December</b>	<b>(890)</b>	<b>(626)</b>
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents as presented in the balance sheet	2,444	1,608
Bank overdrafts (secured)	(3,334)	(2,234)
	(890)	(626)

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## FINANCIAL STATEMENTS

# Group accounting policies

for the year ended 31 December 2016

### Basis of accounting

The results for the year ended 31 December 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. In applying the group's accounting policies and

assessing areas of judgment and estimation materiality is applied as detailed on page 47 of the Audit Committee Report. The principal accounting policies are described below:

The group financial statements are presented in £ sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise stated.

The functional currency for each entity in the group, and for joint arrangements and associates, is the currency of the country in which the entity has been incorporated. Details of which country each entity has been incorporated can be found in note 15 for subsidiaries and Note 13 for joint arrangements and associates.

The exchange rates used in the accounts were as follows:

	£1 Sterling: Rand 2016	2015	£1 Sterling: Dollar 2016	2015
Year-end rate	16.9472	22.9067	1.23321	1.47634
Annual average	19.9269	19.5017	1.35477	1.51750

### Going concern

The group has prepared cash flow forecasts which demonstrate that the group has sufficient resources to meet its liabilities as they fall due for at least the next 12 months.

In South Africa, a structured trade finance facility for R80million is held by Black Wattle Colliery (Pty) Limited ("Black Wattle") with Absa Bank Limited, a South African subsidiary of Barclays Bank PLC. The facility is renewable annually at 30 June and is secured against inventory, debtors and cash that are held in the group's South African operations. The Directors do not foresee any reason why the facility will not continue to be renewed at the next renewal date, in line with prior periods and based on their banking relationships. This facility comprises of a R60million revolving loan to cover the working capital requirements of the group's South African operations, and a R20million loan facility to cover guarantee requirements related to the group's South African mining operations.

The directors expect that that the improved coal market conditions experienced by Black Wattle Colliery, its direct mining asset, in the last quarter of 2016 and the first quarter of 2017 will be similar going into the remainder of 2017. The directors therefore have a reasonable expectation that the mine will achieve positive levels of cash generation for the group in 2017. As a consequence, the directors believe that the group is well placed to manage its South African business risks successfully.

In the UK, a £6 million term loan facility repayable in 2019 is held with Santander Bank PLC. The loan is secured against the company's UK retail property portfolio. The amount repayable on the loan at year end was £5.9million (2015: £5.9million). The debt package has a five year term and is repayable at the end of the term. The interest cost of the loan is 2.35% above LIBOR.

If required, the group has sufficient financial resources available at short notice including cash, available-for-sale investments and its £2m loan to Dragon Retail Properties Limited which is repayable on demand. In addition its investment property assets benefit from long term leases with the majority of its tenants.

As a result of the banking facilities held as well as the acceptable levels of profitability and cash generation the group's South African operations is expected to achieve in 2017, the Directors believe that the group has adequate resources to continue in operational existence for the foreseeable future and that the group is well placed to manage its business risks. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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## FINANCIAL STATEMENTS GROUP ACCOUNTING POLICIES

### International Financial Reporting Standards (IFRS)

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for accounting periods beginning 1 January 2016. The adoption of these new and revised Standards and Interpretations had no material effect on the profit or loss or financial position of the Group.

The Group has not adopted any Standards or Interpretations in advance of the required implementation dates.

IFRS 15 'Revenue from Contracts with Customers' was issued by the IASB in May 2014. It is effective for accounting periods beginning on or after 1 January 2018. The new standard will replace existing accounting standards, and provides enhanced detail on the principle of recognising revenue to reflect the transfer of goods and services to customers at a value which the company expects to be entitled to receive. The standard also updates revenue disclosure requirements. The standard was endorsed by the EU on 22 September 2016. The Directors are continuing to assess the impact of IFRS 15 on the results of the Group and the impact of adopting this standard cannot be reliably estimated until this work is substantially complete.

IFRS 9 was published in July 2014 and will be effective for the group from 1 January 2018. The standard was endorsed by the EU on 22 November 2016. It is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model. The Directors are continuing to assess the impact on the results of the Group.

IFRS 16 'Leases' – IFRS 16 'Leases' was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 'Leases' and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lessee accounting model. The standard

has yet to be endorsed by the EU. The Standard Provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. The Directors are currently evaluating the financial and operational impact of this standard. The review of the impact of IFRS 16 will require an assessment of all leases and the impact of adopting this standard cannot be reliably estimated until this work is substantially complete.

The Directors do not anticipate that the adoption of the other standards and interpretations not listed above will have a material impact on the accounts. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the accounts.

We are committed to improving disclosure and transparency and will continue to work with our different stakeholders to ensure they understand the detail of these accounting changes. We continue to remain committed to a robust financial policy

### Key judgements and estimates

Areas where key estimates and judgements are considered to have a significant effect on the amounts recognised in the financial statements include:

#### Life of mine and reserves

The directors consider their judgements and estimates surrounding the life of the mine and its reserves to have the most significant effect on the amounts recognised in the financial statements and to be the area where the financial statements are at most risk of a material adjustment due to estimation uncertainty. The life of mine remaining is currently estimated at 5 years. This life of mine is based on the groups existing coal reserves and excludes future run of mine coal purchases and coal reserve acquisitions. The group's coal reserves are subject to assessment by an independent Competent Person and impact assessments of the carrying value of property, plant and equipment, depreciation calculations and rehabilitation and decommissioning provisions. There are numerous uncertainties

inherent in estimating coal reserves and changes to these assumptions may result in restatement of reserves. These assumptions include factors such as commodity prices, production costs and yield.

#### Depreciation, amortisation of mineral rights, mining development costs and plant & equipment

The annual depreciation/amortisation charge is dependent on estimates, including coal reserves and the related life of mine, expected development expenditure for probable reserves, the allocation of certain assets to relevant ore reserves and estimates of residual values of the processing plant. The charge can fluctuate when there are significant changes in any of the factors or assumptions used, such as estimating mineral reserves which in turn affects the life of mine or the expected life of reserves. Estimates of proven and probable reserves are prepared by an independent Competent Person. Assessments of depreciation/ amortisation rates against the estimated reserve base are performed regularly. Details of the depreciation/amortisation charge can be found in note 11.

#### Provision for mining rehabilitation including restoration and de-commissioning costs

A provision for future rehabilitation including restoration and decommissioning costs requires estimates and assumptions to be made around the relevant regulatory framework, the timing, extent and costs of the rehabilitation activities and of the risk free rates used to determine the present value of the future cash outflows. The provisions, including the estimates and assumptions contained therein, are reviewed regularly by management. The group engages an independent expert to assess the cost of restoration and decommissioning annually as part of management's assessment of the provision. Details of the provision for mining rehabilitation can be found in note 21.

## FINANCIAL STATEMENTS GROUP ACCOUNTING POLICIES

### Key judgements and estimates continued

#### Impairment

Property, plant and equipment representing the group's mining assets in South Africa are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be fully recoverable. The impairment test is performed using the approved Life of Mine plan and those future cash flow estimates are discounted using asset specific discount rates and are based on expectations about future operations. The impairment test requires estimates about production and sales volumes, commodity prices, proven and probable reserves (as assessed by the Competent Person), operating costs and capital expenditures necessary to extract reserves in the approved Life of Mine plan. Changes in such estimates could impact recoverable values of these assets. Details of the carrying value of property, plant and equipment can be found in note 11.

The impairment test indicated significant headroom as at 31 December 2016 and therefore no impairment is considered appropriate. The key assumptions include: coal prices, including domestic coal prices based on recent pricing and assessment of market forecasts for export coal; production based on proven and probable reserves assessed by the independent Competent Person and an increase in yield of 8% associated with new mining areas based on assessments by the Competent Person and empirical data. A 50% reduction in average forecast coal export prices or a 15% reduction in yield would give rise to a breakeven scenario. If export coal prices reduce by 10% a 5.25 % decrease in yield below expectation would be required to create breakeven scenario. However, the directors consider the forecasted yield levels to be achievable.

### Fair value measurements of investment properties

An assessment of the fair value of investment properties, is required to be performed. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged between market participants. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty. The directors note that the fair value measurement of the investment properties, can be considered to be less judgemental where external valuers have been used and as a result of the nature of the underlying assets. The fair value of investment property is set out in note 10, whilst the carrying value of investments in joint ventures which themselves include investment property held at fair value by the joint venture is set out at note 12.

#### Carrying value of Ezimbokodweni joint venture

The group holds a £1.8million (2015: £1.2million) net investment in Ezimbokodweni Mining (Pty) Limited ("Ezimbokodweni") made up of a £1.35million loan (2015: £0.9million) and a £0.45million (2015: £0.3million) joint venture investment. The carrying value of the investment is dependent upon the completion of the acquisition of the Pegasus coal project ("the project") in South Africa.

Although the South African Department of Mineral Resources ("DMR") has previously approved the transfer of legal title for the reserve to Ezimbokodweni, a proposed sale and purchase agreement has been negotiated and a deposit paid for the project, the conclusion of the transaction has been delayed pending the commercial transfer of the prospecting right from the current owners of the project to Ezimbokodweni. Previous negotiations to complete the commercial acquisition of the project have been beset by various delays outside the control of the group. More recently, Ezimbokodweni has indicated to the current owners of the project their ability to fund and complete the transaction via a consortium of newly proposed shareholders of

Ezimbokodweni. The proposed consortium include Anglo American PLC, Butsunani Energy Investment Holdings, Vanani Limited, our BEE partner in Black Wattle, and Bisichi Mining PLC. The consortium meets the Black Economic Empowerment requirements as required for the transaction as per the DMR. The current owners of the project have very recently notified Ezimbokodweni that they do not wish to divest the project at this stage and, accordingly, the Board have considered the likelihood of the acquisition ultimately completing in due course as part of its assessment of the carrying value of the investment in Ezimbokodweni. The Board remain committed to engaging with the current owners, the DMR and relevant stakeholders in order to conclude the transaction and plan further discussions with these parties in the near future.

In light of the previously approved legal transfer from the DMR, our understanding of the potential concerns the DMR may have if current owners do not ultimately divest of the asset and the support expressed for the transaction by the DMR as an important stakeholder, the Board remain confident of the transaction completing in due course. The Board has exercised significant judgement in forming its assessment that the transaction will ultimately complete. We will continue to evaluate the status of our investment on an ongoing basis as the planned engagement with the relevant stakeholders is undertaken. However at present, we believe the group is still able to achieve significant value from the project in excess of its carrying value.

The carrying value of the net investment in the joint venture was tested for impairment based on the economic model for the project and no impairment indicators were considered to exist in terms of the underlying value of the asset. The carrying value of the underlying project is supported by its coal reserves and life of mine plan and is considered appropriate given the underlying economic value of the project.

## FINANCIAL STATEMENTS GROUP ACCOUNTING POLICIES

### Basis of consolidation

The group accounts incorporate the accounts of Bisichi Mining PLC and all of its subsidiary undertakings, together with the group's share of the results of its joint ventures. Non-controlling interests in subsidiaries are presented separately from the equity attributable to equity owners of the parent company. On acquisition of a non-wholly owned subsidiary, the non-controlling shareholders' interests are initially measured at the non-controlling interests' proportionate share of the fair value of the subsidiaries net assets. Thereafter, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. For subsequent changes in ownership in a subsidiary that do not result in a loss of control, the consideration paid or received is recognised entirely in equity.

The definition of control assumes the simultaneous fulfilment of the following three criteria:

- The parent company holds decision-making power over the relevant activities of the investee,
- The parent company has rights to variable returns from the investee, and
- The parent company can use its decision-making power to affect the variable returns.

Investees are analysed for their relevant activities and variable returns, and the link between the variable returns and the extent to which their relevant activities could be influenced in order to ensure the definition is correctly applied.

### Revenue

Revenue comprises sales of coal and property rental income. Revenue is recognised when the customer has a legally binding obligation to settle under the terms of the contract and has assumed all significant risks and rewards of ownership.

Revenue is only recognised on individual sales of coal when all of the significant risks and rewards of ownership have been transferred to a third party. Export revenue is generally recognised when the product is delivered to the export terminal location specified by the customer, at which point the customer assumes risks and rewards under the contract. Domestic coal revenues are generally recognised on collection by the customer from the mine when loaded into transport, where the customer pays the transportation costs.

Rental income which excludes services charges recoverable from tenants, is recognised in the group income statement on a straight-line basis over the term of the lease. This includes the effect of lease incentives.

### Expenditure

Expenditure is recognised in respect of goods and services received. Where coal is purchased from third parties at point of extraction the expenditure is only recognised when the coal is extracted and all of the significant risks and rewards of ownership have been transferred.

### Investment properties

Investment properties comprise freehold and long leasehold land and buildings. Investment properties are carried at fair value in accordance with IAS 40 'Investment Properties'. Properties are recognised as investment properties when held for long-term rental yields, and after consideration has been given to a number of factors including length of lease, quality of tenant and covenant, value of lease, management intention for future use of property, planning consents and percentage of property leased. Investment properties are revalued annually by professional external surveyors and included in the balance sheet at their fair value. Gains or losses arising from changes in the fair values of assets are recognised in the consolidated income statement in the period to which they relate. In accordance with IAS 40, investment properties are not depreciated. The fair value of the head leases is the net present value of the current head rent payable on leasehold properties until the expiry of the lease.

### Mining reserves, plant and equipment

The cost of property, plant and equipment comprises its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in accordance with agreed specifications. Freehold land is not depreciated. Other property, plant and equipment is stated at historical cost less accumulated depreciation. The cost recognised includes the recognition of any decommissioning assets related to property, plant and equipment.

### Mine reserves and development cost

The purpose of mine development is to establish secure working conditions and infrastructure to allow the safe and efficient extraction of recoverable reserves. Depreciation on mine development is not charged until production commences or the assets are put to use. On commencement of full commercial production, depreciation is charged over the life of the associated mine reserves extractable using the asset on a unit of production basis. The unit of production calculation is based on tonnes mined as a ratio to proven and probable reserves and also includes future forecast capital expenditure. The cost recognised includes the recognition of any decommissioning assets related to mine development.

## FINANCIAL STATEMENTS GROUP ACCOUNTING POLICIES

### Post production stripping

In surface mining operations, the group may find it necessary to remove waste materials to gain access to coal reserves prior to and after production commences. Prior to production commencing, stripping costs are capitalised until the point where the overburden has been removed and access to the coal seam commences. Subsequent to production, waste stripping continues as part of extraction process as a run of mine activity. There are two benefits accruing to the group from stripping activity during the production phase: extraction of coal that can be used to produce inventory and improved access to further quantities of material that will be mined in future periods. Economic coal extracted is accounted for as inventory. The production stripping costs relating to improved access to further quantities in future periods are capitalised as a stripping activity asset, if and only if, all of the following are met:

- it is probable that the future economic benefit associated with the stripping activity will flow to the group;
- the group can identify the component of the ore body for which access has been improved; and
- the costs relating to the stripping activity associated with that component or components can be measured reliably.

In determining the relevant component of the coal reserve for which access is improved, the group componentises its mine into geographically distinct sections or phases to which the stripping activities being undertaken within that component are allocated. Such phases are determined based on assessment of factors such as geology and mine planning.

The group depreciates deferred costs capitalised as stripping assets on a unit of production method, with reference the tons mined and reserve of the relevant ore body component or phase. The cost is recognised within Mine development costs within the balance sheet.

### Other assets and depreciation

The cost, less estimated residual value, of other property, plant and equipment is written off on a straight-line basis over the asset's expected useful life. This includes the washing plant and other key surface infrastructure. Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively. Heavy surface mining and other plant and equipment is depreciated at varying rates depending upon its expected usage.

The depreciation rates generally applied are:

Mining equipment	5 – 10 per cent per annum, but shorter of its useful life or the life of the mine
Motor vehicles	25 – 33 per cent per annum
Office equipment	10 – 33 per cent per annum

### Provisions

Provisions are recognised when the group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

A provision for rehabilitation of the mine is initially recorded at present value and the discounting effect is unwound over time as a finance cost. Changes to the provision as a result of changes in estimates are recorded as an increase / decrease in the provision and associated decommissioning asset. The decommissioning asset is depreciated in line with the group's depreciation policy over the life of mine. The provision includes the restoration of the underground, opencast, surface operations and de-commissioning of plant and equipment. The timing and final cost of the rehabilitation is uncertain and will depend on the duration of the mine life and the quantities of coal extracted from the reserves.

### Employee benefits

#### Share based remuneration

The company operates a share option scheme. The fair value of the share option scheme is determined at the date of grant. This fair value is then expensed on a straight-line basis over the vesting period, based on an estimate of the number of shares that will eventually vest. The fair value of options granted is calculated using a binomial or Black-Scholes-Merton model. Payments made to employees on the cancellation or settlement of options granted are accounted for as the repurchase of an equity interest, ie as a deduction from equity. Details of the share options in issue are disclosed in the Directors' Remuneration Report on page 37 under the heading Share option schemes which is within the audited part of that report.

#### Pensions

The group operates a defined contribution pension scheme. The contributions payable to the scheme are expensed in the period to which they relate.

### Foreign currencies

Monetary assets and liabilities are translated at year end exchange rates and the resulting exchange rate differences are included in the consolidated income statement within the results of operating activities if arising from trading activities, including inter-company trading balances and within finance cost/income if arising from financing.

For consolidation purposes, income and expense items are included in the consolidated income statement at average rates, and assets and liabilities are translated at year end exchange rates. Translation differences arising on consolidation are recognised in other comprehensive income. Foreign exchange differences on intercompany loans are recorded in other comprehensive income when the loans are not considered as trading balances and are not expected to be repaid in the foreseeable future. Where foreign operations are disposed of, the cumulative exchange differences of that foreign operation are recognised in the consolidated income statement when the gain or loss on disposal is recognised.

Transactions in foreign currencies are translated at the exchange rate ruling on transaction date.



## FINANCIAL STATEMENTS GROUP ACCOUNTING POLICIES

### Financial instruments

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

### Bank loans and overdrafts

Bank loans and overdrafts are included as financial liabilities on the group balance sheet at the amounts drawn on the particular facilities net of the unamortised cost of financing. Interest payable on those facilities is expensed as finance cost in the period to which it relates.

### Finance lease liabilities

Finance lease liabilities arise for those investment properties held under a leasehold interest and accounted for as investment property. The liability is initially calculated as the present value of the minimum lease payments, reducing in subsequent reporting periods by the apportionment of payments to the lessor.

### Available for sale investments

Financial assets available for sale are measured at fair value. Any changes in fair value above cost are recognised in other comprehensive income and accumulated in the available-for-sale reserve. For any changes in fair value below cost a provision for impairment is recognised in the profit or loss account.

Other investments classified as non-current available for sale investments comprise of shares in listed companies and are carried at fair value.

### Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amounts as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

### Trade payables

Trade payables are not interest bearing and are stated at their nominal value, as the interest that would be recognised from discounting future cash payments over the short payment period is not considered to be material.

### Other financial assets and liabilities

The groups other financial assets and liabilities not disclosed above are accounted for at amortised cost.

### Joint ventures

Investments in joint ventures, being those entities over whose activities the group has joint control, as established by contractual agreement, are included at cost together with the group's share of post-acquisition reserves, on an equity basis. Dividends received are credited against the investment. Joint control is the contractually agreed sharing of control over an arrangement, which exists only when decisions about relevant strategic and/or key operating decisions require unanimous consent of the parties sharing control. Control over the arrangement is assessed by the group in accordance with the definition of control under IFRS 10. Loans to joint ventures are classified as non-current assets when they are not expected to be received in the normal working capital cycle. The loan to Ezimbokodweni is included in joint ventures as a part of net investment in joint venture as it is not expected to be repaid in the foreseeable future, as the recoverability of which is dependent upon the acquisition of the Pegasus coal project in South Africa and development over its life of mine. Trading receivables and payables to joint ventures are classified as current assets and liabilities.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and overheads relevant to the stage of production. Cost is determined using the weighted average method. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

### Impairment

Whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. A review involves determining whether the carrying amounts are in excess of their recoverable amounts. An asset's recoverable amount is determined as the higher of its fair value less costs of disposal and its value in use. Such reviews are undertaken on an asset-by-asset basis, except where assets do not generate cash flows independent of other assets, in which case the review is undertaken on a cash generating unit basis.

If the carrying amount of an asset exceeds its recoverable amount An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less cost to sell and value in use) if that is less than the asset's carrying amount. Any change in carrying value is recognised in the comprehensive income statement.

## FINANCIAL STATEMENTS GROUP ACCOUNTING POLICIES

### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. In respect of the deferred tax on the revaluation surplus, this is calculated on the basis of the chargeable gains that would crystallise on the sale of the investment portfolio as at the reporting date. The calculation takes account of indexation on the historical cost of the properties and any available capital losses.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the group income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case it is also dealt with in other comprehensive income.

### Dividends

Dividends payable on the ordinary share capital are recognised as a liability in the period in which they are approved.

### Cash and cash equivalents

Cash comprises cash in hand and on-demand deposits. Cash and cash equivalents comprises short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and original maturities of three months or less. The cash and cash equivalents shown in the cashflow statement are stated net of bank overdrafts.

### Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property which continue to be measured in accordance with the group's other accounting policies.

Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investment is no longer equity accounted.

### Segmental reporting

For management reporting purposes, the group is organised into business segments distinguishable by economic activity. The group's only business segments are mining activities and investment properties. These business segments are subject to risks and returns that are different from those of other business segments and are the primary basis on which the group reports its segment information. This is consistent with the way the group is managed and with the format of the group's internal financial reporting. Significant revenue from transactions with any individual customer, which makes up 10 percent or more of the total revenue of the group, is separately disclosed within each segment. All coal exports are sales to coal traders at Richard Bay's terminal in South Africa with the risks and rewards passing to the coal trader at the terminal. Whilst the coal traders will ultimately sell the coal on the international markets the Company has no visibility over the ultimate destination of the coal. Accordingly, the export sales are recorded as South African revenue.

## FINANCIAL STATEMENTS

# Notes to the financial statements

for the year ended 31 December 2016

### 1. SEGMENTAL REPORTING

	2016			Total
	Mining £'000	Property £'000	Other £'000	£'000
<b>Business analysis</b>				
Significant revenue customer A	14,543	-	-	14,543
Significant revenue customer B	4,581	-	-	4,581
Significant revenue customer C	445	-	-	445
Other revenue	2,134	1,084	28	3,246
<b>Segment revenue</b>	<b>21,703</b>	<b>1,084</b>	<b>28</b>	<b>22,815</b>
Operating (loss)/profit before fair value adjustments & exchange movements	(1,030)	736	25	(269)
Revaluation of investments & exchange movements	449	445	12	906
<b>Operating (loss)/profit and segment result</b>	<b>(581)</b>	<b>1,181</b>	<b>37</b>	<b>637</b>
<b>Segment assets</b>	<b>15,082</b>	<b>13,889</b>	<b>2,781</b>	<b>31,752</b>
<b>Unallocated assets</b>				
– Non-current assets				6
– Cash & cash equivalents				2,444
<b>Total assets excluding investment in joint ventures and assets held for sale</b>				<b>34,202</b>
Segment liabilities	(8,098)	(2,320)	(215)	(10,633)
Borrowings	(3,424)	(5,810)	-	(9,234)
<b>Total liabilities</b>	<b>(11,522)</b>	<b>(8,130)</b>	<b>(215)</b>	<b>(19,867)</b>
<b>Net assets</b>				<b>14,335</b>
<b>Non segmental assets</b>				
– Investment in joint ventures				1,321
– Loan to joint venture				1,350
– Non-current asset held for sale				-
<b>Net assets as per balance sheet</b>				<b>17,006</b>
<b>Geographic analysis</b>				
	United Kingdom £'000	South Africa £'000		Total £'000
Revenue	1,112	21,703		22,815
Operating profit/(loss) and segment result	1,231	(595)		636
Non-current assets excluding investments	13,432	8,517		21,949
Total net assets	12,291	4,715		17,006
Capital expenditure	1	2,858		2,859

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 1. SEGMENTAL REPORTING CONTINUED

	2015			Total
	Mining £'000	Property £'000	Other £'000	£'000
<b>Business analysis</b>				
Significant revenue customer A	14,126	-	-	14,126
Significant revenue customer B	2,561	-	-	2,561
Significant revenue customer C	1,545	-	-	1,545
Other revenue	6,376	1,014	33	7,423
<b>Segment revenue</b>	<b>24,608</b>	<b>1,014</b>	<b>33</b>	<b>25,655</b>
Operating (loss)/profit before fair value adjustments & exchange movements	(288)	690	31	433
Revaluation of investments & exchange movements	(497)	225	(11)	(283)
<b>Operating (loss)/profit and segment result</b>	<b>(785)</b>	<b>915</b>	<b>20</b>	<b>150</b>
<b>Segment assets</b>	<b>10,102</b>	<b>13,525</b>	<b>2,594</b>	<b>26,221</b>
<b>Unallocated assets</b>				
– Non-current assets				20
– Cash & cash equivalents				1,608
<b>Total assets excluding investment in joint ventures and assets held for sale</b>				<b>27,849</b>
Segment liabilities	(4,865)	(2,183)	(229)	(7,277)
Borrowings	(2,280)	(5,927)	-	(8,207)
<b>Total liabilities</b>	<b>(7,145)</b>	<b>(8,110)</b>	<b>(229)</b>	<b>(15,484)</b>
<b>Net assets</b>				<b>12,365</b>
<b>Non segmental assets</b>				
– Investment in joint ventures				1,198
– Loan to joint venture				900
– Non-current asset held for sale				1,168
<b>Net assets as per balance sheet</b>				<b>15,631</b>
<b>Geographic analysis</b>				
	United Kingdom £'000	South Africa £'000		Total £'000
Revenue	1,047	24,608		25,655
Operating profit/(loss) and segment result	935	(785)		150
Non-current assets excluding investments	13,013	5,355		18,368
Total net assets	12,272	3,359		15,631
Capital expenditure	1,002	1,990		2,992

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 2. OPERATING COSTS

	2016 £'000	2015 £'000
Mining	16,184	19,177
Property	211	111
Cost of sales	16,395	19,288
Administration	6,689	5,934
<b>Operating costs</b>	<b>23,084</b>	<b>25,222</b>
The direct property costs are:		
Ground rent	10	10
Direct property expense	177	71
Bad debts	24	30
	<b>211</b>	<b>111</b>

Operating costs above include depreciation of £1,785,000 (2015: £1,284,000).

### 3. GAIN ON REVALUATION OF INVESTMENT PROPERTIES

The reconciliation of the investment surplus to the gain on revaluation of investment properties in the income statement is set out below:

	2016 £'000	2015 £'000
Investment surplus	458	226
Loss on valuation movement in respect of head lease payments	(13)	(1)
<b>Gain on revaluation of investment properties</b>	<b>445</b>	<b>225</b>

### 4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2016 £'000	2015 £'000
Staff costs (see note 29)	5,321	5,094
Depreciation	1,785	1,284
Exchange (gain)/loss	(449)	497
Fees payable to the company's auditor for the audit of the company's annual accounts	40	31
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	10	8
Audit related services	32	2

The directors consider the auditors were best placed to provide the above audit related services which refer to regulatory matters. The audit committee reviews the nature and extent of non-audit services to ensure that independence is maintained.

### 5. DIRECTORS' EMOLUMENTS

Directors' emoluments are shown in the Directors' remuneration report on page 36 which is within the audited part of that report.

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 6. INTEREST PAYABLE

	2016 £'000	2015 £'000
On bank overdrafts and bank loans	395	364
Unwinding of discount	78	79
Other interest payable	81	30
<b>Interest payable</b>	<b>554</b>	<b>473</b>

### 7. TAXATION

	2016 £'000	2015 £'000
<b>(a) Based on the results for the year:</b>		
Current tax - UK	10	-
Current tax - Overseas	60	-
Corporation tax – adjustment in respect of prior year – UK	-	(23)
Corporation tax – adjustment in respect of prior year – Overseas	-	3
Current tax	70	(20)
Deferred tax	(131)	128
<b>Total tax in income statement (credit) / charge</b>	<b>(61)</b>	<b>108</b>

The 2016 deferred tax recognised in income of £131,000 includes a credit of £168,000 arising on the correction of an error in the calculation of deferred tax in 2015 related to the accounting of a deferred tax liability incorrectly recognised in respect of management fees. The company has adjusted the effect of this error in its 2016 financial statements by reducing the tax charge for the year by £168,000 and reducing the associated deferred tax liability as it is not considered to be material to the current or prior year financial statements.

#### (b) Factors affecting tax charge for the year:

The corporation tax assessed for the year is different from that at the standard rate of corporation tax in the United Kingdom of 20% (2015: 20.25%).

The differences are explained below:

Profit/(Loss) on ordinary activities before taxation	346	(147)
Tax on profit on ordinary activities at 20% (2015: 20.25%)	69	(30)
Effects of:		
Expenses not deductible for tax purposes	20	21
Capital gains on disposal	153	-
Adjustment to tax rate	(117)	(63)
Other differences	(32)	200
Adjustment in respect of prior years	(154)	(20)
<b>Total tax</b>	<b>(61)</b>	<b>108</b>

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 7. TAXATION CONTINUED

#### (c) Analysis of United Kingdom and overseas tax:

United Kingdom tax included in above:

	2016 £'000	2015 £'000
Corporation tax	10	-
Adjustment in respect of prior years	-	(23)
Current tax	10	(23)
Deferred tax	8	12
	18	(11)
Overseas tax included in above:		
Corporation tax	60	-
Adjustment in respect of prior years	-	3
Current tax	60	3
Deferred tax	(139)	116
	(79)	119

### 8. DIVIDENDS PAID

	2016 Per share	2016 £'000	2015 Per share	2015 £'000
Dividends paid during the year relating to the prior period	4.00p	427	4.00p	427
Dividends relating to the current period:				
Interim dividend for 2016 paid on 10 February 2017	1.00p	107	1.00p	107
Proposed final dividend for 2016	3.00p	320	3.00p	320
	4.00p	427	4.00p	427

The dividends relating to the current period are not accounted for until they have been approved at the Annual General Meeting. The amount, in respect of 2016, will be accounted for as an appropriation of retained earnings in the year ending 31 December 2017.

### 9. PROFIT/(LOSS) AND DILUTED PROFIT/(LOSS) PER SHARE

Both the basic and diluted (loss)/profit per share calculations are based on a profit/(loss) of £479,000 (2015: loss: £259,000). The basic profit/(loss) per share has been calculated on a weighted average of 10,676,839 (2015: 10,676,839) ordinary shares being in issue during the period. The diluted profit/(loss) per share has been calculated on the weighted average number of shares in issue of 10,676,839 (2015: 10,676,839) plus the dilutive potential ordinary shares arising from share options of nil (2015: nil) totalling 10,676,839 (2015: 10,676,839).

Share options exercisable as at 31 December 2016 do not have a dilutive effect as the average market price of ordinary shares during the period does not exceed the exercise price of the options. Dilutive potential ordinary shares of 34,973 were excluded from the calculation of diluted ordinary shares for the 2015 year end as there was no dilutive effect due to the loss for the prior year.

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 10. INVESTMENT PROPERTIES

	Freehold £'000	Long Leasehold £'000	Total £'000
Valuation at 1 January 2016	10,150	2,650	12,800
Additions	-	-	-
Revaluation	400	45	445
<b>Valuation at 31 December 2016</b>	<b>10,550</b>	<b>2,695</b>	<b>13,245</b>
Valuation at 1 January 2015	8,925	2,650	11,575
Acquisition	960	-	960
Additions	40	-	40
Revaluation	225	-	225
<b>Valuation at 31 December 2015</b>	<b>10,150</b>	<b>2,650</b>	<b>12,800</b>
Historical cost			
<b>At 31 December 2016</b>	<b>5,823</b>	<b>728</b>	<b>6,551</b>
At 31 December 2015	5,823	728	6,551

Long leasehold properties are those for which the unexpired term at the balance sheet date is not less than 50 years. All investment properties are held for use in operating leases and all properties generated rental income during the period.

Freehold and Long Leasehold properties were externally professionally valued at 31 December on an open market basis by:

	2016 £'000	2015 £'000
Carter Towler	13,245	12,800

The valuations were carried out in accordance with the Statements of Asset Valuation and Guidance Notes published by The Royal Institution of Chartered Surveyors.

Each year external valuers are appointed by the Executive Directors on behalf of the Board. The valuers are selected based upon their knowledge, independence and reputation for valuing assets such as those held by the group.

Valuations are performed annually and are performed consistently across all investment properties in the group's portfolio. At each reporting date appropriately qualified employees of the group verify all significant inputs and review the computational outputs. Valuers submit their report to the Board on the outcome of each valuation round.

Valuations take into account tenure, lease terms and structural condition. The inputs underlying the valuations include market rent or business profitability, likely incentives offered to tenants, forecast growth rates, yields, EBITDA, discount rates, construction costs including any specific site costs (for example section 106), professional fees, developer's profit including contingencies, planning and construction timelines, lease regear costs, planning risk and sales prices based on known market transactions for similar properties to those being valued.

Valuations are based on what is determined to be the highest and best use. When considering the highest and best use a valuer will consider, on a property by property basis, its actual and potential uses which are physically, legally and financially viable. Where the highest and best use differs from the existing use, the valuer will consider the cost and likelihood of achieving and implanting this change in arriving at its valuation.



## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 10. INVESTMENT PROPERTIES CONTINUED

There are often restrictions on Freehold and Leasehold property which could have a material impact on the realisation of these assets. The most significant of these occur when planning permission or lease extension and renegotiation of use are required or when a credit facility is in place. These restrictions are factored in the property's valuation by the external valuer.

IFRS 13 sets out a valuation hierarchy for assets and liabilities measured at fair value as follows:

- Level 1: valuation based on inputs on quoted market prices in active markets
- Level 2: valuation based on inputs other than quoted prices included within level 1 that maximise the use of observable data directly or from market prices or indirectly derived from market prices.
- Level 3: where one or more inputs to valuations are not based on observable market data

The inter-relationship between key unobservable inputs and the groups' properties is detailed in the table below:

Class of property	Level 3	Valuation technique	Key unobservable inputs	Carrying/ fair value 2016 £'000	Carrying/ fair value 2015 £'000	Range (weighted average) 2016	Range (weighted average) 2015
Freehold – external valuation		Income capitalisation	Estimated rental value per sq ft p.a	10,550	10,150	£7 – £27 (£20)	£7 – £27 (£19)
			Equivalent Yield			7.8% – 11.0% (8.9%)	8.0% – 12.6% (9.2%)
Long leasehold – external valuation		Income capitalisation	Estimated rental value per sq ft p.a	2,695	2,650	£8 – £8 (£8)	£8 – £8 (£8)
			Equivalent yield			7.6% – 7.6% (7.6%)	7.5% – 7.5% (7.5%)
<b>At 31 December 2016</b>				<b>13,245</b>	<b>12,800</b>		

There are interrelationships between all these inputs as they are determined by market conditions. The existence of an increase in more than one input would be to magnify the input on the valuation. The impact on the valuation will be mitigated by the interrelationship of two inputs in opposite directions, for example, an increase in rent may be offset by an increase in yield.

The table below illustrates the impact of changes in key unobservable inputs on the carrying / fair value of the group's properties:

	Estimated rental value 10% increase or decrease		Equivalent yield 25 basis point contraction or expansion	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Freehold – external valuation	1,055 / (1,055)	1,015 / (1,015)	316 / (298)	300 / (263)
Long Leasehold – external valuation	270 / (270)	265 / (265)	92 / (86)	92 / (86)

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 11. MINING RESERVES, PLANT AND EQUIPMENT

	Mining reserves £'000	Mining equipment and development costs £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost at 1 January 2016	995	15,453	150	120	16,718
Exchange adjustment	350	5,858	47	19	6,274
Additions	-	2,814	38	7	2,859
Disposals	-	(401)	-	-	(401)
<b>Cost at 31 December 2016</b>	<b>1,345</b>	<b>23,724</b>	<b>235</b>	<b>146</b>	<b>25,450</b>
Accumulated depreciation at 1 January 2016	949	10,201	99	95	11,344
Exchange adjustment	336	3,824	28	14	4,202
Charge for the year	2	1,746	27	10	1,785
Disposals	-	(401)	-	-	(401)
<b>Accumulated depreciation at 31 December 2016</b>	<b>1,287</b>	<b>15,370</b>	<b>154</b>	<b>119</b>	<b>16,930</b>
<b>Net book value at 31 December 2016</b>	<b>58</b>	<b>8,354</b>	<b>81</b>	<b>27</b>	<b>8,520</b>
Cost at 1 January 2015	1,266	17,539	169	115	19,089
Exchange adjustment	(271)	(4,048)	(30)	(12)	(4,361)
Additions	-	1,964	11	17	1,992
Disposals	-	(2)	-	-	(2)
<b>Cost at 31 December 2015</b>	<b>995</b>	<b>15,453</b>	<b>150</b>	<b>120</b>	<b>16,718</b>
Accumulated depreciation at 1 January 2015	1,149	11,705	77	94	13,025
Exchange adjustment	(256)	(2,679)	(17)	(11)	(2,963)
Charge for the year	56	1,177	39	12	1,284
Disposals	-	(2)	-	-	(2)
<b>Accumulated depreciation at 31 December 2015</b>	<b>949</b>	<b>10,201</b>	<b>99</b>	<b>95</b>	<b>11,344</b>
<b>Net book value at 31 December 2015</b>	<b>46</b>	<b>5,252</b>	<b>51</b>	<b>25</b>	<b>5,374</b>

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 12. INVESTMENTS HELD AS NON-CURRENT ASSETS

	2016 Net investment in joint ventures assets £'000	2016 Other £'000	2015 Net investment in joint ventures assets £'000	2015 Other £'000
At 1 January	1,198	29	2,898	156
Transfer to non-current asset held for sale	-	-	(1,168)	-
Written off	-	-	-	(126)
Share of gain in investment	-	6	-	-
Dividends received	-	-	(105)	-
Exchange adjustment	130	1	(358)	(1)
Share of (loss)/gain in joint ventures	(7)	-	69	-
Loss on reclassification of non-current asset held for sale	-	-	(138)	-
<b>Net assets at 31 December</b>	<b>1,321</b>	<b>36</b>	<b>1,198</b>	<b>29</b>
Loan to joint venture (Ezimbokodweni):				
At 1 January	900	-	1,040	-
Exchange adjustments	336	-	(235)	-
Additions - interest	114	-	95	-
<b>At 31 December</b>	<b>1,350</b>	<b>-</b>	<b>900</b>	<b>-</b>
<b>At 31 December</b>	<b>2,671</b>	<b>36</b>	<b>2,098</b>	<b>29</b>
Provision for diminution in value:				
At 1 January	-	(15)	-	(4)
Transfer	-	-	-	-
Exchange adjustment	-	(1)	-	-
Write back/(down) of investment	-	12	-	(11)
<b>At 31 December</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>(15)</b>
<b>Net book value at 31 December</b>	<b>2,671</b>	<b>32</b>	<b>2,098</b>	<b>14</b>
			2016 £'000	2015 £'000
Net book value of unquoted investments			-	-
Net book and market value of investments listed on overseas stock exchanges			32	14
			32	14

The amounts written off in 2015 were expensed as part of other operating costs.

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 13. JOINT VENTURES

**Dragon Retail Properties Limited**  
The company owns 50% of the issued share capital of Dragon Retail Properties Limited, an unlisted property investment company. At year end, the carrying value of the investment held by the group was £866,000 (2015: £873,000). The remaining 50% is held by London & Associated Properties PLC. Dragon Retail Properties Limited is incorporated in England and Wales and its registered address is 24 Bruton Place, London, W1J 6NE. It has issued share capital of 500,000 (2015: 500,000) ordinary shares of £1 each. No dividends were received during the period.

**Ezimbokodweni Mining (Pty) Ltd**  
The company owns 49% of the issued share capital of Ezimbokodweni Mining (Pty) Limited ("Ezimbokodweni"), an unlisted coal exploration and development company. The company is incorporated in South Africa and its registered address is Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050. It has issued share capital of 100 (2015: 100) ordinary shares of ZAR1 each. No dividends were received during the period. Included within the carrying value of the net investment in the joint venture assets in note 12 is a loan to Ezimbokodweni of £1,350,000 (2015: £900,000) and an equity investment of £455,000 (2015: £325,000). The loan bears interest at the South African prime overdraft rate plus 1.5%. The loan is unsecured and repayable on demand. Refer to page 60 for details of the significant judgment regarding the carrying value of the asset.

**Langney Shopping Centre Unit Trust**  
Prior to 11 March 2016, the company owned 12.5% of the units of Langney Shopping Centre Unit Trust, an unlisted property unit trust incorporated in Jersey. 12.5% of the units in the trust were held by London & Associated Properties PLC and 75% were held by Columbus UK GP limited, a partner acting on behalf of Columbus UK Real Estate Fund. On the 11 March 2016, the company disposed of its investment in Langney Shopping Centre Unit Trust. The net proceeds from the sale were £1,168,000 which includes £30,000 of dividends received. At 31 December 2015, the investment was transferred from investment in joint ventures to non-current asset held for sale in the balance sheet. At year end, the share of the net assets of the trust held by the group were £nil (2015: £1,168,000) which includes a loss on the reclassification of the asset to held for sale in the amount of £nil (2015: £138,000).

	Dragon 50% £'000	Ezimbokodweni 49% £'000	2016 £'000	2015 £'000
<b>Turnover</b>	<b>86</b>	<b>-</b>	<b>86</b>	<b>258</b>
<b>Profit and loss</b>				
Profit/(loss) before depreciation, interest and taxation	12	-	12	(80)
Depreciation and amortisation	(13)	-	(13)	(7)
Loss before interest and taxation	(1)	-	(1)	(87)
Interest Income	69	-	69	69
Interest expense	(85)	-	(85)	(121)
Loss before taxation	(17)	-	(17)	(139)
Taxation	10	-	10	70
<b>Loss after taxation</b>	<b>(7)</b>	<b>-</b>	<b>(7)</b>	<b>(69)</b>
<b>Balance sheet</b>				
<b>Non-current assets</b>	<b>1,326</b>	<b>1,346</b>	<b>2,672</b>	<b>4,530</b>
Cash and cash equivalents	58	3	61	67
Other current assets	1,165	-	1,165	1,311
Current borrowings	-	-	-	(6)
Other current liabilities	(1,039)	(1,349)	(2,388)	(2,037)
<b>Net current assets</b>	<b>184</b>	<b>(1,346)</b>	<b>(1,162)</b>	<b>(665)</b>
Non-current borrowings	(603)	-	(603)	(1,772)
Other non-current liabilities	(41)	-	(41)	(52)
<b>Share of net assets at 31 December</b>	<b>866</b>	<b>-</b>	<b>866</b>	<b>2,041</b>
<b>Reconciliation of net assets to carrying value of joint venture assets:</b>				
<b>Share of net assets at 31 December</b>	<b>866</b>	<b>-</b>	<b>866</b>	<b>2,041</b>
Pre-acquisition costs capitalised	-	455	455	325
Transfer to non-current assets held for sale	-	-	-	(1,168)
<b>Carrying value of joint venture assets at 31 December</b>	<b>866</b>	<b>455</b>	<b>1,321</b>	<b>1,198</b>

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 14. NON-CURRENT ASSETS HELD FOR SALE

	2016 £'000	2015 £'000
Investment in Langney Shopping Centre Unit Trust		
Balance at 1 January	1,168	-
Transfer	-	1,168
Disposal	(1,168)	-
	-	1,168

On the 11 March 2016, the company disposed of its investment in Langney Shopping Centre Unit Trust, an unlisted property unit trust incorporated in Jersey. At year end, the company owned 12.5% of the units of the trust. The net proceeds from the sale were £1,138,000 (excluding dividend of £30,000). At year end, the company's share of the net assets of the trust were £nil (2015: £1,168,000). A loss on reclassification of the asset as held for sale of £nil (2015: £138,000) was recorded during the year.

### 15. SUBSIDIARY COMPANIES

The company owns the following ordinary share capital of the subsidiaries which are included within the consolidated financial statements:

	Activity	Percentage of share capital	Registered address	Country of incorporation
Mineral Products Limited	Share dealing	100%	24 Bruton Place, London, W1J6NE	England and Wales
Bisichi (Properties) Limited	Property	100%	24 Bruton Place, London, W1J6NE	England and Wales
Bisichi Northampton Limited	Property	100%	24 Bruton Place, London, W1J6NE	England and Wales
Bisichi Trustee Limited	Property	100%	24 Bruton Place, London, W1J6NE	England and Wales
Urban First (Northampton) Limited	Property	100%	24 Bruton Place, London, W1J6NE	England and Wales
Bisichi Mining (Exploration) Limited	Holding company	100%	24 Bruton Place, London, W1J6NE	England and Wales
Ninghi Marketing Limited	Dormant	90.1%	24 Bruton Place, London, W1J6NE	England and Wales
Bisichi Mining Managements Services Limited	Dormant	100%	24 Bruton Place, London, W1J6NE	England and Wales
Black Wattle Colliery (Pty) Limited	Coal mining	62.5%	Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050	South Africa
Bisichi Coal Mining (Pty) Limited	Coal mining	100%	Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050	South Africa
Black Wattle Klipfontein (Pty) Limited	Coal mining	62.5%	Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050	South Africa
Amandla Ehtu Mineral Resource Development (Pty) Limited	Dormant	70%	Samora Machel Street, Bethal Road, Middelburg, Mpumalanga, 1050	South Africa

Details on the non-controlling interest in subsidiaries are shown under note 27.

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 16. INVENTORIES

	2016 £'000	2015 £'000
<b>Coal</b>		
Washed	1,139	778
Run of mine	83	110
Work in progress	458	122
Other	41	39
	1,721	1,049

### 17. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
<b>Amounts falling due within one year:</b>		
Trade receivables	4,076	3,500
Amount owed by joint venture	2,000	2,140
Other receivables	754	490
Prepayments and accrued income	416	57
	7,246	6,187

### 18. AVAILABLE FOR SALE INVESTMENTS

	2016 £'000	2015 £'000
<b>Market value of listed Investments:</b>		
Listed in Great Britain	721	568
Listed outside Great Britain	60	26
	781	594
Original cost of listed investments	737	737
Unrealised surplus / deficit of market value versus cost	44	(143)

The Directors have reviewed the individual investments for impairment and do not consider the investments which are below cost to be impaired.

### 19. TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Trade payables	3,610	1,982
Amounts owed to joint ventures	192	223
Other payables	1,422	1,279
Accruals	1,493	540
Deferred Income	233	210
	6,950	4,234

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 20. FINANCIAL LIABILITIES – BORROWINGS

	Current		Non-current	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank overdraft (secured)	3,334	2,234	-	-
Bank loan (secured)	24	33	5,876	5,940
	<b>3,358</b>	<b>2,267</b>	<b>5,876</b>	<b>5,940</b>
			<b>2016 £'000</b>	<b>2015 £'000</b>
Bank overdraft and loan instalments by reference to the balance sheet date:				
Within one year			3,358	2,267
From one to two years			26	27
From two to five years			5,850	5,913
			<b>9,234</b>	<b>8,207</b>
Bank overdraft and loan analysis by origin:				
United Kingdom			5,810	5,927
Southern Africa			3,424	2,280
			<b>9,234</b>	<b>8,207</b>

The United Kingdom bank loans and overdraft are secured by way of a first charge over the investment properties in the UK which are included in the financial statements at a value of £13,245,000. During the year the group breached a loan to value covenant on the bank loan. The group made a £123,300 payment against the loan and remediated the covenant breach. This covenant is intact at the year end.

The South African bank loans are secured by way of a first charge over specific pieces of mining equipment, inventory and the debtors of the relevant company which holds the loan which are included in the financial statements at a value of £6,057,000.

Consistent with others in the mining and property industry, the group monitors its capital by its gearing levels. This is calculated as the net debt (loans less cash and cash equivalents) as a percentage of equity. At year end the gearing of the group was calculated as follows:

	2016 £'000	2015 £'000
Total debt	9,234	8,207
Less cash and cash equivalents	(2,444)	(1,608)
<b>Net debt</b>	<b>6,790</b>	<b>6,599</b>
<b>Total equity attributable to shareholders of the parent</b>	<b>16,657</b>	<b>15,310</b>
<b>Gearing</b>	<b>40.8%</b>	<b>43.1%</b>

### 21. PROVISION FOR REHABILITATION

	2016 £'000	2015 £'000
As at 1 January	847	930
Exchange adjustment	311	(162)
Unwinding of discount	78	79
As at 31 December	<b>1,236</b>	<b>847</b>

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 22. FINANCIAL INSTRUMENTS

#### Total financial assets and liabilities

The group's financial assets and liabilities are as follows, representing both the fair value and the carrying value:

	Loans and receivables £'000	Financial Liabilities measured at amortised cost £'000	Available for sale investments £'000	2016 £'000	2015 £'000
Cash and cash equivalents	2,444	-	-	<b>2,444</b>	1,608
Current available for sale investments	-	-	781	<b>781</b>	594
Non-current available for sale investments	-	-	32	<b>32</b>	14
Trade and other receivables	6,830	-	-	<b>6,830</b>	6,954
Bank borrowings and overdraft	-	(9,234)	-	<b>(9,234)</b>	(8,207)
Finance leases	-	(181)	-	<b>(181)</b>	(194)
Other liabilities	-	(6,735)	-	<b>(6,735)</b>	(4,024)
	9,274	(16,150)	813	<b>(6,063)</b>	(3,255)

Available for sale investments are held at fair value and fall under level 1 of the fair value hierarchy into which fair value measurements are recognised in accordance with the levels set out in IFRS 7. The comparative figures for 2015 fall under the same category of financial instrument as 2016.

The carrying amount of short term (less than 12 months) trade receivable and other liabilities approximates its fair values. The fair value of non-current borrowings in note 20 approximates its carrying value and was determined under level 2 of the fair value hierarchy and is estimated by discounting the future contractual cash flows at the current market interest rates for UK borrowings and for the South African overdraft facility. The fair value of the finance lease liabilities in note 31 approximates its carrying value and was determined under level 2 of the fair value hierarchy and is estimated by discounting the future contractual cash flows at the current market interest rates.

#### Treasury policy

Although no derivative transactions were entered into during the current and prior year, the group may use derivative transactions such as interest rate swaps and forward exchange contracts as necessary in order to help manage the financial risks arising from the group's activities. The main risks arising from the group's financing structure are interest rate risk, liquidity risk, market risk, credit risk, currency risk and commodity price risk. There have been no changes during the year of the main risks arising from the group's finance structure. The policies for managing each of these risks and the principal effects of these policies on the results are summarised below.

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument or cashflows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from interest bearing financial assets and liabilities that the group uses. Treasury activities take place under procedures and policies approved and monitored by the Board to minimise the financial risk faced by the group. Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets and loans to joint ventures. Interest bearing borrowings comprise bank loans, bank overdrafts and variable rate finance lease obligations. The rates of interest vary based on LIBOR in the UK and PRIME in South Africa.

As at 31 December 2016, with other variables unchanged, a 1% increase or decrease in interest rates, on investments and borrowings whose interest rates are not fixed, would respectively change the profit/loss for the year by £56,000 (2015: £67,000). The effect on equity of this change would be an equivalent decrease or increase for the year of £56,000 (2015: £67,000).

#### Liquidity risk

The group's policy is to minimise refinancing risk. Efficient treasury management and strict credit control minimise the costs and risks associated with this policy which ensures that funds are available to meet commitments as they fall due. As at year end the group held borrowing facilities in the UK in Bisichi Mining PLC and in South Africa in Black Wattle Colliery (Pty) Ltd.



## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 22. FINANCIAL INSTRUMENTS CONTINUED

The following table sets out the maturity profile of the financial liabilities as at 31 December:

	2016 £'000	2015 £'000
Within one year	10,658	6,692
From one to two years	239	213
From two to five years	6,277	6,464
Beyond five years	125	133
	17,299	13,502

The following table sets out the maturity profile of the financial liabilities as at 31 December maturing within one year:

	2016 £'000	2015 £'000
Within one month	2,119	606
From one to three months	2,926	2,709
From four to twelve months	5,613	3,377
	10,658	6,692

In South Africa, a structured trade finance facility for R80million was signed by Black Wattle Colliery (Pty) Limited in October 2013 with Absa Bank Limited, a South African subsidiary of Barclays Bank PLC. The facility is renewable annually at 30 June and is secured against inventory, debtors and cash that are held by Black Wattle Colliery (Pty) Limited.

This facility comprises of a R60million revolving loan to cover the working capital requirements of the group's South African operations, and a R20million loan facility to cover guarantee requirements related to the group's South African mining operations. The interest cost of the loan is at the South African prime lending rate.

In December 2014, the group signed a £6 million term loan facility with Santander. The Loan is secured against the group's UK retail property portfolio. The debt package has a five year term and is repayable at the end of the term. The interest cost of the loan is 2.35% above LIBOR.

As a result of the above agreed banking facilities, the Directors believe that the group is well placed to manage its liquidity risk.

#### Credit risk

The group is mainly exposed to credit risk on its cash and cash equivalents, trade and other receivables and amounts owed by joint ventures as per the balance sheet. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet which at year end amounted to £9,274,000 (2015: £3,562,000). The group's credit risk is primarily attributable to its trade receivables. The group had amounts due from its significant revenue customers at the year end that represented 85% of the trade receivables balance. These amounts have been subsequently settled.

Trade debtor's credit ratings are reviewed regularly. The group only deposits surplus cash with well-established financial institutions of high quality credit standing. As at year end the amount of trade receivables held past due date was £157,000 (2015: £144,000). To date, the amount of trade receivables held past due date that has not subsequently been settled is £134,000 (2015: £136,000). Management have no reason to believe that this amount will not be settled.

#### Financial assets maturity

On 31 December 2016, cash at bank and in hand amounted to £2,444,000 (2015: £1,608,000) which is invested in short term bank deposits maturing within one year bearing interest at the bank's variable rates. Cash and cash equivalents all have a maturity of less than 3 months.

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 22. FINANCIAL INSTRUMENTS CONTINUED

#### Foreign exchange risk

All trading is undertaken in the local currencies except for certain export sales that commenced during 2016 which are invoiced in dollars. It is not the group's policy to obtain forward contracts to mitigate foreign exchange risk on these contracts as payment terms are within 15 days of invoice or earlier. Funding is also in local currencies other than inter-company investments and loans and it is also not the group's policy to obtain forward contracts to mitigate foreign exchange risk on these amounts. During 2016 and 2015 the group did not hedge its exposure of foreign investments held in foreign currencies.

The directors consider there to be no significant risk from exchange rate movements of foreign currencies against the functional currencies of the reporting companies within the group, excluding inter-company balances. The principle currency risk to which the group is exposed in regard to inter-company balances is the exchange rate between Pounds sterling and South African Rand. It arises as a result of the retranslation of Rand denominated inter-company trade receivable balances held within the UK which are payable by South African Rand functional currency subsidiaries.

Based on the group's net financial assets and liabilities as at 31 December 2016, a 25% strengthening of Sterling against the South African Rand, with all other variables held constant, would decrease the group's profit after taxation by £435,000 (2015: £344,000). A 25% weakening of Sterling against the South African Rand, with all other variables held constant would increase the group's profit after taxation by £725,000 (2015: £573,000).

The 25% sensitivity has been determined based on the average historic volatility of the exchange rate for 2015 and 2016.

The table below shows the currency profiles of cash and cash equivalents:

	2016 £'000	2015 £'000
Sterling	1,717	1,135
South African Rand	725	470
US Dollar	2	3
	2,444	1,608

Cash and cash equivalents earn interest at rates based on LIBOR in Sterling and Prime in Rand.

The tables below shows the currency profiles of net monetary assets and liabilities by functional currency of the group:

	Sterling £'000	South African Rands £'000
2016:		
Sterling	(2,522)	-
South African Rand	36	(2,262)
US Dollar	35	-
	(2,451)	(2,262)
2015:		
Sterling	(3,221)	-
South African Rand	89	(136)
US Dollar	13	-
	(3,119)	(136)

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 23. DEFERRED TAXATION

	2016 £'000	2015 £'000
Balance at 1 January 2015	2,002	2,208
Recognised in income	(131)	128
Recognised in comprehensive income	13	(41)
Exchange adjustment	364	(293)
	2,248	2,002
The deferred tax balance comprises the following:		
Revaluation of properties	715	626
Capital allowances	2,361	1,487
Short term timing difference	(184)	43
Unredeemed capital deductions	(642)	(121)
Losses and other deductions	(2)	(33)
	2,248	2,002

Refer to note 7 for details of adjustments in respect of the prior year deferred tax in the current year.

### 24. SHARE CAPITAL

	2016 £'000	2015 £'000
Authorised: 13,000,000 ordinary shares of 10p each	1,300	1,300
Allotted and fully paid:		
	2016 Number of ordinary shares	2015 Number of ordinary shares
At 1 January and outstanding at 31 December	10,676,839	10,676,839
	2016 £'000	2015 £'000

### 25. OTHER RESERVES

	2016 £'000	2015 £'000
Equity share options	597	488
Net investment premium on share capital in joint venture	86	86
	683	574

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 26. SHARE BASED PAYMENTS

Details of the share option scheme are shown in the Directors' remuneration report on page 37 under the heading Share option schemes which is within the audited part of this report. Further details of the share option schemes are set out below.

The Bisichi Mining PLC Unapproved Option Schemes:

Year of grant	Subscription price per share	Period within which options exercisable	Number of share for which options outstanding at 31 December 2015	Number of share options lapsed during year	Number of share for which options outstanding at 31 December 2016
2006	237.5p	Oct 2009 – Oct 2016	325,000	(325,000)	-
2010	202.5p	Aug 2013 – Aug 2020	80,000	-	80,000
2015	87.0p	Sep 2015 – Sep 2025	300,000	-	300,000

The exercise of options under the Unapproved Share Option Schemes, for certain option issues, is subject to the satisfaction of objective performance conditions specified by the remuneration committee, which will conform to institutional shareholder guidelines and best practice provisions in force from time to time. The performance conditions for the 2010 scheme, agreed by members on 31 August 2010 respectively, requires growth in net assets over a three year period to exceed the growth of the retail prices index by a scale of percentages. There are no performance or service conditions attached to 2015 options which are outstanding at 31 December 2016 which vested in 2015.

	2016 Number	2016 Weighted average exercise price	2015 Number	2015 Weighted average exercise price
Outstanding at 1 January	705,000	133.1p	598,000	167.1p
Granted during the year	-	-	300,000	87.0p
Lapsed during the year	(325,000)	237.5p	(193,000)	34.0p
Outstanding at 31 December	380,000	111.3p	705,000	133.1p
Exercisable at 31 December	380,000	111.3p	705,000	133.1p

The 2016 share based payment charge of £109,000 relates to the remaining grant date fair value in respect of the 300,000 share options granted to A R Heller and G J Casey in 2015, with a corresponding entry to the share based payment reserve. There were no vesting conditions attached to these share options and therefore they should have been fully expensed in 2015, rather than spread over the estimated life of the options. As the error is not considered to be material to the current or prior year financial statements it has been corrected in the current period.

### 27. NON-CONTROLLING INTEREST

	2016 £'000	2015 £'000
As at 1 January	321	404
Share of (loss)/profit for the year	(72)	4
Exchange adjustment	100	(87)
As at 31 December	349	321

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 27. NON-CONTROLLING INTEREST CONTINUED

The non-controlling interest comprises of a 37.5% shareholding in Black Wattle Colliery (Pty) Ltd. A coal mining company incorporated in South Africa. Summarised financial information reflecting 100% of the underlying subsidiary's relevant figures, is set out below.

	2016 £'000	2015 £'000
Revenue	21,703	24,608
Expenses	(22,185)	(24,582)
<b>Profit for the year</b>	<b>(482)</b>	<b>26</b>
Other comprehensive Income	-	-
<b>Total comprehensive income for the year</b>	<b>(482)</b>	<b>26</b>
Balance sheet		
Non-current assets	8,516	5,355
Current assets	8,600	5,932
Current liabilities	(12,151)	(7,156)
Non-current liabilities	(2,635)	(1,988)
<b>Net assets at 31 December</b>	<b>2,330</b>	<b>2,143</b>

The non-controlling interest relates to the disposal of a 37.5% shareholding in Black Wattle Colliery (Pty) Ltd in 2010. The total issued share capital in Black Wattle Colliery (Pty) Ltd was increased from 136 shares to 1,000 shares at par of R1 (South African Rand) through the following shares issue:

- a subscription for 489 ordinary shares at par by Bisichi Mining (Exploration) Limited increasing the number of shares held from 136 ordinary shares to a total of 625 ordinary shares;
- a subscription for 110 ordinary shares at par by Vunani Mining (Pty) Ltd;
- a subscription for 265 "A" shares at par by Vunani Mining (Pty) Ltd

Bisichi Mining (Exploration) Limited is a wholly owned subsidiary of Bisichi Mining PLC incorporated in England and Wales.

Vunani Mining (Pty) Ltd is a South African Black Economic Empowerment company and minority shareholder in Black Wattle Colliery (Pty) Ltd.

The "A" shares rank pari passu with the ordinary shares save that they will have no dividend rights until such time as the dividends paid by Black Wattle Colliery (Pty) Ltd on the ordinary shares subsequent to 30 October 2008 will equate to R832,075,000.

A non-controlling interest of 15% in Black Wattle Colliery (Pty) Ltd is recognised for all profits distributable to the 110 ordinary shares held by Vunani Mining (Pty) Ltd from the date of issue of the shares (18 October 2010). An additional non-controlling interest will be recognised for all profits distributable to the 265 "A" shares held by Vunani Mining (Pty) Ltd after such time as the profits available for distribution, in Black Wattle Colliery (Pty) Ltd, before any payment of dividends after 30 October 2008, exceeds R832,075,000.

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 28. RELATED PARTY TRANSACTIONS

	At 31 December		During the year	
	Amounts owed to related party £'000	Amounts owed by related party £'000	Costs recharged (to)/by related party £'000	Cash paid (to)/by related party £'000
<b>Related party:</b>				
London & Associated Properties PLC (note (a))	35	-	138	(162)
Langney Shopping Centre Unit Trust (note (b))	-	-	-	64
Dragon Retail Properties Limited (note (c))	123	(2,000)	(174)	150
Ezimbokodweni Mining (Pty) Limited (note (d))	-	(1,350)	(114)	-
<b>As at 31 December 2016</b>	<b>158</b>	<b>(3,350)</b>	<b>(150)</b>	<b>52</b>
London & Associated Properties PLC (note (a))	59	-	138	(82)
Langney Shopping Centre Unit Trust (note (b))	-	(64)	-	104
Dragon Retail Properties Limited (note (c))	223	(2,076)	(180)	21
Ezimbokodweni Mining (Pty) Limited (note (d))	-	(897)	(94)	-
<b>As at 31 December 2015</b>	<b>282</b>	<b>(3,037)</b>	<b>(136)</b>	<b>43</b>

- (a) **London & Associated Properties PLC** – London & Associated Properties PLC is a substantial shareholder and parent company of Bisichi Mining PLC. Property management, office premises, general management, accounting and administration services are provided for Bisichi Mining PLC and its UK subsidiaries.
- (b) **Langney Shopping Centre Unit Trust** – Langney Shopping Centre Unit Trust is an unlisted property unit trust incorporated in Jersey. On the 11 March 2016, the company disposed of its investment in Langney Shopping Centre Unit Trust.
- (c) **Dragon Retail Properties Limited** – ("Dragon") is owned equally by the company and London & Associated Properties PLC. Dragon is accounted as a joint venture and is treated as a non-current asset investment. During 2012 the company lent £2million to Dragon at 6.875 per cent annual interest which has been classified as a trading balance and which is unsecured and payable on demand.
- (d) **Ezimbokodweni Mining (Pty) Limited** – Ezimbokodweni Mining is a prospective coal production company based in South Africa. Ezimbokodweni Mining (Pty) Limited is a joint venture and a loan to the joint venture is treated as part of the net investment in the joint venture. Further details on the net investment in Ezimbokodweni can be found in note 13.

Details of key management personnel compensation and interest in share options are shown in the Directors' Remuneration Report on pages 36 and 37 under the headings Directors' remuneration, Pension schemes and incentives and Share option schemes which is within the audited part of this report. Refer also to note 26 for details of IFRS 2 charges. The total employers' national insurance paid in relation to the remuneration of key management was £143,000 (2015: 157,000). In 2012 a loan was made to one of the directors, Mr A R Heller, for £116,000. Interest is payable on the Director's Loan at a rate of 6.14 per cent. There is no fixed repayment date for the Director's Loan. The loan amount outstanding at year end was £71,000 (2015: £86,000) and a repayment of £15,000 (2015: £15,000) was made during the year.

The non-controlling interest to Vunani Limited is shown in note 27. In addition, the group holds an investment in Vunani Limited classified as non-current available for sale investments with a fair value of £32,000 (2015: £14,000).

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 29. EMPLOYEES

	2016 £'000	2015 £'000
The average weekly numbers of employees of the group during the year were as follows:		
Production	185	191
Administration	15	17
	200	208
Staff costs during the year were as follows:		
Salaries	4,864	4,682
Social security costs	148	160
Pension costs	200	221
Share based payments	109	31
	5,321	5,094

### 30. CAPITAL COMMITMENTS

	2016 £'000	2015 £'000
Commitments for capital expenditure approved but not contracted for at the year end	-	306
Commitments for capital expenditure approved and contracted for at the year end	762	-
Share of commitment of capital expenditure in joint venture	1,489	1,102

## FINANCIAL STATEMENTS NOTES TO THE FINANCIAL STATEMENTS

### 31. HEAD LEASE COMMITMENTS AND FUTURE PROPERTY LEASE RENTALS

Present value of head leases on properties

	Minimum lease payments		Present value of minimum lease payments	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Within one year	11	12	11	12
Second to fifth year	45	48	36	45
After five years	1,436	1,549	134	137
	1,492	1,609	181	194
Discounting adjustment	(1,311)	(1,415)	-	-
<b>Present value</b>	<b>181</b>	<b>194</b>	<b>181</b>	<b>194</b>

The Company has one finance lease contract for an investment property. The remaining term for the leased investment property is 132 years. The annual rent payable is the higher of £7,500 or 6.25% of the revenue derived from the leased assets.

The group leases out its investment properties under operating leases. The Group has entered into operating leases on its investment property portfolio consisting mainly of commercial properties. These leases have terms of between 1 and 69 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
Within one year	981	923
Second to fifth year	2,533	2,699
After five years	9,262	9,786
	12,776	13,408

### 32. CONTINGENT LIABILITIES

Bank guarantees have been issued by the bankers of Black Wattle Colliery (Pty) Limited on behalf of the company to third parties. The guarantees are secured against the assets of the company and have been issued in respect of the following:

	2016 £'000	2015 £'000
Rail siding	63	47
Rehabilitation of mining land	1,364	1,009
Water & electricity	57	42



## FINANCIAL STATEMENTS

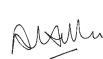
# Company balance sheet

at 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	35	51	20
Investment in joint ventures	36	847	1,810
Other investments	36	7,599	7,577
		<b>8,497</b>	9,407
<b>Current assets</b>			
Debtors – amounts due within one year	37	3,253	3,296
Debtors – amounts due in more than one year	37	843	659
Bank balances		1,118	1,031
		<b>5,214</b>	4,986
Creditors – amounts falling due within one year	38	(1,328)	(1,301)
<b>Net current assets</b>		<b>3,886</b>	3,685
<b>Total assets less current liabilities</b>		<b>12,383</b>	13,092
Creditors – amounts falling due in more than one year – term bank loan	38	-	(9)
Provision for liabilities and charges	39	(18)	(182)
<b>Net assets</b>		<b>12,365</b>	12,901
<b>Capital and reserves</b>			
Called up share capital	24	1,068	1,068
Share premium account		258	258
Available for sale reserve		6	-
Other reserves		598	489
Retained earnings	33	10,435	11,086
Shareholders' funds		<b>12,365</b>	12,901

The loss for the financial year, before dividends, was £224,000 (2015: profit of £36,000)

The company financial statements were approved and authorised for issue by the board of directors on 26 April 2017 and signed on its behalf by:


A R Heller  
Director

G J Casey  
Director

Company Registration No. 112155

## FINANCIAL STATEMENTS

# Company statement of changes in equity

for the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Available for sale reserve £'000	Other reserve £'000	Retained earnings £'000	Shareholders funds £'000
Balance at 1 January 2015	1,068	259	-	566	11,477	<b>13,370</b>
Dividend paid	-	-	-	-	(427)	<b>(427)</b>
Share option charge	-	(1)	-	32	-	<b>31</b>
Share option cancelled	-	-	-	(109)	-	<b>(109)</b>
Profit and total comprehensive income for the year	-	-	-	-	36	<b>36</b>
<b>Balance at 1 January 2016</b>	1,068	258	-	489	11,086	<b>12,901</b>
Dividend paid	-	-	-	-	(427)	<b>(427)</b>
Share option charge	-	-	-	109	-	<b>109</b>
Profit and total comprehensive income for the year	-	-	6	-	(224)	<b>(218)</b>
<b>Balance at 31 December 2016</b>	1,068	258	6	598	10,435	<b>12,365</b>

## FINANCIAL STATEMENTS

# Company accounting policies

for the year ended 31 December 2016

The following are the main accounting policies of the company:

### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework. The principal accounting policies adopted in the preparation of the financial statements are set out below.

The financial statements have been prepared on a historical cost basis, except for the revaluation of investment property and financial instruments.

### Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101.

Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101, further disclosure exemptions have been adopted because equivalent disclosures are included in the company's Consolidated Financial Statements.

### Dividends received

Dividends are credited to the profit and loss account when received.

### Depreciation

Provision for depreciation on tangible fixed assets is made in equal annual instalments to write each item off over its useful life. The rates generally used are:

Motor vehicles	25 – 33 per cent
Office equipment	10 – 33 per cent

### Joint ventures

Investments in joint ventures, being those entities over whose activities the group has joint control as established by contractual agreement, are included at cost, less impairment.

### Other Investments

Investments of the company in subsidiaries are stated in the balance sheet as fixed assets at cost less provisions for impairment.

Other investments comprising of shares in listed companies are classified as non-current available for sale investments and are carried at fair value. Any changes in fair value above cost are recognised in other comprehensive income and accumulated in the available-for-sale reserve. For any changes in fair value below cost a provision for impairment is recognised in the profit or loss account.

### Foreign currencies

Monetary assets and liabilities expressed in foreign currencies have been translated at the rates of exchange ruling at the balance sheet date. All exchange differences are taken to the profit and loss account.

### Financial instruments

Details on the group's accounting policy for financial instruments can be found on page 63.

### Deferred taxation

Details on the group's accounting policy for deferred taxation can be found on page 64.

### Leased assets and obligations

All leases are "Operating Leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term. Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term.

### Pensions

Details on the group's accounting policy for pensions can be found on page 62.

### Share based remuneration

Details on the group's accounting policy for share based remuneration can be found on page 62. Details of the share options in issue are disclosed in the directors' remuneration report on page 37 under the heading share option schemes which is within the audited part of this report.

## FINANCIAL STATEMENTS COMPANY ACCOUNTING POLICIES

### 33. PROFIT & LOSS ACCOUNT

A separate profit and loss account for Bisichi Mining PLC has not been presented as permitted by Section 408(2) of the Companies Act 2006. The loss for the financial year, before dividends, was £224,000 (2015: profit of £36,000)

Details of share capital are set out in note 24 of the group financial statements and details of the share options are shown in the Directors' Remuneration Report on page 36 under the heading Share option schemes which is within the audited part of this report and note 26 of the group financial statements.

### 34. DIVIDENDS

Details on dividends can be found in note 8 in the group financial statements.

### 35. TANGIBLE FIXED ASSETS

	Leasehold Property £'000	Motor vehicles £'000	Office equipment £'000	Total £'000
Cost at 1 January 2016	-	37	67	104
Revaluation	45	-	-	45
Cost at 31 December 2016	45	37	67	149
Accumulated depreciation at 1 January 2016	-	27	57	84
Charge for the year	-	10	4	14
Accumulated depreciation at 31 December 2016	-	37	61	98
Net book value at 31 December 2016	45	-	6	51
Net book value at 31 December 2015	-	10	10	20

Leasehold property consists of a single unit with a long leasehold tenant. The term remaining on the lease is 43 years.

### 36. INVESTMENTS

	Joint ventures shares £'000	Shares in subsidiaries £'000	Loans £'000	Other investments £'000	Total £'000
Cost at 1 January 2016	1,810	6,356	1,208	26	7,599
Invested during year	-	-	3	-	3
Sale of investment	(963)	-	-	-	-
Unrealised surplus of market value verses cost	-	-	-	6	6
Cost at 31 December 2016	847	6,356	1,211	32	7,599
Provision for impairment:					
As at 1 January	-	-	-	(13)	(13)
Reversal of impairment during the year	-	-	-	13	13
As at 31 December 2016	-	-	-	-	-
Net book value at 31 December 2016	847	6,356	1,211	32	7,599
Net book value at 31 December 2015	1,810	6,356	1,208	13	7,577

On the 11 March 2016, the company disposed of its joint venture investment in Langney Shopping Centre Unit Trust. Further information relating to the disposal of Langney Shopping Centre Unit Trust can be found in Note 14.

Investments in subsidiaries are detailed in note 15. In the opinion of the directors the aggregate value of the investment in subsidiaries is not less than the amount shown in these financial statements.

Other investments comprise £32,000 (2015: £13,000) shares.

## FINANCIAL STATEMENTS COMPANY ACCOUNTING POLICIES

### 37. DEBTORS

	2016 £'000	2015 £'000
<b>Amounts due within one year:</b>		
Amounts due from subsidiary undertakings	1,006	1,003
Trade receivables	7	16
Other debtors	89	81
Joint venture	2,070	2,140
Prepayments and accrued income	81	56
	<b>3,253</b>	<b>3,296</b>

### Amounts due in more than one year:

Amounts due from subsidiary undertakings	843	659
Deferred taxation	-	-
	<b>843</b>	<b>659</b>

### 38. CREDITORS

	2016 £'000	2015 £'000
<b>Amounts falling due within one year:</b>		
Bank loan (secured)	-	8
Amounts due to subsidiary undertakings	359	365
Joint venture	192	223
Current taxation	-	-
Other taxation and social security	26	3
Other creditors	592	574
Accruals and deferred income	159	128
	<b>1,328</b>	<b>1,301</b>

### Amounts falling due in more than one year:

Bank loan (secured)	-	9
	<b>2016 £'000</b>	<b>2015 £'000</b>

### Bank and other loan instalments by reference to the balance sheet date:

Within one year	-	8
From one to two years	-	7
From two to five years	-	2
	-	17

## FINANCIAL STATEMENTS COMPANY ACCOUNTING POLICIES

### 39. PROVISIONS FOR LIABILITIES

	2016 £'000	2015 £'000
Deferred taxation:		
Balance at 1 January	182	-
Provision	(164)	182
Transfer	-	-
	<b>18</b>	<b>182</b>

### 40. RELATED PARTY TRANSACTIONS

	At 31 December	During the year	
	Amounts owed by related party £'000	Costs recharged / accrued (to)/ by related party £'000	Cash paid (to)/ by related party £'000
At 31 December			
<b>Related party:</b>			
Black Wattle Colliery (Pty) Ltd (note (a))	(1,934)	(1,421)	644
Ninghi Marketing Limited (note (b))	(102)	-	-
<b>As at 31 December 2016</b>	<b>(2,036)</b>	<b>(1,421)</b>	<b>644</b>
Black Wattle Colliery (Pty) Ltd (note (a))	(1,157)	(653)	1,812
Ninghi Marketing Limited (note (b))	(102)	-	-
<b>As at 31 December 2015</b>	<b>(1,259)</b>	<b>(653)</b>	<b>1,812</b>

(a) **Black Wattle Colliery (Pty) Ltd** – Black Wattle Colliery (Pty) Ltd is a coal mining company based in South Africa.

(b) **Ninghi Marketing Limited** – Ninghi Marketing Limited is a dormant coal marketing company incorporated in England & Wales.

Black Wattle Colliery (PTY) Ltd and Ninghi Marketing Limited are subsidiaries of the company.

In addition to the above, the company has issued a company guarantee of R17,000,000 (2015: R17,000,000) (South African Rand) to the bankers of Black Wattle Colliery (Pty) Ltd in order to cover bank guarantees issued to third parties in respect of the rehabilitation of mining land.

A provision of £102,000 has been raised against the amount owing by Ninghi Marketing Limited in prior years as the company is dormant.

In 2012 a loan was made to one of the directors, Mr A R Heller, for £116,000. Further details on the loan can be found in Note 28 of the group financial statements.

Under FRS 101, the company has taken advantage of the exemption from disclosing transactions with other wholly owned group companies. Details of other related party transactions are given in note 28 of the group financial statements.

### 41. EMPLOYEES

	2016 £'000	2015 £'000
The average weekly numbers of employees of the company during the year were as follows:		
Directors & administration	5	5
Staff costs during the year were as follows:		
Salaries	1,125	1,239
Social security costs	148	160
Pension costs	65	90
Share based payments	109	31
	<b>1,447</b>	<b>1,520</b>



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