



# ANNUAL REPORT

TRANS HEX GROUP ANNUAL REPORT 2010



TRANS HEX

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**TRANS HEX**



# vision

**we aspire to enhance  
our position**

as a world-class player in the  
exploration, mining and marketing of  
diamonds of the highest quality.

# core values

## we stand by the principles of:

- Honesty, integrity, dignity and reliability in all our dealings
- A safe and healthy working environment
- The sanctity of human rights, equality and non-discrimination
- Respect for the cultural diversity of each community and country in which we operate
- Cultivating an environmental conscience which begins with each individual project and extends to the greater planet

# salient features

- Sales revenue of R716 million (R637 million) improved through increased volumes and higher prices, offset by the stronger rand/US dollar exchange rate
- Cash operating costs reduced by R165 million
- Mining income increased to R52 million (R235 million loss)
- Profit after taxation increased to R22 million (R798 million loss)
- Earnings per share from continuing operations increased to 23,8 cents from a loss per share of 719,4 cents
- Net cash generated was R40 million (R11 million generated) resulting in the group's net cash position increasing to R246 million (R205 million). The cash balance at end of year would have been R307 million if the 10% lots of diamonds tied up at the State Diamond Trader, valued at R61 million, had been sold during the current financial year.

	2010 R'000	2009 R'000
Revenue – continuing operations	715 667	637 301
Average US\$ exchange rate (R/US\$)	7,85	8,87
Mining income/(expenses)	51 980	(235 299)
Exploration costs	4 046	52 557
Profit/(loss) for the year – continuing operations	25 149	(760 385)
Profit/(loss) for the year	21 606	(797 573)
Headline earnings/(loss)	20 538	(636 587)
– Continuing operations	23 313	(618 389)
– Discontinued operations	(2 775)	(18 198)
Earnings per share (cents)		
– Basic	20,4	(754,6)
– Diluted	20,4	(754,6)
– Headline	19,4	(602,3)
Total dividend per share (cents)	–	–
Total assets	1 008 363	984 685
Net asset value per share (cents)	308	176



# mission

## we exist to:

- Profitably expand our core business through strategically positioned alliances around the globe
- Attract investors by maintaining a track record of positive growth and acceptable returns
- Extend our diamond-ore reserves to more than 20 years through aggressive exploration and pursuing new business opportunities
- Upgrade productivity through ongoing research and development and the continual implementation of new technologies
- Manage all activities professionally and at the highest possible standard
- Enhance the quality of life in those communities in which we operate
- Play an active role in the personal growth of each employee so as to attract and retain only the best
- Empower those who work for us with the knowledge and resources to act responsibly in accordance with the shared values of all shareholders
- Foster close relationships with regulators and all levels of Government and statutory bodies, for the benefit of all stakeholders

STATEMENT OF FINANCIAL POSITION

	2010	2009	2008	2007	2006
	R'000	R'000	R'000	R'000	R'000
<b>ASSETS</b>					
Property, plant and equipment	498 252	526 198	656 262	679 571	659 027
Goodwill	–	–	37 096	37 096	37 096
Investments in associates	120	132	142	154	164
Financial assets	43 342	40 065	270 034	209 553	200 473
Deferred income tax assets	–	–	–	5 408	10 166
Current assets	464 605	415 179	428 160	479 619	368 718
Non-current asset classified as held for sale	2 044	3 111	153 595	97 599	82 854
<b>Total assets</b>	<b>1 008 363</b>	<b>984 685</b>	<b>1 545 289</b>	<b>1 509 000</b>	<b>1 358 498</b>
<b>EQUITY AND LIABILITIES</b>					
Stated capital	206 276	206 276	206 276	207 490	206 417
Reserves	120 731	(19 978)	788 196	801 945	754 956
Non-current liabilities	279 647	415 573	281 152	218 948	178 702
Current liabilities	401 709	382 814	261 427	275 929	213 735
Liabilities directly associated with non-current assets classified as held for sale	–	–	8 238	4 688	4 688
<b>Total equity and liabilities</b>	<b>1 008 363</b>	<b>984 685</b>	<b>1 545 289</b>	<b>1 509 000</b>	<b>1 358 498</b>
Net asset value per share (cents)	308	176	941	1 122	1 070

## INCOME STATEMENT

	<b>2010</b>	2009	2008	2007	2006
	<b>R'000</b>	R'000	R'000	R'000	R'000
Net operating income/(loss)	<b>66 541</b>	(256 440)	59 010	110 560	126 489
Finance costs	<b>(29 636)</b>	(23 188)	(5 963)	(8 701)	(8 730)
Share of results of associated companies	<b>(9)</b>	(7)	(7)	(10)	(6)
Net impairment of assets	<b>-</b>	(539 346)	(6 847)	24 286	(218 792)
Profit/(loss) before income tax	<b>36 896</b>	(818 981)	46 193	126 135	(101 039)
Income tax	<b>(11 747)</b>	58 596	(47 683)	(74 353)	687
Profit/(loss) for the year from continuing operations	<b>25 149</b>	(760 385)	(1 490)	51 782	(100 352)
Loss for the year from discontinued operations	<b>(3 543)</b>	(37 188)	(16 972)	(10 059)	(18 576)
Profit/(loss) for the year	<b>21 606</b>	(797 573)	(18 462)	41 723	(118 928)
Earnings per share (cents)					
– Basic	<b>20,4</b>	(754,6)	(17,5)	39,4	(112,7)
– Diluted	<b>20,4</b>	(754,6)	(17,5)	39,3	(112,7)
– Headline	<b>19,4</b>	(602,3)	(7,5)	21,7	29,9
Dividend per share (cents)	<b>-</b>	-	10,0	20,0	30,0
Dividend cover	<b>-</b>	-	(0,75)	1,09	1,00

As the global economy has continued its recovery, demand for our product and prices achieved through our tender sales process have both improved significantly.

<b>South Africa</b>	
<p><b>LAND OPERATIONS</b></p> <p>The Lower Orange River operations are situated along the banks of the Orange River approximately 50 km upstream from Alexander Bay. They are characterised by the large, high-quality diamonds which they produce.</p>	<p><b>LOWER ORANGE RIVER</b></p> <p><b>Baken</b> Trans Hex's flagship operation. The Baken Central Plant has a 1 350 tons/hour processing capacity.</p> <p><b>RICHTERSVELD OPERATIONS</b></p> <p><b>Bloeddrift</b> was recommissioned during November 2007. The current low operating cost structure allows for the potential development of a large-volume, low-cost mining operation.</p> <p><b>The Nxodap plant</b> treats in situ gravel from the Nxodap deposit.</p> <p><b>Gariep</b> is an empowerment joint venture with representatives of the local community.</p>
<b>Angola</b>	
<p>The Angolan projects are situated in the Lunda Norte province, approximately 1 000 km north-east from Luanda.</p>	<p>Trans Hex has a 33% interest in the Luana project. Pilot production is continuing and the partners will in due course decide how the mine will be developed.</p> <p>Trans Hex has a 35% interest in the Luarica project and a 32% interest in the Fucauma project. Both projects are currently under care and maintenance.</p>
<b>Exploration</b>	
<p><b>SOUTH AFRICA, ANGOLA, ELSEWHERE IN AFRICA</b></p> <p>Alluvial and kimberlite exploration is undertaken in South Africa, Angola and elsewhere in Africa.</p>	<p><b>SOUTH AFRICA</b></p> <p>Kimberlite and alluvial exploration activities in targeted areas throughout South Africa.</p> <p><b>ANGOLA</b></p> <p>A feasibility study for the Luana project has been approved. Exploration activities to delineate diamond resources on the east bank of the Luana River are continuing.</p> <p><b>OTHER AREAS</b></p> <p>Various prospects in other territories are under investigation.</p>



# at a glance

- **Well-established** land operations in South Africa with interests in Angolan mining and exploration activities
- The South African operations are cash generative and enable Trans Hex to actively explore **new opportunities**
- Continual focus on **exploration** and new business activities to increase reserves
- **Strong management** team with extensive understanding of industry and regulatory environments
- **BBBEE status fully compliant** with the Mining Charter

### BERNARD VAN ROOYEN (76)

**Non-executive Chairman** (appointed May 2010)

*BA LLB (Wits)*

Other directorships include numerous mining companies.

Representation on Trans Hex committees: audit and remuneration.

### LLEWELLYN DELPORT (48)

**Chief Executive Officer** (appointed 2004)

*BSc (Chem Eng), MBA (UCT)*

### MERVYN CARSTENS (46)

**Executive Director: SA Land Operations**

(appointed November 2007)

*National Diploma: Human Resources (Vaal), IRDP (Stell)*

### JAN DREYER (60)

**Non-executive Director** (appointed May 2009)

*BComm (Law) (Stell), LLB (Wits), HDip Tax Law and Co Law*

Other directorships include Remgro Limited.

### THEUNIS DE BRUYN (41)

**Independent Non-executive Director**

(appointed May 2008)

*CA(SA)*

Other directorships include ELB Group and numerous other unlisted private companies.

Representation on Trans Hex committees: audit and remuneration.

### EDWIN DE LA H HERTZOG (60)

**Non-executive Director** (appointed 1990)

*MB, ChB, MMed (Stell), FFA (SA)*

Other directorships include Medi-Clinic Corporation Limited and Remgro Limited.

Representation on Trans Hex committees: remuneration.

### IAN HESTERMANN (43)

**Executive Director: Finance** (appointed May 2010)

*BAcc Honours (Stell), BComm Honours (Taxation) (Stell) CA(SA)*

### ALWYN MARTIN (72)

**Independent Non-executive Director** (appointed 1997)

*BComm (UCT), CA(SA)*

Other directorships include Barnard Jacobs Mellet Holdings Limited, Medi-Clinic Corporation Limited, Datacentrix Holdings Limited and Petmin Limited.

Representation on Trans Hex committees: audit.

### THEO VAN WYK (62)

**Non-executive Director** (appointed September 2008)

*BComm LLB (Stell), HDip Tax Law (Wits)*

Other directorships include Remgro Limited, Wispeco Limited and deputy chairman of Business Partners Limited.

**ROSALINO CAETANO (53)**

**Country Manager: Trans Hex Angola Ltda**

*B Mining Eng (Agostinho Neto University, Luanda)*

**BERTUS CILLIERS (41)**

**Group Manager: New Business**

*MSc (Stell)*

**HERMAN HENNING (48)**

**General Manager: Baken**

*NHD (Met Mining), BEng (Mining), MBA*

**TIM LEE (44)**

**Group Manager: Marketing**

*MBA (Newcastle)*

**VINCENT MADLELA (39)**

**Group Manager: Legal and Stakeholder Relations**

*LLB (UOFS)*

**STAN TURKETTI (55)**

**Group Risk Manager**

*National Diploma in Police Administration*

**GREG VAN HEERDEN (48)**

**General Manager: Corporate Affairs**

*BA (Unisa)*

## LETTER TO STAKEHOLDERS



**BR VAN ROOYEN, CHAIRMAN**

The year under review has seen a marked turnaround for the group.

As the global economy has continued its recovery, demand for our product and prices achieved through our tender sales process have both improved significantly.

Production has remained solid in South Africa and this, together with a continued focus on cost control throughout the business, has been key to delivering a very encouraging set of results for the year.

Cash outflows to support the Angolan operations have remained under very tight control. With Luarica and Fucauma under care and maintenance, the focus has been on the Luana project and the successful conclusion of mining contract negotiations in May 2010 was a significant event.

Pilot production is continuing at Luana and the group is now in discussions with its Angolan partners to determine how the mine will be developed. In the meantime, the first sale of Luana product was concluded after year-end, with encouraging prices being achieved.

The group has generated a profit of R22 million during the year under review, following a loss of R798 million during the previous

year. Net cash generated amounted to R40 million and the group ends the period with cash resources of R246 million, with a further R61 million due via the State Diamond Trader process.

The board believes that the group's cash position, together with sustained performance from the South African operations, provides an excellent platform from which to maintain its status as a world-class diamond exploration, mining and marketing company and enables it to continue to explore new business opportunities.

On behalf of the board, I extend my appreciation to the management team, our employees and all stakeholders for their continued efforts and loyalty during the year. I look forward to their continued support in assisting the group to achieve its targets and take advantage of the opportunities that lie ahead for the sustainable growth of the group.

A handwritten signature in dark ink, appearing to read 'B.R. van Rooyen', written in a cursive style.

**BR van Rooyen**  
*Chairman*



# growth

The group has generated a profit of R22 million during the year under review. Net cash generated amounted to R40 million and the group ends the period with cash resources of R246 million.

## REVIEW OF OPERATIONS



L DELPORT, CHIEF EXECUTIVE OFFICER

### OVERVIEW

The group is pleased to report a profit after tax of R22 million, a significant turnaround compared to a loss of R798 million the previous reporting period.

Cash generated from operations for the period was R141 million, compared to cash utilised of R135 million the previous period, a turnaround of R276 million.

These achievements are largely attributed to two factors, namely, stringent cost management that resulted in substantial reductions in cash operating costs against the previous comparative period and the recovery of diamond prices.

After a difficult previous financial year when demand and prices for rough diamond production fell significantly due to the global financial crisis, the current year saw continual growth in both of these key areas. Prices have improved significantly and demand for Trans Hex production has remained strong.

### FINANCIAL OVERVIEW

Sales revenue of R716 million (2009: R637 million) improved through increased volumes and higher prices from the South African operations, offset by the stronger rand/US dollar exchange rate.

Cash operating costs reduced by R165 million while mining income increased to R52 million (2009: R235 million loss).

Profit for the year was R22 million compared to a loss of R798 million for the previous reporting period.

Earnings per share from continuing operations increased to 23,8 cents from a loss per share of 719,4 cents for the previous financial year.

Net cash generated was R40 million (2009: R11 million generated), resulting in the group's net cash position increasing to R246 million from a prior year balance of R205 million. The cash balance at end of year would have been R307 million if the 10% lots of diamonds tied up at the State Diamond Trader, valued at R61 million, had been sold during the current financial year.

### OPERATIONS

#### SOUTH AFRICA

South African carat production was 92 904 against 88 933 (2008/2009).

Average grade for Baken has been 1,90 carats per 100 m<sup>3</sup> (1,46 in 2008/2009), while the average stone size increased to 1,10 carats per stone from 1,04 carats per stone over the previous period.

The Richtersveld operations achieved 24 436 carats at an average stone size of 1,64 carats per stone (1,79 in 2008/2009).

Average diamond prices for Baken increased to US\$921 per carat, compared to US\$765 per carat during the previous year.

Stringent cost control measures at all operations are still in place. The declining life of mine grade at Baken will be countered by increased volumes due to the introduction of in-field screened run-of-mine material to the plant.

In respect of Marine operations, holding costs pending sale of the one remaining vessel were reduced substantially to R3 million (2009: R17 million).

The shallow-water projects were recommissioned on a revised business model in an attempt to make them cash generative.



# operations

Diamond prices have improved significantly and demand for Trans Hex production has remained strong.

## REVIEW OF OPERATIONS CONTINUED

The sustainability of the new model is being monitored on a continued basis and a final decision on its future will be made towards the end of the new financial year.

### ANGOLA

Pilot production at Luana, in which Trans Hex has a 33% interest, was 20 510 carats at an average grade of 33,91 carats per 100 m<sup>3</sup>, while the average stone size was 0,41 carats per stone. During the previous financial year pilot production and bulk sampling achieved 6 950 carats at an average grade of 28,93 carats per 100 m<sup>3</sup>, while the average stone size was 0,34 carats per stone.

At year-end the project had 31 822 carats available for sale.

The Luarica and Fucauma projects, in which Trans Hex has a 35% and 32% interest respectively, remained under care and maintenance during the year.

The group is not providing any funding for the Luarica project and provides minimal funding for care and maintenance services at the Fucauma operation.

Detailed project information is recorded hereunder:

#### Detailed project information

Detailed project information (Unaudited) 2010	Average grade per 100 m <sup>3</sup>	Carats produced	Average carats per stone	Average price per carat achieved (US\$)
<b>South Africa</b>				
Baken Richtersveld Operations	1,90	58 760	1,10	921
Shallow Water	–	9 708	0,29	306
<b>Angola</b>				
Fucauma	–	–	–	–
Luana	33,91	20 510	0,41	–
Luarica	–	–	–	–
<b>2009</b>				
<b>South Africa</b>				
Baken Richtersveld Operations	1,46	55 847	1,04	765
Shallow Water	–	5 874	0,35	376
<b>Angola</b>				
Fucauma	11,86	30 423	0,32	156
Luana	28,93	6 950	0,34	–
Luarica	12,97	48 338	0,35	215

## EXPLORATION

### ANGOLA

An extensive programme of drilling and bulk sampling to assess the potential of the west bank of the Luana River on the Luana

Concession was completed in July 2008. The results from this programme allowed the delineation of 3 million carats in Indicated resource and over 10 million carats in Inferred resource. Venmyn Rand was commissioned to carry out an independent Competent Person's Report (CPR) on the resources and reserves of the Luana concession. The CPR was completed in November 2008 and validated the work and resource reserve reporting done to date.

A pre-feasibility study on the Luana project was undertaken by independent contractors PPM/Metcon from Johannesburg during the second half of 2008. The study found that it was technically feasible and economically viable to open a new mine at Luana. The findings of the study were presented to Endiama in November 2008 and duly approved. After minor changes to some aspects of the study, the Minister of Geology and Mines approved the study in June 2009. Negotiations for the conversion of the prospecting contract to a mining contract commenced in earnest in December 2009 with the appointment of the new Endiama board of directors. The mining contract negotiations were concluded in May 2010 and the contract was signed on 12 May 2010.

Reverse circulation drilling is set to commence on the east bank of the Luana River with the objective of further delineating the Calonda deposits in this area.

### SOUTH AFRICA

Only limited exploration work was undertaken in South Africa during the year due to the challenging financial conditions. Exploration focused on continued delineation and extension of the resource base on the Lower Orange tenement.

### NEW BUSINESS

The group continues to evaluate new business opportunities in its existing areas of operations as well as suitable projects in potential new territories of operation within Africa.

## DIAMOND RESERVES AND RESOURCES REPORT

The group's diamond reserves and resources report is contained in the annexure to the review of operations.

### THE ROUGH DIAMOND MARKET

After an extremely difficult time for the industry in 2008/2009 as a result of the global economic crisis, the latest financial period has seen a strong and continuous recovery in rough diamond demand. Pricing levels for rough production have returned to those seen before the financial crisis with market conditions continuing to strengthen since year-end.

Total diamond sales for the year amounted to R716 million, an increase of 12,4% over the previous year. The average price of sales from South African production was US\$947 per carat.

## POLISHING FACTORY

Urembo Diamonds, a small-scale black economically empowered polishing factory, was established in Johannesburg during 2008. The company is now in full production and has significant potential for increasing production beyond current levels.

## HUMAN CAPITAL

### Staff complement

As at 31 March 2010, total direct employment in South Africa and Angola amounted to 680 employees. Indirect employment, through joint ventures and contractors, totalled an additional 400 employees in South Africa and 150 in Angola.

### Employment equity

The table below indicates progress towards employment equity targets for South African employment as at 31 March 2010:

#### Employment equity progress table

Occupational levels	Actuals as at March 2009	Actuals as at March 2010	Percentage targets 2010
	Non-designated: Designated	Non-designated: Designated	Non-designated: Designated
Top management (F-band)	33% : 67%	33% : 67%	33% : 67%
Senior management (D-upper + E-band)	66% : 34%	64% : 36%	60% : 40%
Professionally qualified (D-lower)	23% : 77%	11% : 89%	30% : 70%
Skilled and technically qualified (C-band)	8% : 92%	9% : 91%	10% : 90%

### Training and development

The group continues to aspire towards the achievement of a culture of continuous improvement through the provision of learning and development opportunities for all staff.

Key elements of this approach include adult basic education and training (ABET) classes; on-the-job training, coaching and mentoring; learnerships; formal training courses; experiential training and development assignments; bursaries; study loans; and a policy of promotion from within.

### Bursaries

The Trans Hex Bursary Scheme for employees' children provides financial assistance towards tertiary education to deserving students.

### HIV/Aids and employee wellness

Trans Hex has a comprehensive employee wellness programme which includes access to on-site clinic facilities and to off-site medical specialists for employees and their family members;

a holistic HIV/Aids management programme, incorporating awareness, voluntary testing, provision of condoms, access to treatment and antiretroviral drug therapy, counselling and other support services; substance abuse and rehabilitation programmes; a 24-hour, 7 days a week employee helpline service; and individual access to professional counsellors and social workers.

The effective planning and implementation of employee wellness programmes is ensured through the operation of project-based and central-level committees, consisting of management, employees and trade union representatives, together with employees trained as peer educators and a full-time HIV/Aids co-ordinator.

### Corporate social investment

The group's corporate social investment activities focus on improving quality of life for disadvantaged communities. The group is committed to community development, empowerment and sustainability, especially in the surrounding communities where its mining operations occur.

The group contributes specifically towards interventions relating to education, adult literacy, healthcare, and arts and culture projects.

The Namaqualand Diamond Fund Trust, which comprises representatives of seven rural districts in the Namaqualand, was a beneficiary of R26 million (2009: R24 million) during the reporting period and has received a total of R370 million from the group since it started operating.

## OUTLOOK

South African Land operations' production is anticipated around 100 000 carats for the 2011 financial year, while tight cost and cash control will continue to be exerted, with only inflationary increases expected.

The Luana mining contract was signed on 12 May 2010 and pilot production will continue, with equipment already on site. The partners will in due course decide how the mine will be developed. Sale of the Luana product produced during pilot production commenced in May 2010.

We remain positive about demand and pricing levels, as sales since year-end have continued to show a strengthening in prices. Longer-term, reduced rough production levels globally and a gradual recovery in major economies from the recession will likely see demand for rough production increase.



**L Delpont**  
Chief executive officer

## ANNEXURE TO REVIEW OF OPERATIONS

### DIAMOND RESERVES AND RESOURCES

#### LAND DIVISION

31 March 2010

#### Diamond reserves

Project name	Probable		
	Ore (m <sup>3</sup> x 1 000)	Grade (cts/100 m <sup>3</sup> )	Carats (cts)
Baken	17 452	1,43	248 793
Bloeddrift	3 416	1,28	43 846
Reuning	1 318	1,74	22 922
Luana*	8 441	26,40	2 228 464
Luarica*	53	18,50	9 889
Fucauma*	0	0,00	0
<b>Total</b>	<b>30 680</b>	<b>8,32</b>	<b>2 553 914</b>

#### Diamond resources

Project name	Indicated			Inferred		
	Ore (m <sup>3</sup> x 1 000)	Grade (cts/100 m <sup>3</sup> )	Carats (cts)	Ore (m <sup>3</sup> x 1 000)	Grade (cts/100 m <sup>3</sup> )	Carats (cts)
Baken	20 896	1,35	281 304	58 054	0,64	369 980
Bloeddrift	30 348	0,61	184 347	23 569	0,79	185 143
Reuning	6 842	0,95	52 394	29 113	0,42	158 838
Remhoogte				11 503	1,15	131 779
Luana*	10 733	26,58	2 852 807	50 602	22,66	11 464 702
Luarica*	2 222	21,69	482 014	5 880	17,61	1 035 541
Fucauma*	2 264	17,17	388 669	7 177	14,07	1 009 608
<b>Total</b>	<b>73 305</b>	<b>5,79</b>	<b>4 241 535</b>	<b>185 898</b>	<b>7,72</b>	<b>14 355 591</b>

#### Notes:

*Diamond resources are quoted inclusive of diamond reserves.*

*All resources are quoted as recoverable grades at a bottom screen cutoff of 2 mm for South African and 1,6 mm for Angolan projects.*

*\* Total project reserves and resources are shown for Angola; THG share of these projects are: Luana 33%, Luarica 35% and Fucauma 32%.*

*Diamond Reserve grades for Angolan projects are quoted as ROM grades, i.e. bulked and diluted.*

*All other diamond grades are quoted as in situ grades.*

#### MARINE DIVISION

31 March 2010

#### Diamond resources

Concession	Indicated			Inferred		
	Area (m <sup>2</sup> )	Grade (cts/m <sup>2</sup> )	Carats (cts)	Area (m <sup>2</sup> )	Grade (cts/m <sup>2</sup> )	Carats (cts)
2b	515 210	0,21	108 194	1 043 000	0,11	114 730
3b	550 000	0,07	38 500	460 000	0,05	20 700
6b				5 838 711	0,02	99 258
11b	83 000	0,04	3 320			
13b	72 169	0,05	3 608			
<b>Total</b>	<b>1 220 379</b>	<b>0,01</b>	<b>153 622</b>	<b>7 341 711</b>	<b>0,03</b>	<b>234 688</b>

#### Notes:

*No marine resources are stated for the shallow-water areas (< 25 m water depth).*

*In these areas the mineralisation is generally erratic and the lack of suitable technology to sample this zone has prevented definitive resource delineation.*

## NOTES TO THE RESOURCE RESERVE STATEMENT

### I. Competent Person and general compliance

The group's Diamond Resources and Diamond Reserves have been prepared under the guidance of the company's Competent Person, Mr LM Cilliers (MSc, Pri Sci. Nat. 400135/00, GSSA 963975), who is duly registered with the South African Council for Natural Scientific Professions (SACNASP) as required by South African Law. This ensures that the Mineral Resource statements are compliant with the South African Mineral Resource Code (SAMREC). The company's Competent Person has taken into account the definitions included in the SAMREC, and the Diamond Resource and Diamond Reserve quantities reported here are considered to be fully compliant in all material respects with the requirements of the SAMREC.

### II. General notes

A total of 58 760 carats were mined from the **Baken** Reserve during the past year, at an average stone size of 1,10 carat per stone. Higher estimated diamond prices for the coming year positively influenced the payability of marginal resources resulting in the Baken reserve carats reducing by only 14% year on year.

At **Bloeddrift** a total of 15 288 carats were recovered during the year, mainly from the B2 palaeochannel, at an average stone size of 1,72 carats per stone. Higher estimated diamond prices for the coming year resulted in an increase

in reserve carats of 19% from last year, mostly through the addition of payable reserves from the large-volume, low-grade Meso deposits. The **Reuning** Reserve was depleted by 9 148 carats through ongoing mining of the Nxodap orebody during the year. An average stone size of 1,50 carats per stone was realised.

The **Remhoogte** property originally formed part of a transaction in which Trans Hex sold a number of its Middle Orange River rights to Rockwell Resources. However, in the final close-out of the transaction in 2009, the Remhoogte right was not transferred and therefore remains a Trans Hex asset. The 131 779 carats in Inferred resource that has been delineated through past exploration activity was therefore added to the Trans Hex Diamond Resources.

In Angola, mining operations at **Luarica** and **Fucauma** were placed under care and maintenance due to the sharp drop in diamond prices during 2008/09.

Negotiations for the conversion of the **Luana** prospecting contract to a mining contract have been successfully concluded with the signing of the mining contract in middle May 2010. Pilot production utilising the bulk sample equipment produced 20 351 carats and largely confirmed the results generated from the bulk samples. Reverse circulation drilling has recommenced, with the main target being the further delineation of the Inferred resources on the east bank.

The **Marine** resources remained unchanged.

## CORPORATE GOVERNANCE

Trans Hex Group Limited and its directors have accepted and are fully committed to the following seven commonly accepted characteristics of good corporate governance in accordance with the King II Report: discipline, transparency, independence, accountability, responsibility, fairness and social responsibility. King III became effective 1 March 2010 and as such was relevant for one calendar month during this financial year. To ensure effective consideration to King III and effective adoption of the principles, a management committee was established to study the required changes for consideration by the board. The relevant aspects are highlighted herein.

The directors believe that the company has in all material respects complied with the Code of Corporate Practices and Conduct, as set out in the King II Committee Report, throughout the period under review. Accordingly, all instances of non-compliance to the Code have been disclosed in this report and occurred for the duration of the period under review.

### BOARD OF DIRECTORS

The group has a unitary board structure. The board meets on a quarterly basis, retains full and effective control over the group and monitors the executive management. The board itself takes key decisions to ensure it retains proper direction and control of the group, strategic issues, the business plan, acquisitions, disposals and other major contracts and commitments, group policies and stakeholder reporting. The board implemented a delegation of authority to govern issues delegated to management.

The roles of the chairman and chief executive officer do not vest in the same person and the chairman is a non-executive director. The chairman and chief executive officer provide leadership and guidance to the group and encourage proper deliberation of all matters requiring its attention, with optimum input from the other directors. The nomination of a lead independent director will be considered by the board given the fact that the chairman is not an independent non-executive director.

There is a clear division of responsibility at board level to ensure a balance of power and authority such that no one individual has unfettered power of decision-making.

The board has four non-executive and two independent non-executive directors who are appointed for specific terms. Reappointment is not automatic. Such appointments are formal and transparent and a matter for the board as a whole. There are three executive directors on the board.

During the year under review, the board met four times. The board schedules a meeting at least once every quarter.

A number of standing committees of the board have been established. These committees operate with written terms of reference and comprise, in the main, of non-executive directors.

The chairman of each committee is a non-executive director. All mandates of the standing committees are being reviewed to ensure alignment with the requirements of King III.

### REMUNERATION COMMITTEE

#### Members of the remuneration committee

Edwin de la H Hertzog (chairman)	non-executive director
Theunis de Bruyn	independent non-executive director
Bernard van Rooyen	non-executive director

The chief executive officer attends meetings of the remuneration committee, but does not participate in any discussion or decisions regarding his own remuneration.

The remuneration committee reviews and approves the remuneration and terms of employment of executive directors and senior employees of the group. The remuneration committee has satisfied its responsibilities during the year in compliance with its terms of reference. The committee also acts as a nomination committee for director appointments.

The remuneration committee met on four occasions during the year. A quorum was present at each of these meetings.

Non-executive directors do not have service contracts. The remuneration paid to executive and non-executive directors of the group is disclosed in total in note 19 to the annual financial statements.

The fees for non-executive directors are based on an annual retainer component plus attendance at meetings. All fees are considered by the Remuneration Committee before being submitted to the board and shareholders for approval.

### AUDIT AND RISK COMMITTEE

#### Members of the audit and risk committee

Alwyn Martin (chairman)	independent non-executive director
Bernard van Rooyen	non-executive director
Theunis de Bruyn	independent non-executive director

Both the internal and external auditors have unrestricted access to the audit and risk committee, which ensures that their independence is in no way impaired. Meetings are held regularly and are attended by representatives of the external and internal auditors. The chief executive officer and the financial director attend as representatives of the group's management.



# precision

There is a clear division of responsibility at board level to ensure a balance of power and authority such that no one individual has unfettered power of decision-making.

The audit and risk committee deals with issues relating to risk management, the internal and external audit, including accounting policies and financial reporting, health, safety and environmental management, the safeguarding of assets, and internal control within the mandate given by the board. The audit and risk committee has satisfied its responsibilities during the year in compliance with its terms of reference. The audit and risk committee will in future, as per the revised mandate, also review the information technology governance policies and include its deliberations in its feedback to the board.

The audit and risk committee met on four occasions during the year and all the members attended the meetings.

The group has a group risk management committee (GRMC) and each major operation has an operational subcommittee. This includes Trans Hex Angola which has monthly operational risk meetings and maintains its own risk register for the Angolan investments. The GRMC reports to the audit and risk committee on all risk management issues and ensures compliance with the ongoing process of identifying, evaluating and managing significant risks. Corrective actions and preventive measures are taken and thereafter closely monitored. Any significant risk that is new to the group is reported via the GRMC to the audit and risk committee.

Employees are obliged to report incidents and 'near misses' which are captured in an electronic incident reporting system. All incidents and 'near misses' are investigated by management and corrective action is implemented and recorded before the close-off of any incidents. All incidents are trended by type, area, cost and location.

Risk management is a key focus area at operational level, with risk management as a fixed agenda point in all meetings. It is at this level that strategies and procedures are set within the policy, programmes are executed and performance reporting is conducted.

The board, through the audit and risk committee, is responsible for the total process of risk management as well as for forming its own opinion on the effectiveness of the process. Management is accountable to the board for designing, implementing and monitoring the process of risk management and integrating it into the day-to-day activities of the company. The risk management policy and mandate has been approved by the board. The risk management policy will be updated to reflect compliance with the Committee of Sponsoring Organisations (COSO) framework. This will also be extended to formally incorporate the board's view on the group's risk-bearing capacity as part of risk assessments and risk funding activities.

The report of the audit and risk committee chairman is included on page 22.

## INTERNAL CONTROL

The group maintains adequate accounting records and effective systems of internal control and risk management over financial reporting and the safeguarding of assets against unauthorised acquisition, use or disposition.

These systems are designed to provide reasonable assurance to the company's management and board of directors regarding the preparation of reliable published financial statements. They include a documented and tested organisational structure and division of responsibility and established policies and procedures, including a code of conduct to foster a strong ethical climate, all of which are communicated to all personnel.

Internal auditors monitor the operation of the internal control systems, report findings and make recommendations to management and the audit and risk committee. Corrective actions are taken to address control deficiencies and opportunities for improving the system are constantly sought. The board, operating through its audit and risk committee, supervises the financial reporting process.

The group assessed its internal control system as at 31 March 2010 in relation to the criteria for effective internal control over financial reporting. Based on its assessment, the group is satisfied that its systems met those criteria.

## PROFESSIONAL ADVICE

All directors have access to the advice and services of the group company secretary who is responsible to the board for ensuring procedures are followed. All directors are entitled to seek independent professional advice about the affairs of the group and have unrestricted access to company records.

## MANAGEMENT REPORTING

The group has comprehensive management reporting disciplines in place, which include the preparation of annual budgets by all operating units. Monthly results and the financial status of operating units are reported against approved budgets and compared to the prior year. Profit projections and forecast cash flows are updated monthly while working capital and borrowing levels are monitored on an ongoing basis.

## EMPLOYER/EMPLOYEE RELATIONS

The group uses a variety of participative structures to deal with issues affecting employees directly and materially. These include collective bargaining mechanisms, safety committees, training and development forums, employee wellness structures, and regular project-level meetings between management and employee representatives.

These structures, established with trade union representatives, are designed to achieve sound employer/employee relations through effective sharing of relevant information, regular consultation and the early identification and resolution of potential conflict.

### **EQUAL OPPORTUNITIES**

The group is committed to providing equal opportunities to prospective and current employees in all spheres of its business. Measures have been taken to eliminate all discriminatory provisions, to eliminate barriers to employment and to advance diversity in the workplace. All new appointments are made in compliance with the group's employment equity targets and comprehensive plans for the training and development of employees from the designated groups have been adopted.

### **SHARE TRANSACTIONS BY DIRECTORS AND SENIOR PERSONNEL**

According to group policy, directors and senior personnel are required to adhere to the code of conduct with regard to dealing in shares of the group during periods of price sensitivity.

### **CODE OF CONDUCT AND CODE OF ETHICS**

The group is committed to the highest standards of integrity, behaviour and ethics in dealing with all stakeholders. The directors have implemented controls to monitor that the values, behaviour and ethics, as outlined in the company's corporate charter and code of ethics, are being adhered to.

A confidential reporting mechanism is in place where employees are assured of anonymity when reporting matters relating to diamond theft, fraud and other crime within the company.

The legal responsibilities of the Trans Hex Group audit committee (the committee) as set out in the Companies Act, 61 of 1973 (as amended), as read with the Corporate Laws Amendment Act, 24 of 2006, and section 94 of the Companies Act, 71 of 2008, are incorporated in the committee's mandate, which is reviewed regularly and approved by the board.

**The group is committed to the highest standards of integrity, behaviour and ethics in dealing with all stakeholders.**

# AUDIT AND RISK COMMITTEE REPORT

## COMPOSITION OF THE COMMITTEE AND INVITEES

The members of the audit and risk committee are:

- Alwyn R Martin (Chairman)
- Bernard R van Rooyen
- Theunis de Bruyn

The chief executive officer, financial director and representatives of the internal auditors as well as the external auditors are invited to attend the committee meetings. Mr Theunis de Bruyn was appointed to the committee on 27 May 2010. Non-executive director, Advocate Theo van Wyk, is not a committee member but attends meetings by invitation. The external auditors attend all committee meetings and separate meetings are held to afford them the opportunity of discussion, without the presence of management or internal auditors. The internal auditors attend all committee meetings and are similarly afforded separate meetings with the committee.

## INTERNAL AUDIT

Internal audit is an independent assurance function. The internal auditors have a direct reporting line to the committee chairperson and also meet regularly with the executive management. The internal audit mandate has been updated to ensure compliance with King III.

## EXTERNAL AUDIT

The group's external auditors are PricewaterhouseCoopers Inc.

The audit committee, after reviewing a report by the external auditors, has confirmed and is satisfied with the independence of the external auditors.

## KEY FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

The key functions and responsibilities of the committee as outlined in the committee mandate are to:

1. Enquire as to the adequacy of the company's system of internal controls; review the evaluation of financial controls by external and internal auditors.
2. Review the findings of any significant examination by the external and internal auditors concerning the company's financial matters.
3. Review the terms of engagement and audit scope and approach of the external auditors and review and approve their fees. Evaluate the performance of the external and internal auditors.
4. Review the company's annual consolidated financial statements and auditor's report thereon.
5. Review external auditor's management comment letter and management's responses thereto.
6. Enquire as to any disagreements between management and external auditors or restrictions imposed by management on external auditors.
7. Review the company's annual report and other disclosure documents, including the report of the board of directors containing audited or unaudited financial information.
8. Review any change in the company's accounting policies.
9. Review with management and external auditors any significant financial reporting issues, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of management that may be material to financial reporting.
10. Review the company's interim consolidated financial statements and recommend their approval to the board of directors.
11. Review with legal counsel any legal matters having a significant impact on the financial reports.
12. Review the company's overall compliance with the legislative environment in which the company operates, including compliance with the JSE Listings Requirements and the King Code on corporate governance.
13. Review the independence of internal and external auditors including a review of any engagements for non-audit services provided by external auditors or their affiliates.
14. Review the appointment, dismissal or reassignment of the internal audit function.
15. Review and make recommendations on the appointment and retention of the external auditors, and any questions of resignation or dismissal of the auditors.
16. Monitoring the ethical conduct of the company, its executives and senior officials. This includes:
  - Reviewing any statements on ethical standards or requirements for the company and assisting in developing such standards and requirements
  - Identification of any violations of ethical conduct
  - Give recommendations on any potential conflict of interest or questionable situations of a material nature



# audit

The internal audit mandate has been updated to ensure compliance with King III.

17. Periodically review the policies and practices of the company in regard to cash management, use of financial derivatives, financing, credit, insurance, taxation and related matters.
18. Review the effectiveness of management in ensuring the integrity and security of the company's electronic information systems and records.
19. Provide an open avenue of communication between management, the external auditors and the board of directors.
20. Conduct any independent investigations into any matters, which come under its scope of responsibilities.
21. Review and/or approve other financial matters delegated specifically to it by the board of directors.
22. Review the effectiveness with which the company meets its obligations pertaining to the environment, health and safety.
23. Review the appropriateness of the company's risk philosophy and strategy. A group risk committee will report twice a year to the committee to evaluate the business risks/significant risks pertaining to the company. The evaluation will also include the risk management process and the controls implemented to reduce or prevent the risks and their possible impact. This will assist the audit committee in deciding the nature and extent of assurance it requires from external and internal audit.
24. The committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice, as it considers necessary to carry out its duties.
25. Report to the board of directors on the activities of the committee with respect to the foregoing matters at each board meeting and at any other time deemed appropriate by the committee or upon request of the board of directors.

The board will assess the committee's compliance to and performance in terms of its revised mandate annually, prior to appointing the membership of the audit committee for the next financial year.

### EFFECTIVENESS OF INTERNAL CONTROL

The group maintains adequate accounting records and effective systems of internal control and risk management over financial reporting and the safeguarding of assets against unauthorised acquisition, use of or disposal.

These systems are designed to provide reasonable assurance to the company's management and board of directors regarding the preparation of reliable published financial statements. They include a documented and tested organisational structure and division of responsibility and established policies and procedures, including a code of conduct to foster a strong ethical climate, all of which are communicated to all personnel.

It is a function of internal auditors to monitor the operation of the internal control systems, report findings and make recommendations to management and the board of directors. Corrective actions are taken to address control deficiencies, and opportunities for improving the system are constantly sought. The board, operating through its audit and risk committee, supervises the financial reporting process.

The group assessed its internal control system as at 31 March 2010 in relation to the criteria for effective internal control over financial reporting. Based on its assessment, the group is satisfied that its systems met those criteria.

### CONFIRMATION AND RECOMMENDATION

Having considered, analysed, reviewed and debated information provided by management, internal audit and external audit, the committee confirmed that:

- the internal controls of the group have been effective in all material aspects throughout the year under review;
- these controls have ensured that the group's assets have been safeguarded;
- proper accounting records have been maintained; and
- resources have been utilised efficiently.

The committee is unable to provide the above confirmation in respect of any joint venture or entity in which the group does not have a majority interest or shareholding.

### APPROPRIATENESS OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR

In terms of the JSE Listings Requirements, the audit and risk committee had, at its meeting held on 24 May 2010, satisfied itself as to the appropriateness of the expertise and experience of the financial director.

### REAPPOINTMENT OF EXTERNAL AUDITORS

The committee confirms the skills, independence, audit plan, reporting and overall performance of the external auditors are acceptable and that it recommends their reappointment for the financial year ending March 2011.

## ANNUAL FINANCIAL STATEMENTS

The committee has:

- reviewed and discussed the audited annual financial statements included in the annual report with the external auditors, the chief executive officer and the financial director;
- reviewed the external auditor's management letter and management's response thereto;
- reviewed significant adjustments resulting from external audit queries and accepted any unadjusted audit differences; and
- received and considered reports from the internal auditors.

The committee concurs with and accepts the external auditor's conclusions on the annual financial statements and has recommended the approval thereof to the board. The board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.



**AR Martin**

*Chairman – audit and risk committee*

The internal controls of the group have been effective in all material aspects throughout the year under review.

# SUSTAINABILITY AND MINING CHARTER REPORT

Trans Hex views sustainability as the ongoing ability to protect and grow shareholder value through positively managing the group's impact on and relationship with diverse stakeholder constituencies. In support of our commitment to sustainable development, the group makes available funding, as well as our expertise and business skills, to protect and develop the overall economic, social and natural environment in which we conduct business, by inter alia:

- Aiming to integrate economic, social and environmental concerns and opportunities within decision-making forums at all levels and applying these factors in delivering business goals in line with the group's overall strategy
- Being an efficient, ethical and value-creating business
- Creating meaningful employment in safe and healthy environments
- Reducing its environmental impact and contributing to biodiversity management
- Innovation, technology and process improvement
- Creating social partnerships to address societal problems such as HIV/Aids and lack of rural development
- Striving to ensure that our values and practices reflect international norms and meet community and social expectations

## SAFETY, HEALTH AND ENVIRONMENT

### ENVIRONMENTAL MANAGEMENT

#### Environmental policy and commitment

Environmental management at all the group's operations is largely governed by its environmental policy, which sets out the company's broad commitment to sound environmental management, as well as its Safety, Health and Environment Group Standards. In addition, compliance with legal requirements, especially the provisions of the Mineral and Petroleum Resources Development Act (MPRDA) No. 28 of 2002, forms the cornerstone of environmental management and the company's corporate charter pledges this commitment. In order to put into effect the policy commitments, various site-specific implementation tools have been developed.

#### General environmental management

The group has existing environmental management programmes (EMPs) for its operations that were approved in terms of the Minerals Act (No 50 of 1991). EMPs are revised continuously to ensure that they are still in line with current prospecting and mining operations and are aligned with the requirements of the MPRDA. An environmental implementation system has been developed and provides for regular monitoring of the activities that have potential environmental impacts. A newly developed Safety, Health and Environment Group Standards (SHEGS) protocol sets standards and minimum requirements for risk assessment, projects, resources, personnel, operational activities, medicals, contractor management, emergency preparedness, incident investigation, reporting, performance and compliance auditing.

#### External environmental performance auditing

Environmental assessment performances audits, both regular internal and biannual external audits are undertaken to assess companies' compliance with environmental management commitments set out in the EMPs as well as to determine the relevance of the EMPs in relation to the current mining operations and general environmental legislation compliance. Inherent in the audited environmental components are aspects related to integration of the corrective actions into daily operations and identification of areas of improvement. The key audit findings highlight that there is improvement on integration of EMP requirements during planning of operational activities. However, there is a need for an improved document control system. To achieve implementation and monitoring commitments, an environmental committee, comprising employees at all levels, was established in the Lower Orange surrounding communities. For any changes to the mining operations and introduction of new mining equipment, environmental impact assessments are done and communicated to relevant authorities and stakeholders.

#### Waste management

Waste management audits were conducted for Richtersveld Operations in February 2009. General waste is disposed of in mine licensed general waste disposal sites. Hazardous waste that is produced by the group is in the form of used lubrication oil, oil filters, oily rags and batteries. Used batteries are generally collected and disposed of by suppliers of new batteries. There is lack of an integrated waste management system with a determined 'cradle to grave' approach. As part of the implementation of the corrective actions, a comprehensive waste management plan which focuses on waste minimisation, recycling and disposal will thus be compiled. Any hydrocarbon rehabilitation/soil remediation is done in line with Department of Water Affairs and Forestry minimum requirements, thus ensuring that there is no water pollution and that the soils are re-used for rehabilitation of mining disturbed areas. Ferrosilicon, the heavy-medium separation material used in the company's extraction plants, is an inert substance and poses no threat to the environment. Losses thereof are, nevertheless, limited and closely monitored.

#### Stakeholder engagement

Stakeholder engagement is undertaken at all mining and prospecting operations as part of the environmental impact assessment process and through the implementation of the mine's corporate social investment initiatives. Key stakeholder concerns relate to rehabilitation, biodiversity management, energy use and water management. There are key developmental strategies to address these aspects. Integrated water and waste management plan as well as a rehabilitation strategy have been developed for the LOR Operations. Water recycling strategies with a target of at least 70% are being implemented. Annual energy consumption strategies are being looked at to ensure that energy efficiency



# sustain

Trans Hex views sustainability as the ongoing ability to protect and grow shareholder value through positively managing the group's impact on and relationship with diverse stakeholder constituencies.

is improved by at least 10%. In line with the group's broader communication strategy, operations adopt site-specific environmental communication tools.

### OCCUPATIONAL MINE HEALTH AND HEALTH AND SAFETY DEPARTMENT

The comprehensive Medical Surveillance Programme was fully implemented as per the revised Mandatory Code of Practice for Minimum Standards of Fitness to perform work at a mine.

Health and safety throughout the Lower Orange River remains a key focus area in order to:

- Improve the occupational health and safety awareness and well-being of all employees
- Improve and maintain the health and safety management system
- Enhance legal compliance
- Minimise or eliminate risk to employees
- Prevent injuries to employees and damage to company property

#### Health and safety management system

Two internal audits on the Trans Hex Safety Management System were conducted during the first and fourth quarters of 2009/10 in order to ensure compliance and to highlight shortcomings.

Continuous inspections, follow-ups and observations are key drivers to ensure sustainability, assessing safety behaviour and to ensure compliance. Numerous basic key elements, e.g. risk assessments, planned inspections, task observations and communications are part of day-to-day safety management.

Senior health and safety (H&S) officers have been appointed at Reuning and Baken. This ensures better control over the H&S system and more effective communication. A full-time H&S representative has been appointed for the South African land operations.

A risk-based external audit (IRCA) was conducted in the week of 12 April 2010. This will provide a baseline from which preparations for ISO 14001 and OHSAS 18001 accreditation will be conducted. The third phase will strive for STAR rating.

The responsibility for health and safety training has been decentralised to line managers. The involvement of the line managers simplifies the system and thus makes the system more audit friendly.

There is a purposeful drive to create a health and safety culture within the organisation. One of the methods that have been

implemented to create such a culture is the five-minute Safety Talk. With every shift change the whole shift has a safety topic they discuss. Training records are being kept of the five-minute Safety Talk.

The health and safety culture is further being promoted by the running of team-building workshops for all members involved in health and safety. The workshops thus far have been a major success.

It is clear that every employee is being involved and made part of the health and safety culture; this multilevel approach is already delivering dividends.

A new competition for the South African land operations has been created and commenced on 1 June 2008. The competition is divided into three categories, namely, Individual Safety Incentive Scheme, Trans Hex LOR Safety Shield Competition and Annual Safety Competition. Prizes and shields will be awarded after a 12-month period. The second Annual Safety Day has been scheduled for October 2010.

The objective of this competition is to enhance a health and safety culture, improve and maintain health and safety management systems and to give recognition for individual and section safety performance in the LOR operations.

#### Risk assessments

The continuous risk assessment method is fully implemented as per the Safety Management System and teams are participating in risk assessments prior to task performance.

#### Accident investigations

The Lower Orange River adopts the approach that every incident has the potential of a high severity. Therefore we investigate all events in order to identify repetitive behaviour and to ensure remedial actions, simply to prevent events from recurring.

#### Accident record and statistics

Further objectives are to minimise all types of injuries thereby maintaining an LTIFR ("lost time injury frequency rate") of less than 0,5, reduce absenteeism in order to eliminate safety risks, encourage 'near miss' reporting, eliminate property damage and encourage team performance.

The accident rate calculations are based on the 200 000 man-hours worked norm, as per the NOSA formula. Frequency rates are calculated for the four categories, i.e. fatal injuries (FIFR), reportable injuries (RIFR), disabling injuries (DIFR) and minor injuries (MIFR), all expressed on a calendar-year basis.

## Trans Hex Group safety performance – year on year

	2005	2006	2007	2008	2009	2010
Number of disabling injuries	10	5	7	1	2	<b>1</b>
Disabling injury-free rate (DIFR)	0,51	0,25	0,39	0,25	0,3	<b>0,09</b>
Change (year on year) %	(69)	(51)	56	(36)	20	<b>(0,7)</b>

## CORPORATE SOCIAL INVESTMENT

The group's corporate social investment activities focus on improving quality of life for disadvantaged communities. The group is committed to community development, empowerment and sustainability, especially in the surrounding communities where its mining operations occur.

The group contributes specifically towards interventions relating to education, adult literacy, healthcare, and arts and culture projects.

The Namaqualand Diamond Fund Trust, which comprises representatives of seven rural areas in the Namaqualand, was a beneficiary of R26 million (2009: R24 million) during the reporting period and has received a total of R370 million from the group since it started operating.

## THE SOUTH AFRICAN MINING CHARTER

Trans Hex is actively implementing various projects and interventions in line with the requirements of the Broad-based Socio-economic Empowerment Charter for the South African Mining Industry ("the mining charter").

Participative structures, including a transformation committee, are in place to ensure the implementation of all aspects of the mining charter scorecard as reported below.

## HUMAN RESOURCES DEVELOPMENT

The company is committed to providing meaningful development opportunities to all its employees. Training and development programmes include adult basic education and training (ABET), learnerships, formal training courses, coaching, mentoring and leadership development.

## EMPLOYMENT EQUITY

Trans Hex currently exceeds its representation targets as stipulated in the mining charter. The employment equity status report is published in the review of operations section of this report.

As at 31 March 2010, 15,7% of the group's South African employees were women and 6,4% of all management positions were occupied by women.

## MIGRANT LABOUR

The group does not employ migrant labour and the majority of its employees are sourced from local communities.

## HOUSING AND LIVING CONDITIONS

Trans Hex seeks to promote and facilitate home ownership by its employees and provides a range of housing benefits, including housing subsidies, allowances and interest-free housing loans.

At the projects, employees are provided with free accommodation in single quarters, flats and houses. Subsidised meals are provided by a specialist contractor and are regularly monitored for nutritional content.

The company provides a holistic employee wellness programme which includes information and advice on diet, health and lifestyle choices.

## MINE COMMUNITY AND RURAL DEVELOPMENT

The group plays a significant role in the ongoing development of communities and of infrastructure in the Richtersveld and Namakwa District municipalities.

Trans Hex is committed to the development of small, medium and micro enterprises and has initiated a range of successful projects which it continues to support. These include a gymnasium and an internet café offering computer skills training for community members; convenience stores; guesthouses; a fuel station; cleaning services; tourism services; and transport services. All of these ventures are operated by local community members.

In addition, the group has made significant contributions towards road improvements and maintenance, the provision of fresh water to local communities, and the improvement of various educational facilities.

Plans for significant further investment in community and infra-structure development over the next five years were completed during the reporting period. These plans are aligned with the Integrated Development Plans (IDPs) of both the Richtersveld and Namakwa District municipalities. Approved projects include the following:

- Providing additional teachers in the Richtersveld
- Transporting learners for school activities
- Road maintenance from Alexander Bay to Sanddrift, Kuboes and Sendelingsdrift

- Supply of fresh water to Sanddrift and Kuboes
- Improving infrastructure for waste management at Sanddrift
- Upgrading of the Sanddrift Primary School
- Upgrading of crèches in local communities
- Development of a commercially viable agricultural project
- Assisting tourism strategies by increasing public awareness of conservation and cultural issues

At Hondeklip Bay, the company donated a building and land to the Department of Education for the benefit of the community. Hondeklip Bay schoolchildren are also transported from various towns to Hondeklip Bay on a monthly basis. The company provided for a mobile library, donated computers and also assisted with the provision of an extra educator for maths and science education.

**SMALL-SCALE MINING**

As part of the group’s commitment to the development of SMMEs, small-scale miners are given opportunities to mine in the group’s areas.

The group recognises that greater ownership of mining industry assets by historically disadvantaged South Africans (HDSAs) is a means of encouraging and giving effect to the entry of HDSAs into the mining industry, thereby allowing the mining and mineral resources of South Africa to be of benefit to all South Africans. The Gariep joint venture was the first of such ventures and has proved to be self-sufficient. Its revenue for the financial year amounted to R19 million.

**PROCUREMENT**

The group procurement management committee monitors the procurement process on an ongoing basis to ensure that the BBBEE spending targets are met.

Total spend on BBBEE enterprises for the reporting period was R173 million (2009: R258 million), being 49% (2009: 51,5%) of the total procurement spend.

**OWNERSHIP AND JOINT VENTURES**

The group is committed to achieving 26% ownership by HDSAs within 10 years. Mvelaphanda Resources Limited (Mvela), an HDSA-controlled company, currently controls approximately 20,31% of the group, with other HDSA-controlled companies currently holding at least 5,7%. The group is listed on the JSE Limited and the Namibian Stock Exchange and many of its institutional and nominee account shareholders are HDSAs.

**BENEFICIATION**

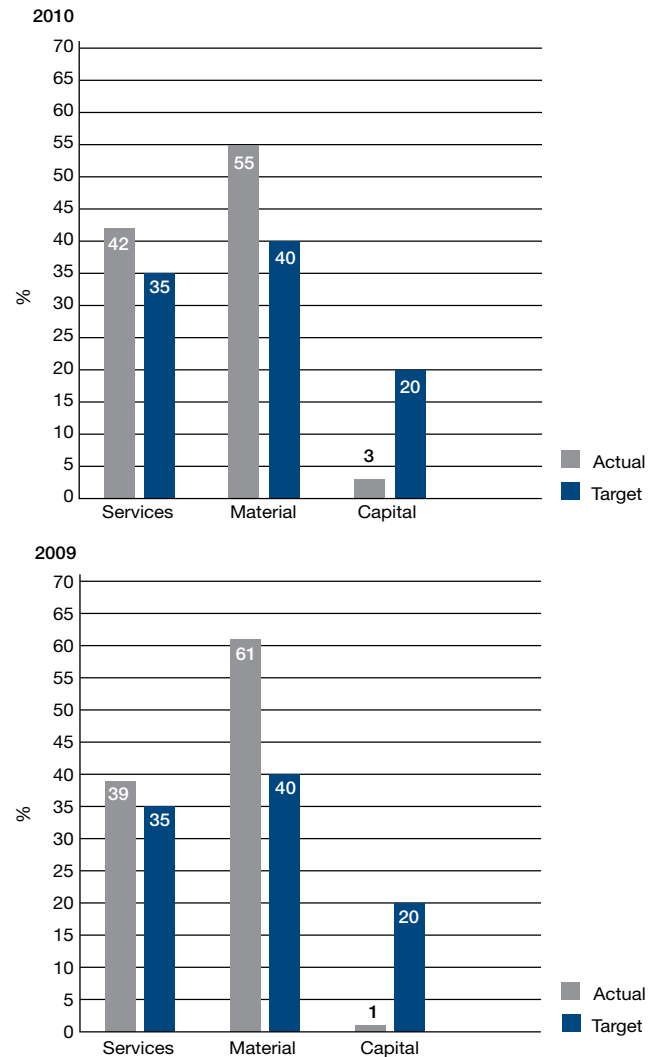
**Sale of rough diamonds**

The group makes its total South African production available to the local industry. By utilising a tender sales system, we ensure that one of the largest diamond production, by value, in South Africa is available to all potential purchasers rather than being sold to a select number of clients.

**Polishing factory**

The small-scale black economically empowered polishing operation established in 2008 as part of the group’s beneficiation strategy has proved successful and is being further developed in terms of supply levels and new premises.

**BBBEE PROCUREMENT EXPENDITURE**



# MANAGEMENT'S STATEMENT ON THE EFFECTIVENESS OF INTERNAL CONTROL – KIMBERLEY PROCESS

## INTRODUCTION

Trans Hex management has developed and put into place appropriate internal controls that comply with the Kimberley Process with regard to a 'verifiable chain of warranties' for rough diamonds produced and sold.

Management's assertion below addresses internal control over those aspects of Trans Hex's diamond mining operations, as specified in the assessment criteria that follow, relating to the demonstration of a 'verifiable chain of warranties'.

## MANAGEMENT'S ASSERTION

Trans Hex is responsible for maintaining internal control over those aspects of its diamond mining operations, as set forth in the assessment criteria that follow. Trans Hex has assessed its internal control over its diamond mining operations, and has determined that for the period 1 April 2009 to 31 March 2010 internal control provided reasonable assurance that the objectives set forth in the assessment criteria were met.

We assert that Trans Hex:

- has developed practices to ensure a 'verifiable chain of warranties' as required by the Kimberley Process;
- complies with such practices; and
- maintains effective controls to provide reasonable assurance that:
  - all practices are consistently applied;
  - practices are monitored on a continuous basis to ensure compliance;
  - physical access to rough diamonds is limited to authorised personnel only;
  - rough diamonds produced and sold are recorded completely and accurately; and
  - the region of origin of rough diamonds can be accurately established;

in conformity with the criteria presented below.

## ASSESSMENT CRITERIA

1. Trans Hex's policies regarding the rough diamond audit trail include, but are not limited to, the following items:
  - Access controls with regard to all phases of production and sale of rough diamonds
  - Weighing and recording of rough diamonds throughout production and sale
  - Recording of rough diamonds in the diamond register
  - Management monitoring of production and sale of rough diamonds

2. Trans Hex discloses its 'verifiable chain of warranties' for all rough diamonds marketed and sold locally, or exported, as part of its sales process.
3. Trans Hex maintains physical access controls over its diamond mining operations during the following phases:
  - Primary extraction of diamond-bearing ore
  - Transport of diamond-bearing ore to processing facilities
  - Processing of diamond-bearing ore and extraction of rough diamonds
  - Classification and sorting of rough diamonds
  - Transport of rough diamonds
4. Trans Hex maintains controls over the weighing and recording of rough diamonds throughout the following phases:
  - Initial entry at diamond-mining facilities
  - Before and after each phase of the rough diamond-handling activities
  - Before and after the physical transport of rough diamonds
5. Trans Hex maintains a detailed diamond register that tracks the movement of rough diamonds throughout the following phases:
  - Initial entry at diamond-mining facility
  - Movement of rough diamonds between facilities
  - Sale of rough diamonds
6. Trans Hex management monitors the following:
  - Compliance with Trans Hex policies regarding the production and sale of rough diamonds
  - Reported breaches of security procedures and other control practices
  - Discrepancies and differences in the weight of rough diamonds throughout all phases
  - Analytical review of rough diamond yields by mining facility.

## NON-FINANCIAL VERIFICATION OPINION REPORT – KIMBERLEY PROCESS

To the management of Trans Hex Group Limited

### Reasonable Assurance Report by the Independent Assurance Provider on 'verifiable chain of warranties' for diamonds produced and sold

We have completed our reasonable assurance review of the internal controls related to a 'verifiable chain of warranties' for rough diamonds produced and sold by Trans Hex Group for the period 1 April 2009 to 31 March 2010.

The review was performed in accordance with our approved Letter of Engagement dated 7 April 2010. The management of Trans Hex Group Limited has presented a management assertion in respect of developed practices to ensure a 'verifiable chain of warranties', the compliance with such practices, and maintaining effective internal control over key related process activities of the Kimberley Process. A copy of the management assertion is attached as Annexure A.

### Management's responsibility

Management's assertion referred to above and included in Annexure A, including the practices, disclosures, compliance and internal controls, is the responsibility of the management of Trans Hex Group Limited.

### Assurance provider's responsibility

Our responsibility is to express our conclusion on management's assertion relating to the company's internal control practices. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, as prepared by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

ISAE 3000 requires that we comply with ethical requirements and that we plan and perform the engagement to obtain reasonable

assurance about whether management's assertion relating to the company's internal control practices are fairly stated. Accordingly, our examination included obtaining an understanding of Trans Hex Group Limited's disclosed internal control practices and the related controls over internal controls, testing compliance with their disclosed internal control practices, testing and evaluating the operating effectiveness of the controls, and performing such other procedures as we considered necessary in the circumstances.

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

### Basis of our work and inherent limitations

Because of inherent limitations in controls, error or fraud may occur and may not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that changes made to the system or controls, changes in processing requirements, changes required because of the passage of time, or the degree of compliance with the policies or procedures may alter the validity of such conclusions.

### Conclusion

On the basis of our work performed, in our opinion, Trans Hex Group Limited's management assertion referred to above and included in Annexure A is fairly stated, in all material respects, based upon guidance provided by the Kimberley process.

Yours faithfully



**PricewaterhouseCoopers Inc.**

**Director: T Blok**

*Registered auditor*

Cape Town  
27 May 2010

## INTEGRATED REPORTING AND POLICIES

Due to the fact that King III only pertained to one month, and in line with the JSE dispensation to only measure compliance in terms of listing requirements in financial years commencing after 1 March 2010, it was deemed appropriate to extend compliance with the integrated reporting requirement for the annual report dated March 2011. Disclosure of non-financial information will be in terms of the Global Reporting Initiative (GRI). The external auditors will review the integrated report to ensure that there is no conflict and proper integration between financial and non-financial information.

The following policies are being reviewed for adoption, along with the revised mandates:

- IT governance policy
- Stakeholders policy
- Communication policy
- Business rescue procedure

## ANNEXURE A

### Management's Assertion relating to the internal controls related to a 'verifiable chain of warranties' for rough diamonds produced and sold by Trans Hex Group Limited

#### We assert that Trans Hex Group Limited:

- Has developed practices to ensure a 'verifiable chain of warranties' as required by the Kimberley Process;
- Complies with such practices; and
- Maintains effective controls to provide reasonable assurance that:
  - All practices are consistently applied;
  - Practices are monitored on a continuous basis to ensure compliance;
  - Physical access to rough diamonds is limited to authorised personnel only;
  - Rough diamonds produced and sold are recorded completely and accurately; and
  - The region of origin of rough diamonds can be accurately established; in conformity with the criteria presented below.

### VALUE ADDED STATEMENT

	Notes	CONSOLIDATED		2009 R'000
		2010 %	2010 R'000	
<b>VALUE ADDED</b>				
Revenue			715 778	637 961
Less: Purchase of goods and services needed to operate the mines			(288 237)	(473 076)
Value added by operations		96,0	427 541	164 885
Interest received		4,0	17 649	28 332
		100,0	445 190	193 217
<b>VALUE DISTRIBUTED</b>				
<b>Salaries, wages and other benefits net of PAYE and SITE</b>		49,0	218 312	242 401
– Salaries, wages and other benefits	18		254 526	286 483
– PAYE and SITE			(36 214)	(44 082)
<b>Government</b>		10,8	47 962	32 452
– Normal and deferred income tax			15 073	(15 181)
– Indirect taxes			32 889	47 633
<b>Community</b>				
Royalties		6,7	29 837	24 600
<b>Providers of capital</b>				
– Financing costs		5,9	26 108	20 042
<b>Total value distributed</b>			322 219	319 495
<b>Reinvested in the group</b>		27,6	122 971	(126 278)
– Depreciation			100 597	150 757
– Retained income			22 374	(277 035)
		100,0	445 190	193 217

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# financial

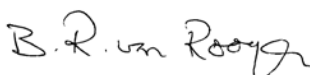
Cash generated from operations for the period was R141 million, compared to cash utilised of R135 million the previous period, a turnaround of R276 million.

## APPROVAL OF ANNUAL FINANCIAL STATEMENTS

In approving the annual financial statements the directors hereby confirm:

1. The directors are responsible for the preparation, integrity and fair presentation of the annual financial statements of Trans Hex Group Limited and its subsidiaries. The auditors are responsible for auditing and reporting on whether the financial statements are fairly presented. Their report appears on page 37.
2. The annual financial statements presented on pages 38 to 87 have been prepared in accordance with International Financial Reporting Standards. They conform with and adhere to applicable accounting standards and are presented applying accounting policies supported by reasonable and prudent judgements and estimates made by management, which have been consistently applied.
3. Adequate accounting records and an effective system of internal controls and risk management have been maintained during the entire accounting period.
4. The directors have reviewed the additional information included in the annual report and they are responsible for both its accuracy and its consistency with the annual financial statements.
5. The going concern basis has been adopted in preparing the annual financial statements. The directors have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. These financial statements support the viability of the company and the group.
6. The annual financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., who were given unrestricted access to all financial records and related data including minutes of all meetings of shareholders, the board of directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate. The audit report of PricewaterhouseCoopers Inc. is presented on page 37.
7. A corporate governance report appears on pages 18 to 21 and includes confirmation that the King II Code has been adhered to in all material respects.

The annual financial statements were approved by the board of directors on 27 May 2010 and are signed on its behalf by:



**BR van Rooyen**  
*Chairman*



**L Delport**  
*Chief executive officer*

## CERTIFICATE BY THE COMPANY SECRETARY

I, Gregory Michael van Heerden, being the company secretary of Trans Hex Group Limited, hereby certify in terms of the Companies Act that all returns required of a public company have, in respect of the year under review, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



**GM van Heerden**  
*Company secretary*

27 May 2010

## TO THE MEMBERS OF TRANS HEX GROUP LIMITED

We have audited the annual financial statements and group annual financial statements of Trans Hex Group Limited, which comprise the directors' report, the statement of financial position and the consolidated statement of financial position as at 31 March 2010, the income statement and the consolidated income statement, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flows and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 38 to 87.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

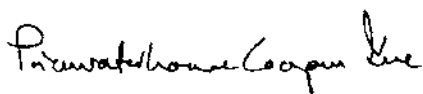
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

## OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as of 31 March 2010, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



**PricewaterhouseCoopers Inc.**

**Director: H Zeelie**

Stellenbosch  
27 May 2010

## REPORT OF THE BOARD OF DIRECTORS

We take pleasure in reporting on the activities and financial results of the group for the year under review.

### NATURE OF ACTIVITIES

Trans Hex is an integrated, international company engaged directly and through joint-venture agreements with others in the exploration for, and mining and marketing of, high-quality diamonds from land and marine alluvial deposits.

### OPERATING RESULTS

Year ended 31 March:	2010	2009
Headline income/(loss) (R'000)		
Continuing operations	<b>23 313</b>	(618 389)
Discontinued operations	<b>(2 775)</b>	(18 198)
Headline earnings/(loss) per share (cents)		
Continuing operations	<b>22,1</b>	(585,1)
Discontinued operations	<b>(2,6)</b>	(17,2)
Diluted headline earnings/(loss) per share (cents)		
Continuing operations	<b>22,1</b>	(585,1)
Discontinued operations	<b>(2,6)</b>	(17,2)
Profit/(loss) for the year (R'000)		
Continuing operations	<b>25 149</b>	(760 385)
Discontinued operations	<b>(3 543)</b>	(37 188)
Basic earnings/(loss) per share (cents)		
Continuing operations	<b>23,8</b>	(719,4)
Discontinued operations	<b>(3,4)</b>	(35,2)
Diluted earnings/(loss) per share (cents)		
Continuing operations	<b>23,8</b>	(719,4)
Discontinued operations	<b>(3,4)</b>	(35,2)

### SPECIAL RESOLUTIONS PASSED

No special resolutions in the group or any subsidiary company have been passed since the previous report of the board of directors.

### CORPORATE ACTIVITIES

The negotiations for the conversion of the prospecting contract for the Luana Concession in Angola to a mining contract have been successfully concluded and the mining contract was signed on 12 May 2010.

### LITIGATION STATEMENT

#### *South African Diamond & Precious Metals Regulator*

As at year-end separate legal actions instituted by the group were still pending: a review application relating to the independent valuation of a 10% representative sample of rough diamonds offered for sale to the State Diamond Trader and an application to set aside a fine levied in terms of section 67 of the Diamonds Act, 1986 by the South African Diamond and Precious Metals Regulator relating to the declared export values of its production. Based on its legal advice the board is of the view that the group is well placed to reach a positive outcome in each of these disputes.

#### *Higgs Hope Diamonds (Pty) Ltd and Minnaar Higgs*

Higgs Hope Diamonds (Pty) Ltd and Minnaar Higgs, owner of the farm Brakfontein in the Northern Cape, has brought an application to compel the company to do rehabilitation on Brakfontein in accordance with an Association Agreement entered into in 2002 as opposed to in terms of the later Environment Management Program approved by the Department of Minerals and Energy. The company is opposing this and the matter has been enrolled for hearing on 20 August 2010.

## GROUP FINANCIAL REVIEW

### STATEMENT OF FINANCIAL POSITION

Shareholders' interest at book value on 31 March 2010 amounted to R327,0 million or R3,08 per share (2009: R186,3 million or R1,76 per share).

### INCOME STATEMENT

The consolidated profit/(loss) after income tax for the year ended 31 March 2010 amounted to R21,6 million or 20,4 cents per share (2009: R797,6 million loss or 754,6 cents per share).

Composition	2010 R'000	2009 R'000
Subsidiary companies		
Profits/(losses)	63 827	(68 797)
Impairment of assets	(1 067)	(77 697)
Associated companies		
Share of net loss	(9)	(7)
Joint ventures		
Share of net loss	(41 154)	(206 727)
Impairment of assets	-	(442 841)
The company		
Excluding intergroup dividends and impairments	9	(1 504)
	<b>21 606</b>	<b>(797 573)</b>

The financial statements on pages 56 to 87 set out fully the financial position, results of operations and cash flows of the group for the financial year ended 31 March 2010. Segment information is presented in note 30.

### DIVIDENDS

In order to maintain cash resources, the directors deemed it prudent not to declare an interim or a final dividend for the year ended 31 March 2010.

### SUBSIDIARIES AND INVESTMENTS

Details of subsidiaries, associated companies and other investments are set out in note 34. Amounts owing in respect of subsidiary companies to the holding company are presented in note 3.

### DIRECTORS

The directors' profiles appear on page 8.

Directors' appointments and resignations (including alternate directors) during the period 1 April 2009 to date of this report are as follows:

#### CHANGE IN DIRECTORSHIP

As previously reported, Mr P Lazarus Zim resigned as non-executive director and chairman of the board effective 22 September 2009. Mr Bernard R van Rooyen then assumed the chairmanship of the board on an acting basis. At the board meeting held on 27 May 2010, Mr Van Rooyen was confirmed as chairman of the board for a further period of one year.

Mr Jan Willem Dreyer was appointed as a non-executive director with effect from 25 May 2009. Mr Dreyer is an executive director of Remgro Limited.

Mr Pine Pienaar resigned as non-executive director effective 4 June 2009, following his resignation as chief executive officer and director of Mvelaphanda Resources Limited.

Mr George Zacharias resigned as company secretary effective 30 November 2009 and was replaced by Mr Ian Hestermann (previously financial director, Trans Hex Angola).

Mr Graham Muller resigned as financial director effective 1 February 2010 and Mr Ian Hestermann was appointed as acting director, whilst retaining his responsibilities as company secretary.

Mr Ian Hestermann has now been appointed financial director with effect from 27 May 2010.

Mr Greg van Heerden (currently group human resources manager) has been appointed company secretary with effect from 27 May 2010.

### DIRECTORS' INTEREST

As at 31 March 2010 the aggregate of the direct and indirect beneficial interest of directors was 0,18% (2009: 0,04%) of the issued share capital of the company. Indirect interests through listed public companies have not been taken into account. Individual directors' interest in the issued share capital of the company is reflected in note 19 of the financial statements. Since the end of the financial year and until the date of this report there were no material changes in the interests of the directors.

### DIRECTORS' FEES

The board recommends that non-executive directors' fees for services rendered during the past financial year be fixed at R736 020 (2009: R897 133).

### SECRETARY

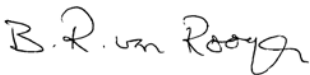
Mr Greg van Heerden was appointed as secretary with effect from 27 May 2010. The registered address of the company appears on the inside back cover.

### EVENTS AFTER REPORTING DATE

No events which may have a material effect on the group occurred between the reporting date and the date of signing this report.

### AUDITORS

In terms of section 270(2) of the Companies Act (1973), PricewaterhouseCoopers Inc. has been reappointed as auditors.



**BR van Rooyen**  
Chairman



**L Delport**  
Chief executive officer

Parow  
27 May 2010

## SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PREPARATION

The annual financial statements are prepared on the historical cost basis, except for the revaluation of available-for-sale investments and financial assets at fair value through profit or loss, and are consistent with those of the previous year unless otherwise stated. The annual financial statements incorporate the following accounting policies, which conform to International Financial Reporting Standards (IFRS).

### Standards, interpretations and amendments effective for the first time in 2010

The following standards, amendments and interpretations are mandatory for the group's accounting periods ending 31 March 2010. None of these standards had a material impact on the group, except for IAS 1 – *Presentation of Financial Statements – Revised* which has resulted in more disclosures than would previously have been provided in the financial statements.

- (i) **IFRS 8 – Operating Segments** (effective for years beginning on or after 1 January 2009)  
IFRS 8 requires an entity to adopt the 'management approach' to reporting on the financial performance of its operating segments. The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The disclosure should enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.
- (ii) **IAS 23 – Borrowing Costs – Revised** (effective for years beginning on or after 1 January 2009)  
The main change from the previous version of IAS 23 is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.
- (iii) **IAS 1 – Presentation of Financial Statements – Revised** (effective for years beginning on or after 1 January 2009)  
The changes made to IAS 1 are to require information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. This will enable readers to analyse changes in a company's equity resulting from transactions with owners in their capacity as owners separately from 'non-owner' changes. The revisions include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles are not mandatory for use in financial statements.
- (iv) **Amendment to IFRS 2 – Share-Based Payment: Vesting Conditions and Cancellations** (effective for years beginning on or after 1 January 2009)  
The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.
- (v) **Amendments to IFRS 1 and IAS 27 – Borrowing Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate** (effective for years beginning on or after 1 January 2009)  
The amendment allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor.
- (vi) **IFRIC 13 – Customer Loyalty Programmes** (effective for years beginning on or after 1 July 2008)  
IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits.
- (vii) **IFRIC 15 – Agreements for the Construction of Real Estate** (effective for years beginning on or after 1 January 2009)  
IFRIC 15 addresses diversity in accounting for real estate sales. IFRIC 15 clarifies how to determine whether an agreement is within the scope of IAS 11 – Construction contracts or IAS 18 – Revenue and when revenue from construction should be recognised. The guidance replaces example 9 in the appendix to IAS 18.

- (viii) *IFRIC 16 – Hedges of a Net Investment in a Foreign Operation* (effective for years beginning on or after 1 October 2008)

IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk (in the hedge of a net investment in a foreign operation). It secondly provides guidance on where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting. Thirdly, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

- (ix) *Amendment to IAS 32 and IAS 1 – Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of financial statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for years beginning on or after 1 January 2009)

The amendments require entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: a) puttable financial instruments (for example, some shares issued by co-operative entities); b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities). Additional disclosures are required about the instruments affected by the amendments.

- (x) *Amendment to IFRS 7 – Improving disclosures about financial instruments* (effective for years beginning on or after 1 January 2009)

The amendment increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities.

- (xi) *Revised AC503 – Accounting for Black Economic Empowerment Transactions – Revised* (effective for years beginning on or after 1 January 2009)

The Accounting Practices Committee has revised AC503 in light of the amendments to IFRS2. As a result of these amendments, paragraphs 18 to 25 and the related Illustrative Examples and Basis for Conclusions of AC503 have been revised to take into account the amended definition of vesting conditions and the accounting treatment of non-vesting conditions.

- (xii) *AC504 – IAS 19 – The Limit on a Defined-benefit Asset, Minimum Funding Requirements and their Interaction in the South African Pension Fund Environment* (effective for years beginning on or after 1 April 2009)

AC504 seeks to clarify how IFRIC 14 – IAS 19 – The Limit on a Defined-benefit Asset, Minimum Funding Requirements and their Interaction should be applied by the employer entity participating in a defined-benefit pension fund. AC 504 has been issued by the Accounting Practices Board following public exposure and the processing of necessary changes.

- (xiii) *Improvements to IFRSs 2008* (effective for years beginning on or after 1 January 2009)

This is a collection of amendments to IFRS. These amendments are the result of conclusions the IASB reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRS. Some amendments involve consequential amendments to other IFRSs.

- (xiv) *Amendment to IFRIC 9 and IAS 39 – Amendments to IFRIC 9 – Reassessment of Embedded Derivatives and IAS 39 – Financial Instruments: Recognition and Measurement* (effective for years beginning on or after 1 July 2008)

The amendments clarify that if a financial asset is reclassified out of the fair value through profit or loss category it must be assessed for embedded derivatives at the date of reclassification. In addition, a contract that includes an embedded derivative that cannot be separately measured, is prohibited from being reclassified out of the 'at fair value through profit or loss' category.

**Standards, interpretations and amendments not yet effective and not early adopted by the group in 2010**

The following standards, amendments and interpretations are mandatory for the group's accounting periods beginning on or after 1 April 2010. None of these standards are expected to have a material impact on the group.

- (i) **IAS 27 – Consolidated and Separate Financial Statements – Revised** (effective for years beginning on or after 1 July 2009)  
IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss.
- (ii) **IFRS 3 – Business Combinations – Revised** (effective for years beginning on or after 1 July 2009)  
The new standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed.
- (iii) **IFRS 1 – First time Adoption of International Financial Reporting Standards – Revised** (effective for years beginning on or after 1 July 2009)  
The revised standard has an improved structure but does not contain any technical changes.
- (iv) **May 2008 Annual Improvements to IFRSs: Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations** (effective for years beginning on or after 1 July 2009)  
The amendment clarifies that assets and liabilities of a subsidiary should be classified as held for sale if the parent is committed to a plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest after the sale.
- (v) **2009 Annual Improvements Project: Amendments to IAS 7 Statement of Cash Flows** (effective for years beginning on or after 1 January 2010)  
The amendment provides that expenditure may only be classified as 'cash flows from investing activities' if it resulted in the recognition of an asset on the statement of financial position.
- (vi) **2009 Annual Improvements Project: Amendments to IAS 17 Leases** (effective for years beginning on or after 1 January 2010)  
The amendment removes the guidance that leases of land, where title does not transfer, are operating leases. The amendment therefore requires that lease classification for land be assessed in the same manner as for all leases. The amendment is to be applied retrospectively, unless the information is not available. In these cases, existing leases shall be reconsidered based on facts and circumstances existing at the date of adoption of the amendment. The lease asset and lease liability shall, in these cases be recognised at their fair values on that date, with any difference in those fair values recognised in retained earnings.
- (vii) **2009 Annual Improvements Project: Amendments to IAS 36 Impairment of Assets** (effective for years beginning on or after 1 January 2010)  
The amendment now requires that, for the purpose of goodwill testing, each group of units to which goodwill is allocated shall not be larger than an operating segment as defined in paragraph 5 of IFRS 8 (AC145) Operating Segments. Thus the determination is now required to be made before operating segments are aggregated.
- (viii) **2009 Annual Improvements Project: Amendments to IAS 38 Intangible Assets** (effective for years beginning on or after 1 January 2010)  
The amendment provides guidance on the measurement of intangible assets acquired in a business combination.
- (ix) **Amendments to IAS 24 – Related-party disclosures** (effective for years beginning on or after 1 January 2011)  
This amendment provides partial relief from the requirement for government related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.
- (x) **Amendments to IFRS 1 and IFRS 7 – Amendment to IFRS 1 – Limited exemption from comparative IFRS 7 disclosures for first-time adopters** (effective for years beginning on or after 1 July 2010)  
The amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The amendment is effective for annual periods beginning on or after 1 July 2010 with early adoption permitted.

(xi) **IFRS 9 – Financial Instruments** (effective for years beginning on or after 1 January 2013)

This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.

(xii) **IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments** (effective for years beginning on or after 1 July 2010)

This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

The following standards, amendments and interpretations are currently not relevant to the group's operations:

- (i) *Amendments to IAS 39 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged Items* (effective for years beginning on or after 1 July 2009)
- (ii) *Amendments to IFRS 2 – Group cash-settled share-based payment transactions* (effective for years beginning on or after 1 January 2010)
- (iii) *Amendments to IAS 32 – Classification of rights issues* (effective for years beginning on or after 1 February 2010)
- (iv) *IFRIC 17 – Distributions of Non-cash Assets to Owners* (effective for years beginning on or after 1 July 2009)
- (v) *IFRIC 18 – Transfers of assets from customers* (effective for years beginning on or after 1 July 2009)
- (vi) *2009 Annual Improvements Project: Amendments to IFRS 2 Share-based payment* (effective for years beginning on or after 1 July 2009)
- (vii) *2009 Annual Improvements Project: Amendments to IFRS 8 Operating Segments* (effective for years beginning on or after 1 January 2010)
- (viii) *2009 Annual Improvements Project: Amendments to IAS 1 Presentation of Financial Statements* (effective for years beginning on or after 1 January 2010)
- (ix) *2009 Annual Improvements Project: Amendments to IAS 18 Revenue* (effective for years beginning on or after 1 January 2010)
- (x) *2009 Annual Improvements Project: Amendments to IAS 39 Financial Instruments: Recognition and Measurement* (effective for years beginning on or after 1 January 2010)
- (xi) *2009 Annual Improvements Project: Amendments to IFRIC 9 Reassessment of Embedded Derivatives* (effective for years beginning on or after 1 January 2010)
- (xii) *2009 Annual Improvements Project: Amendments to IFRIC 16 Hedges of a Net Investment in a Foreign Operation* (effective for years beginning on or after 1 January 2010)

## **BASIS OF CONSOLIDATION**

The consolidated annual financial statements include the results of Trans Hex Group Limited and all its subsidiaries, associated companies and joint ventures.

## **SUBSIDIARIES**

Subsidiaries are those companies in which the group, directly or indirectly, has an interest of more than half of the voting rights, or otherwise has power to exercise control over their financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. The group consolidates a special purpose entity (SPE) when the substance of the relationship between the group and the SPE indicates that the group controls the SPE.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All intergroup transactions, balances and unrealised gains on transactions between group companies are eliminated as part of the consolidation process. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

In the stand-alone financial statements of the companies which forms part of the group, the investments in subsidiary companies are stated at cost less accumulated impairments.

### **ASSOCIATED COMPANIES**

Companies in which the group holds a long-term interest, and over whose financial and operating policies a significant influence can be exercised, are accounted for as associated companies according to the equity method of accounting and are initially recognised at cost. Associated companies are entities over which the group generally has between 20% and 50% of the voting rights but which it does not control. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses in associates are recognised in the income statement.

### **JOINT VENTURES**

The group's interest in jointly controlled entities is accounted for by proportionate consolidation. The group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

### **GOODWILL**

In the case of subsidiaries, associated companies or joint-ventures, any excess of the purchase price, when compared to the fair value acquired, is attributed to goodwill. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The group allocates goodwill to each operating segment in each country in which it operates.

### **TRANSACTIONS WITH MINORITY SHAREHOLDERS**

The group applies a policy of treating transactions with minority shareholders as transactions with parties external to the group. Disposals to minority shareholders result in gains and losses in the income statement. Purchases from minority shareholders result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

## FOREIGN CURRENCY TRANSLATION

### FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in South African rand, which is the company's functional and presentation currency.

### TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

### GROUP COMPANIES

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each reporting period presented are translated at the closing rate at the date of that reporting period;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss of sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturity of three months or less at the date of purchase and bank overdrafts. Bank overdrafts are shown separately in current liabilities on the statement of financial position.

## INVENTORIES

Inventories, which include rough and polished diamonds, are stated at the lower of cost-of-production on the weighted average basis or estimated net realisable value. Cost price includes direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less marketing costs. Consumable stores are stated at the lower of cost on the weighted average basis or estimated replacement value.

## FINANCIAL ASSETS

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

## FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

## LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables, long-term receivables from joint ventures, loans to subsidiaries and cash and cash equivalents in the statement of financial position (note 3.2, 5 and 6). Loans and receivables are carried at amortised cost using the effective-interest method.

Loans and trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective-interest method, less provision for impairment. A provision for impairment of loans and trade receivables is established when there is objective evidence that the group will not be able to collect or realise all amounts due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement during the year in which it is identified.

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

## AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Purchases and sales of financial assets are recognised on the trade date – the date on which the group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective-interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### **DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### **CASH FLOW HEDGE**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### **DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING OR ARE NOT DESIGNATED AS HEDGING INSTRUMENTS**

Certain derivatives do not qualify for hedge accounting or are not designated as hedging instruments. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the income statement.

#### **SHARE CAPITAL**

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

When any company in the group purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable additional costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable additional transaction costs and the related income tax effects, is included in equity attributable to the company's shareholders.

#### **COMPULSORY CONVERTIBLE DEBENTURES**

On issue of convertible debentures, the fair value of the conversion option is determined. This amount is recognised and presented separately in shareholders' equity. The group does not recognise any change in the value of this option in subsequent

periods. The obligation to make future payments of principal and interest to debenture holders is calculated using a market interest rate for an equivalent non-convertible debenture and is carried as a long-term liability on the amortised cost basis until extinguished on conversion.

## **BORROWINGS**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective-interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## **PROVISIONS**

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation of which a reliable estimate can be made. Provisions are not recognised for future operating losses.

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

Employee entitlements to annual leave are recognised on an ongoing basis. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

## **TRADE PAYABLES**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest method.

## **EXPLORATION COSTS**

Exploration costs are expensed until the point is reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the group. Revenue earned from the discovery of diamonds during the exploration phase is included in sales revenue in the income statement. The estimated costs of production of diamonds sold, not exceeding related revenue, are credited against exploration expenditure and included in cost of sales.

## **MINE DEVELOPMENT COSTS**

Mine development costs, relating to major programmes at existing mines, are capitalised. Development costs consist primarily of expenditure to expand the capacity of operating mines. Day-to-day mine development costs to maintain production are expensed as incurred. Following completion of a favourable feasibility study, initial development and pre-production costs relating to a new ore body, including interest on borrowed funds used to develop the ore body, are capitalised until the ore body is brought into commercial levels of production. At this time the costs are amortised as set out in the depreciation and amortisation policy.

Revenues from discovery of diamonds during the mine development phase are included in sales revenue in the income statement. The estimated costs of production of diamonds sold, not exceeding related revenue, are credited against mine development costs and included in cost of sales.

## **DEFERRED STRIPPING COSTS**

Where stripping costs have been incurred in excess of the expected pit life average stripping ratio, these costs are deferred and charged to production when the exposed reserves are mined. Deferred stripping costs are included in mine development costs.

## **PROPERTY, PLANT AND EQUIPMENT**

All property, plant and equipment are initially recorded at historical cost. Subsequent to initial recognition these assets are carried at cost less accumulated depreciation. Historical costs include expenditure that is directly attributable to the acquisition

of the items and the estimated close down and restoration costs associated with the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced cost is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation and amortisation of alluvial mining properties, mine development costs and mine plant facilities are computed over the life of the mine principally by the units-of-production method. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Earthmoving equipment is depreciated based on hours worked (10 000 – 45 000 hours) to allocate their costs to their residual values over their estimated useful hours.

Depreciation and amortisation of marine mining properties, mine development costs and mine plant facilities are computed over the estimated useful life of 20 years.

Other property, plant and equipment are depreciated principally on a straight-line basis to allocate their costs to their residual values over their estimated useful lives of three to 20 years. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the income statement.

#### **IMPAIRMENT OF NON-FINANCIAL ASSETS**

Long-life assets of the group, including development costs and deferred stripping costs, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs to sell. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Fair value is assessed either by, estimating future net cash flows from each mine using estimates of production, future sales prices (considering historical and current prices, price trends and related factors), production and rehabilitation costs plus capital, or with reference to recent transactions for similar assets.

Management's estimates of future cash flows are subject to risks and uncertainties. Therefore, it is possible that changes could occur which may affect recoverability of the group's investments in mineral properties and other assets.

Undeveloped properties and mineral rights, upon which the group has not performed sufficient exploration work to determine whether significant mineralisation exists, are carried at original acquisition cost. If it is subsequently determined that significant mineralisation does not exist, the property will be written down to its estimated recoverable amount at the time of such determination.

#### **NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

#### **REHABILITATION COSTS**

Rehabilitation costs and related accrued liabilities, based on the group's assessment of current environmental and regulatory requirements, are accrued to reflect the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date. The costs so provided are capitalised as part of mining assets and depreciated accordingly. Annual increases in the provision is split between finance costs relating to the change in the net present value of the provision, inflationary increases in the provision estimate and restoration costs relating to additional environmental

disturbances that have occurred. Remediation liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are expensed when they are identified, probable and may be reasonably estimated.

The group's estimated future rehabilitation liability is funded by way of annual payments to the Trans Hex Rehabilitation Trust Fund. Assets of the Rehabilitation Trust Fund are included in investments. This fund was established with the approval of the South African Revenue Service. Interest earned on monies paid to the Rehabilitation Trust Fund is accrued on an annual basis. It is reasonably possible that the group's estimate of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates.

## PROVIDENT FUNDS

The group has provident funds, consisting of two defined-contribution plans. A defined-contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The provident funds are funded through monthly contributions and administered independently of the finances of the group by financial institutions. The group's contributions are charged against profit or loss in the year which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Both funds are governed by the South African Pension Fund Act of 1956, as amended.

## POST-RETIREMENT MEDICAL BENEFITS

The present value of the liability of the group in respect of future contributions is determined annually by independent actuaries. The actuarial valuation method used is the projected unit credit method prescribed by the relevant accounting standard. Future benefits are projected using specified actuarial assumptions and the liability for in-service members is accrued over expected working lifetime.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined-benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees.

The future medical benefits for employees retiring after 1 April 1995 are funded on an actuarially determined basis uniformly over the service period of each active member. An actuarially determined amount will be contributed to a separate benefit fund over a period of 20 years as funding for this liability. In respect of service after 1 April 1995, annual contributions are made to the same benefit fund equal to the value of the liability arising in respect of that year. Employees joining the group after December 1998 are not entitled to these benefits.

## OTHER LONG-TERM EMPLOYEE BENEFITS

The group provides for long-service awards that accrue to employees. Independent actuaries calculate the liability recognised in the statement of financial position in respect of long-service awards annually. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions, are recognised immediately in the income statement.

## SHARE-BASED COMPENSATION

### Equity-settled share-based payments

Share options were granted to management and senior employees until the end of the 2004 financial year. Options were granted at the market price of the shares at the lowest average five consecutive trading day price for a 60-day period immediately prior to the offer date and are exercisable at that price. A portion of the options is deliverable, beginning two years from the date of grant and has a contractual option term of five years.

The group applies the requirements of IFRS 2 Share-based payments. The fair value of the employee services received in exchange for the grant of the options after 7 November 2002 that have not yet vested on 1 April 2005, is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

**Cash-settled share-based payments**

Share appreciation units were granted to executive management from the 2007 financial year. Units are granted linked to the share price with appreciation payable beginning one year from the date of grant with a contractual option term of five years. One fifth of the units vests each year over a period of five years. The settlement is in cash. The units lapse 10 years after the grant date.

The group adopted the requirements of IFRS 2 Share-based payments. The fair value of the employee services received in exchange for the share appreciation units is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the units granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The share appreciation units are valued at each reporting date with any change in fair value recognised in the income statement over the vesting period of the rights. The fair value of the share appreciation units is determined through the use of option pricing models, which take into account market prices and the term and conditions on which the share appreciation units were granted.

**REVENUE RECOGNITION**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Revenue is shown net of value-added taxation and after eliminating sales within the group. Revenue is recognised as follows:

- Sale of goods – product sales are recognised when risk and reward passes at the shipment or delivery point.
- Rendering of services – charter fees are recognised when the service has been rendered.
- Interest income – as it accrues, taking into account the effective yield of the asset, unless collectability is in doubt.
- Dividend income – when the shareholder's right to receive payment is established, recognised on the last date of registration.

**LEASES**

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

**SEGMENT REPORTING**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

**MINING INCOME**

Mining income represents the gross profits earned from mines after the deduction of royalties and selling and administration costs.

**DEFERRED INCOME TAX**

The group follows the liability method of accounting for deferred income tax, prior to taking State lease consideration into account, whereby deferred income tax is recognised for the tax consequences of temporary differences. This translates into applying the currently enacted tax rates to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate change enacted during the year.

No provision is made for deferred state lease consideration since the rate, according to the applicable formula, is not determinable in advance. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets relating to unredeemed capital expenditure and calculated tax losses are raised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

## CURRENT INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## SALE AND LEASEBACK TRANSACTIONS

Any excess of sales proceeds over the carrying amount in a sale and leaseback transaction that results in a finance lease, is deferred and amortised over the lease term.

## SECONDARY TAX ON COMPANIES (STC)

South African resident companies are subject to a dual corporate tax system, one part of the tax being levied on taxable income and the other, a secondary tax (called STC), on distributed income. A company incurs STC charges on the declaration or deemed declaration of dividends (as defined under tax law) to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as a STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that the group will declare future dividends to utilise such STC credits.

## BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

## DIVIDEND DISTRIBUTION

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statements in the period in which the dividends are approved by the company's shareholders.

## EARNINGS PER SHARE

Basic earnings per share are computed by dividing the net income attributable to shareholders by the weighted average number of ordinary shares in issue during the year. The group's basic and diluted earnings per share differ as a result of share options granted to employees.

## CRITICAL ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

### (a) Critical accounting estimates and assumptions

#### (i) *Impairment of long-lived assets*

The recoverable amount of each long-lived asset is determined as the higher of the asset's fair value less costs to sell and its value in use in accordance with the relevant accounting standard. When events or changes in circumstances impact on a particular asset, its carrying value is assessed by reference to its recoverable amount being the higher of fair value less costs to sell and value in use (being the net present value of expected future cash flows of the relevant long-lived asset). The best evidence of an asset's fair value is its value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best information available to reflect the amount the group could receive for the long-lived asset in an arm's length transaction. Critical judgements made in applying these estimates are noted in (b) below.

#### (ii) *Restoration obligations*

Provision is made for the anticipated costs of future restoration and rehabilitation of mining areas from which natural resources have been extracted in accordance with the accounting policy. Provision is made for the anticipated costs of future restoration and rehabilitation of mining sites to the extent that a legal or constructive obligation exists in accordance with the accounting policy. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as application of environmental legislation, plant closure dates, available technologies and engineering cost estimates. A change in any of the assumptions used may have a material impact on the carrying value of rehabilitation provisions.

#### (iii) *Retirement benefit obligations*

An asset or liability in respect of defined-benefit pension or medical plans is recognised in the statement of financial position in accordance with the accounting policy. The present value of a defined-benefit obligation is dependant upon a number of factors that are determined on an actuarial basis.

#### (iv) *Ore reserves estimates*

There are numerous uncertainties inherent in estimating diamond reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and deferred stripping calculations.

#### (v) *Share-based payments*

The group issued cash-settled share-based payments (share appreciation rights) to certain employees. Cash-settled share-based payments are measured at fair value at each reporting date. Fair value is measured using the actuarial binomial pricing model. Estimates in the model were made with regards to the expected life of the option, future share price volatility, expected dividend yield and expected staff turnover.

### (b) Critical judgements in applying the group's accounting policies

#### (i) *Interest in Angolan joint ventures*

##### *Classification*

The group's interest in its Angolan operations Luarica and Fucauma, are via interests of 35% and 32% respectively in two Associação em Participação, being unincorporated joint-venture structures in the Republic of Angola. For purposes of IAS 31 Interests in Joint Ventures, the group classifies its interests in the two Associação em Participação as interests in jointly controlled entities, based on management's judgement of the long-term strategic relationship with its joint-venture partners.

The group's interest in its Angolan joint ventures is reflected on the group statement of financial position as the group's share of consolidated assets and liabilities of the joint ventures, as well as long-term receivables from the joint ventures.

The long-term receivables were assessed on the basis of management's estimates of future cash flows to be derived from the respective Angolan cash-generating units (CGUs).

The global economic downturn has had a significant impact on management's expectations and forecasts. Calculations based on the revised assumptions indicated that the group will not be able to recover the receivable. Impairment losses, as disclosed in note 17, have been recognised in the prior year.

For purposes of assessment of impairment at CGU level, Luarica and Fucauma are regarded as separate CGUs. The carrying values of the CGUs, which include allocated goodwill, are assessed by reference to their recoverable amounts, being the higher of fair value less costs to sell and value in use.

In terms of IAS 36 Impairment of Assets the best evidence of an asset's fair value less costs to sell is a price in a binding sale agreement in arm's length transactions, or its market price less costs of disposal if the asset is traded in an active market. For Luarica and Fucauma neither a binding sales agreement nor an active market is available.

As both Luarica and Fucauma are currently under care and maintenance, no reversal of impairment is considered appropriate.

(ii) *Impairment assessment of South African CGUs*

The estimates used for impairment reviews are based on detailed mine plans and operating plans.

Future cash flows are based on estimates of:

- the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices (assuming the current market prices will revert to the group's assessment of the long-term average price, generally over a period of three to five years); and
- future cash costs of production, capital expenditure, close down, restoration and environmental clean-up.

The cash flow forecasts are based on best estimates of expected future revenues and costs. These may include net cash flows expected to be realised from extraction, processing and sale of mineral resources that do not currently qualify for inclusion in proved or probable ore reserves. Such non-reserve material is included where there is a high degree of confidence in its economic extraction.

This expectation is usually based on preliminary drilling and sampling of areas of mineralisation that are contiguous with existing reserves. Typically, the additional evaluation to achieve reserve status for such material has not yet been done because this would involve incurring costs earlier than is required for the efficient planning and operation of the mine.

Based on this assessment, management concluded that the carrying value of the group's South African CGUs are recoverable. Actual outcomes may, however, vary.

(iii) *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(iv) *Production start date*

The group assesses the stage of each mine construction project to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project such as the complexity of a plant and its location. The group considers various relevant criteria to assess when the mine is substantially complete and ready for its intended use and moves into the production stage. Some of the criteria would include, but, are not limited to, the following:

- high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the group;
- the level of capital expenditure compared to the construction cost estimates;
- completion of a reasonable period of testing of the mine plant and equipment; and
- commercial levels of production being reached.

**STATEMENTS OF FINANCIAL POSITION AT 31 MARCH 2010**

	Notes	COMPANY		CONSOLIDATED	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
		<b>213 612</b>	114 309	<b>541 714</b>	566 395
Property, plant and equipment	1	–	–	<b>498 252</b>	526 198
Investments in associates	2	–	–	<b>120</b>	132
Financial assets	3	<b>213 612</b>	114 309	<b>43 342</b>	40 065
<b>Current assets</b>					
		<b>1 573</b>	3 640	<b>464 605</b>	415 179
Inventories	4	–	–	<b>162 792</b>	160 223
Trade and other receivables	5	<b>141</b>	106	<b>32 921</b>	23 057
Current income tax		<b>12</b>	511	–	–
Cash and cash equivalents	6	<b>1 420</b>	3 023	<b>268 892</b>	231 899
Non-current assets classified as held for sale	7	–	–	<b>2 044</b>	3 111
<b>Total assets</b>		<b>215 185</b>	117 949	<b>1 008 363</b>	984 685
<b>EQUITY</b>					
<b>Capital and reserves</b>					
		<b>212 486</b>	114 660	<b>327 007</b>	186 298
Stated capital	8	<b>208 092</b>	208 092	<b>206 276</b>	206 276
Other reserves	9	<b>68 291</b>	68 291	<b>146 393</b>	27 290
Accumulated loss		<b>(63 897)</b>	(161 723)	<b>(25 662)</b>	(47 268)
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
		<b>–</b>	3 289	<b>681 356</b>	798 387
Borrowings	10	–	–	<b>95 772</b>	151 368
Deferred income tax liabilities	11	–	–	<b>90 165</b>	173 698
Provisions	12	–	–	<b>75 886</b>	65 999
Deferred income	13	–	–	<b>17 824</b>	24 508
<b>Current liabilities</b>					
		<b>2 699</b>	3 289	<b>401 709</b>	382 814
Trade and other payables	14	<b>2 699</b>	3 289	<b>264 776</b>	256 880
Current income tax liabilities		–	–	<b>20 619</b>	8 313
Borrowings	10	–	–	<b>92 987</b>	91 060
Bank overdraft	6	–	–	<b>23 327</b>	26 561
<b>Total equity and liabilities</b>		<b>215 185</b>	117 949	<b>1 008 363</b>	984 685

The notes on pages 61 to 86 are an integral part of these consolidated financial statements.

	Notes	COMPANY		CONSOLIDATED	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>Continuing operations</b>					
Revenue	15			715 667	637 301
Cost of goods sold				527 611	786 799
Gross profit/(loss)				188 056	(149 498)
Other operating expenses	18			(31 568)	–
Royalties				(29 837)	(24 103)
Selling and administration costs				(74 671)	(61 698)
Mining income/(expenses)				51 980	(235 299)
Exploration costs				(4 046)	(52 557)
Other (expenses)/income		(91)	(747)	–	–
Other (losses)/gains – net	16			958	3 084
Finance income		104	–	17 649	28 332
Finance costs		–	(220)	(29 636)	(23 188)
Impairment of assets	17	97 817	(192 743)	–	(536 913)
Impairment of available-for-sale investment	17			–	(2 433)
Share of results of associated companies				(9)	(7)
Profit/(loss) before income tax	18 & 19	97 830	(193 710)	36 896	(818 981)
Income tax	20	4	537	11 747	(58 596)
Profit/(loss) for the year from continuing operations		97 826	(194 247)	25 149	(760 385)
<b>Discontinued operations</b>					
Loss for the year from discontinued operations	21			(3 543)	(37 188)
Profit/(loss) for the year		97 826	(194 247)	21 606	(797 573)
				<b>Cents</b>	<b>Cents</b>
<hr/>					
Earnings per share for continuing operations	22				
– Basic				23,8	(719,4)
– Diluted				23,8	(719,4)
Earnings per share for discontinued operations	22				
– Basic				(3,4)	(35,2)
– Diluted				(3,4)	(35,2)

The notes on pages 61 to 86 are an integral part of these consolidated financial statements.

**STATEMENTS OF COMPREHENSIVE INCOME** FOR THE YEAR ENDED 31 MARCH 2010

	COMPANY		CONSOLIDATED	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Profit/(loss) for the year	<b>97 826</b>	(194 247)	<b>21 606</b>	(797 573)
Other comprehensive income net of tax:				
Translation differences on foreign subsidiaries	-	-	<b>118 863</b>	(5 298)
- Before-tax amount	-	-	<b>38 508</b>	43 115
- Tax benefit/(expense)	-	-	<b>80 355</b>	(48 413)
Fair value adjustment on available-for-sale financial assets	-	-	<b>240</b>	-
- Before-tax amount	-	-	<b>240</b>	-
- Tax benefit/(expense)	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>97 826</b>	(194 247)	<b>140 709</b>	(802 871)

The notes on pages 61 to 86 are an integral part of these consolidated financial statements.

**STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2010**

	Stated capital (Note 8) R'000	Other reserves (Note 9) R'000	Accumulated loss R'000	Total R'000
<b>GROUP</b>				
<b>Balance at 31 March 2008</b>	206 276	32 588	755 608	994 472
Total comprehensive loss for the period	–	(5 298)	(797 573)	(802 871)
Dividends paid	–	–	(5 303)	(5 303)
<b>Balance at 31 March 2009</b>	206 276	27 290	(47 268)	186 298
Total comprehensive income for the period	–	<b>119 103</b>	<b>21 606</b>	<b>140 709</b>
<b>Balance at 31 March 2010</b>	<b>206 276</b>	<b>146 393</b>	<b>(25 662)</b>	<b>327 007</b>
<b>COMPANY</b>				
<b>Balance at 31 March 2008</b>	208 092	68 291	37 827	314 210
Total comprehensive loss for the period	–	–	(194 247)	(194 247)
Dividends paid	–	–	(5 303)	(5 303)
<b>Balance at 31 March 2009</b>	208 092	68 291	(161 723)	114 660
Total comprehensive income for the period	–	–	<b>97 826</b>	<b>97 826</b>
<b>Balance at 31 March 2010</b>	<b>208 092</b>	<b>68 291</b>	<b>(63 897)</b>	<b>212 486</b>

The notes on pages 61 to 86 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2010

	Notes	COMPANY		CONSOLIDATED	
		2010 R'000	2009 R'000	2010 R'000	2009 R'000
Cash generated from/(utilised in) operations	23	(716)	480	137 948	(153 553)
Income tax (paid)/received	24	495	(537)	(2 324)	8 507
Net cash generated from/(utilised in) operating activities		(221)	(57)	135 624	(145 046)
<b>Cash flows from investment activities</b>		<b>104</b>	<b>-</b>	<b>(50 255)</b>	<b>(8 975)</b>
- Proceeds from disposal of property, plant and equipment		-	-	5 696	129 466
- Replacement of property, plant and equipment		-	-	(30 396)	(70 121)
- Addition to property, plant and equipment	25	-	-	(43 011)	(41 198)
- Proceeds from sale of financial assets		-	-	-	5 306
- Loan to Angolan joint ventures		-	-	-	(66 524)
- Funding to Trans Hex Rehabilitation Trust Fund		-	-	-	(975)
- Interest received		104	-	17 456	35 071
<b>Cash flows from financing activities</b>		<b>(1 486)</b>	<b>879</b>	<b>(48 176)</b>	<b>165 207</b>
- Borrowings		-	-	(33 376)	189 851
- Loans to subsidiary companies		(1 486)	6 402	-	-
- Interest paid		-	(220)	(14 800)	(19 341)
- Dividends paid		-	(5 303)	-	(5 303)
Effects of exchange rates on cash and cash equivalents		-	-	3 034	-
Net (decrease)/increase in cash and cash equivalents		(1 603)	822	40 227	11 186
Cash and cash equivalents at beginning of year		3 023	2 201	205 338	194 152
Cash and cash equivalents at end of year	6	1 420	3 023	245 565	205 338

The notes on pages 61 to 86 are an integral part of these consolidated financial statements.

	CONSOLIDATED		
	Cost R'000	Accumulated depreciation and impairment R'000	Net value R'000
<b>1. PROPERTY, PLANT AND EQUIPMENT</b>			
<b>2010</b>			
Land and buildings	95 405	57 591	37 814
Mining rights	114 004	114 004	–
Mine development costs	169 407	112 094	57 313
Mining plant and equipment	1 223 302	820 177	403 125
	<b>1 602 118</b>	<b>1 103 866</b>	<b>498 252</b>
<b>2009</b>			
Land and buildings	98 615	54 424	44 191
Mining rights	114 004	114 004	–
Mine development costs	125 871	113 178	12 693
Mining plant and equipment	1 257 167	787 853	469 314
	<b>1 595 657</b>	<b>1 069 459</b>	<b>526 198</b>

Reconciliation of net value at beginning and end of year

	Land and buildings R'000	Mining rights R'000	Mine development costs R'000	Mining plant and equipment R'000	Total R'000
<b>2010</b>					
Opening balance	44 191	–	12 693	469 314	526 198
Additions	–	–	46 143	39 078	85 221
Disposals	–	–	–	(3 146)	(3 146)
Exchange rate differences	(3 339)	–	–	(6 085)	(9 424)
Transfers	449	–	–	(449)	–
Depreciation charge	(3 487)	–	(1 523)	(95 587)	(100 597)
Closing balance	<b>37 814</b>	<b>–</b>	<b>57 313</b>	<b>403 125</b>	<b>498 252</b>
<b>2009</b>					
Opening balance	45 897	54 747	21 328	534 290	656 262
Additions	316	–	–	144 423	144 739
Disposals	–	–	–	(18 506)	(18 506)
Exchange rate differences	2 217	–	1 003	13 754	16 974
Transfers	661	499	–	(1 160)	–
Classified as held for sale	2 311	–	–	(3 750)	(1 439)
Impairment	(3 087)	(54 756)	(6 660)	(56 572)	(121 075)
Depreciation charge	(4 124)	(490)	(2 978)	(143 165)	(150 757)
Closing balance	<b>44 191</b>	<b>–</b>	<b>12 693</b>	<b>469 314</b>	<b>526 198</b>

Fixed buildings and water supply equipment erected on leasehold mining property with a book value of R5 986 582 (2009: R6 894 702) will, on termination of the mining rights, become the property of the respective transitional council without payment of compensation. The registers containing details of land and buildings are available for inspection by members or their authorised representatives at the registered offices of the companies owning the relevant properties.

Depreciation expense of R99 269 959 (2009: R149 423 980) has been included in cost of goods sold.

Assets in the course of construction amounted to R1 103 000 (2009: R1 576 755).

Included in mining plant and equipment are earthmoving equipment, financed in terms of a sale and leaseback agreement and pledged as security, with a book value of R115 658 914 (2009: R128 134 488) (note 10).

	CONSOLIDATED	
	2010 R'000	2009 R'000
<b>2. INVESTMENTS IN ASSOCIATES</b>		
Beginning of year	150	157
Equity accounted loss	(9)	(7)
End of year	141	150
Loans at book value	(21)	(18)
	120	132
Directors' valuation of unlisted investments (including loans)	120	132
<b>3. FINANCIAL ASSETS</b>		
<b>3.1 Company</b>		
Unlisted subsidiary companies (refer to note 34):		
Shares at book value	4 280	4 280
Advances and loans	304 258	302 772
Less: Provision for impairment	(94 926)	(192 743)
	213 612	114 309
The loans are unsecured, interest-free with no fixed payment terms.		
<b>3.2 Consolidated</b>		
<i>Interest in joint ventures</i>		
Long-term receivable from Angolan joint ventures		
Gross value	345 546	345 546
Less: Provision for impairment	(345 546)	(345 546)
	-	-
<b>3.3 Available-for-sale investments</b>		
<i>Listed investments at fair value</i>		
Equity shares – international listed		
Diamond Fields International Ltd 2% (2009: 2%)	451	211
Assets held by the Trans Hex Rehabilitation Trust Fund (primarily cash and cash equivalents)	42 891	39 854
Market value	43 342	40 065
<b>Total financial assets</b>	<b>43 342</b>	<b>40 065</b>

#### International listed investments

All international listed investments are denominated in Canadian dollars and were translated to rands at the closing exchange rate at 31 March 2010 of C\$ = R7,2559 (2009: R7,7836).

#### Long-term receivable from Angolan joint ventures

Interest rates on the US dollar-denominated loans vary between Libor plus 3% and 15,7% and the fixed assets of the joint ventures serve as security for the loans. The long-term receivables are repaid based on the level of diamond sales from the Angolan joint ventures. The long-term receivable from the Angolan joint venture, as well as the fixed assets of the joint ventures which serve as security, were fully impaired in 2009. Refer note 17.

#### Trans Hex Rehabilitation Trust Fund

The rehabilitation trust fund in South Africa receives cash contributions to accumulate funds for the group's rehabilitation liability relating to the eventual closure of the group's operations. Amounts are paid out from the trust fund following completion and once the South African Department of Minerals and Energy has approved the rehabilitation work. The contributions to the fund are placed with investment banks who are responsible for making investments in equity, money market instruments and call deposits. The trust fund is to be used according to the terms of the trust deed and the assets are not available for the general purpose of the group. The trust fund is carried at fair value.

		<b>CONSOLIDATED</b>	
		2010	2009
		R'000	R'000
<b>4. INVENTORIES</b>			
	Diamonds	133 889	128 583
	Consumables	28 903	31 640
		<b>162 792</b>	<b>160 223</b>

The carrying value of diamond inventories carried at net realisable value amounted to R22 004 720 (2009: R88 965 955).

		<b>COMPANY</b>		<b>CONSOLIDATED</b>	
		2010	2009	2010	2009
		R'000	R'000	R'000	R'000
<b>5. TRADE AND OTHER RECEIVABLES</b>					
	Trade receivables	–	–	17 486	3 706
	Receivables from joint-venture partners	–	–	1 683	842
	Prepayments	98	106	1 867	5 209
	State – other taxes	596	553	5 155	5 956
	Interest accrued	–	–	1 252	1 058
	Staff loans	–	–	3 522	4 326
	Other receivables	–	–	7 228	5 136
		<b>694</b>	<b>659</b>	<b>38 193</b>	<b>26 233</b>
	Provision for impairment of trade and other receivables	<b>(553)</b>	<b>(553)</b>	<b>(5 272)</b>	<b>(3 176)</b>
		<b>141</b>	<b>106</b>	<b>32 921</b>	<b>23 057</b>

The movement for the group's provision for impairment of trade and other receivables is as follows:

	Balance at beginning of year	553	–	3 176	–
	Provision for impairment	–	553	2 096	3 176
	Balance at end of year	<b>553</b>	<b>553</b>	<b>5 272</b>	<b>3 176</b>

<b>6. CASH AND CASH EQUIVALENTS</b>					
	Cash at the bank and in hand	1 420	3 023	94 860	25 161
	Short-term bank deposits	–	–	174 032	206 738
		<b>1 420</b>	<b>3 023</b>	<b>268 892</b>	<b>231 899</b>

The effective interest rates on short-term bank deposits varied between 0,2% and 6,25% (2009: 4% and 9%). These deposits have average maturity of between 1 and 31 days.

Cash, cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	Cash and cash equivalents	1 420	3 023	268 892	231 899
	Bank overdrafts	–	–	<b>(23 327)</b>	<b>(26 561)</b>
		<b>1 420</b>	<b>3 023</b>	<b>245 565</b>	<b>205 338</b>

**7. NON-CURRENT ASSETS HELD FOR SALE**

The board approved the sale of the group's marine mining vessels on 7 March 2008. The *MV Ivan Prinsep* was sold on 8 October 2008 for gross proceeds of R35 600 000. The *MV Namakwa* has been impaired to a value of R2 044 000. The marine mining vessels are included in the group's discontinued Namibian segment. It is expected that the sale of the *MV Namakwa* will be concluded by 26 May 2010.

	CONSOLIDATED	
	2010	2009
	R'000	R'000
<b>Non-current assets classified as held for sale</b>		
Items of property, plant and equipment relating to:		
Marine mining vessels	2 044	3 111

	COMPANY		CONSOLIDATED	
	2010	2009	2010	2009
	R'000	R'000	R'000	R'000
<b>8. STATED CAPITAL</b>				
<b>Authorised</b>				
300 000 000 ordinary shares of no par value				
<b>Issued</b>				
106 051 275 ordinary shares of no par value				
(2009: 106 051 275 ordinary shares of no par value)	208 092	208 092	206 276	206 276

The unissued shares were placed under the control of the board of directors until the forthcoming annual general meeting.

The difference between the number of shares issued by the company (106 051 275 shares) and the group (105 698 947 shares) respectively, relates to treasury shares held by the group.

**Share option scheme**

No new share options were granted to eligible directors and employees. Outstanding options at 31 March were as follows:

	Number of options at beginning of year	Number of options exercised during the year	Number of options lapsed during the year	Number of options outstanding
<b>2010</b>				
Other employees	349 399	–	216 299	133 100
<b>2009</b>				
Other employees	423 997	–	74 598	349 399
	<b>Exercise price R</b>	<b>2010 000</b>	<b>Exercise price R</b>	<b>2009 000</b>
Share options outstanding at the end of the year have the following terms:				
Expiry date – 31 March				
2009	–	–	17,67	349
2010	19,08	133	–	–

The weighted average fair value of options granted was determined using the actuarial binomial valuation model.

## 8. STATED CAPITAL (continued)

### Share appreciation units

During the financial year 895 506 units were issued to qualifying employees. At 31 March the units issued were as follows:

	Issue date	Issue price R	Number of units at beginning of year	Number of units issued during the year	Number of units exercised during the year	Number of units lapsed during the year	Number of units outstanding
L Delport	5 July 2006	11,08	336 765				336 765
L Delport	5 July 2007	14,24	242 573				242 573
L Delport	5 July 2008	9,14	421 244				421 244
L Delport	22 January 2009	2,58	1 329 665				1 329 665
L Delport	22 January 2010	4,31		78 142			78 142
MJ Carstens	5 July 2006	11,08	193 351				193 351
MJ Carstens	5 July 2007	14,24	132 855				132 855
MJ Carstens	5 July 2008	9,14	231 094				231 094
MJ Carstens	22 January 2009	2,58	645 383		129 077		516 306
MJ Carstens	22 January 2010	4,31		42 890			42 890
IP Hestermann	22 January 2010	4,31		181 236			181 236
AG Müller	5 July 2008	9,14	282 572			282 572	–
AG Müller	22 January 2009	2,58	552 639		110 528	442 111	–
Other employees	5 July 2006	11,08	366 134			76 263	289 871
Other employees	5 July 2007	14,24	437 583			51 858	385 725
Other employees	5 July 2008	9,14	1 008 154			86 303	921 851
Other employees	22 January 2009	2,58	2 774 877		197 137	208 628	2 369 112
Other employees	22 January 2010	4,31		593 238			593 238
			8 954 889	895 506	436 742	1 147 735	8 265 918

	COMPANY		CONSOLIDATED	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>9. OTHER RESERVES</b>				
Translation reserves	–	–	74 948	(43 915)
Available-for sale investments reserves	–	–	240	–
Equity portion of redeemed debentures	68 291	68 291	68 291	68 291
Share-based payments	–	–	2 914	2 914
	<b>68 291</b>	68 291	<b>146 393</b>	27 290

	CONSOLIDATED	
	2010 R'000	2009 R'000
<b>10. BORROWINGS</b>		
<b>Non-current</b>		
Unsecured loans, bearing interest at a variable rate of 2% below South African prime, per annum, payable monthly in advance, with a final redemption on 1 November 2011	957	1 467
Less: Portion of loans repayable within one year, included in current liabilities	559	501
	<b>398</b>	<b>966</b>
Secured loan on earthmoving equipment financed in terms of a sale and leaseback agreement (note 1), bearing interest at Jibar, payable quarterly in arrears for 60 months, with a final redemption on 2 December 2013.	122 167	155 033
Less: Portion of loans repayable within one year, included in current liabilities	32 580	32 606
	<b>89 587</b>	<b>122 427</b>
US dollar denominated loan secured by 70% of Fucauma diamond sales, bearing interest at Libor plus 3,5% per annum, payable over 33 equal monthly instalments in arrears, with a final redemption on 29 December 2010	17 856	23 478
Less: Portion of loans repayable within one year, included in current liabilities	17 856	17 076
	<b>-</b>	<b>6 402</b>
US dollar denominated loan secured by Fucauma diamond sales and property, plant and equipment with a book value of Rnil (2009: Rnil), bearing interest at 12-month Libor plus 3% per annum, repayable within 12 months	202	266
Less: Portion of loans repayable within one year, included in current liabilities	202	266
	<b>-</b>	<b>-</b>
US dollar denominated loans secured by Luarica diamond sales and property, plant and equipment with a book value of Rnil (2009: Rnil), bearing interest at between 8% and 10% (2009: 8% and 10%) per annum, repayable within 12 months	13 161	17 156
Less: Portion of loans repayable within one year, included in current liabilities	13 161	17 156
	<b>-</b>	<b>-</b>
US dollar denominated loan secured by Luarica property, plant and equipment with a book value of Rnil (2009: Rnil) bearing interest at Libor plus 3% (2009: 3%) per annum, payable over 48 equal monthly instalments in arrears, with a final redemption on 30 October 2011	11 157	14 444
Less: Portion of loans repayable within one year, included in current liabilities	9 247	8 164
	<b>1 910</b>	<b>6 280</b>
US dollar denominated loans secured by 35% of Luarica diamond sales, bearing interest at 15,7% per annum, repayable over 36 equal monthly instalments, with a final redemption on 30 September 2011.	23 259	30 584
Less: Portion of loans repayable within one year, included in current liabilities	19 382	15 291
	<b>3 877</b>	<b>15 293</b>
<b>Total non-current borrowings</b>	<b>95 772</b>	<b>151 368</b>
<b>Current</b>		
Total current borrowings	92 987	91 060
<b>Total borrowings</b>	<b>188 759</b>	<b>242 428</b>

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>R'000</b>	<b>R'000</b>
<b>11. DEFERRED INCOME TAX</b>		
<b>Deferred income tax liabilities</b>		
At beginning of year	<b>173 698</b>	203 819
Income statement charge	<b>(3 180)</b>	(78 534)
Tax charge to equity	<b>(80 353)</b>	48 413
	<b>90 165</b>	173 698
Comprised of:		
Capital allowances	<b>116 534</b>	126 351
Provisions	<b>(30 518)</b>	(37 157)
Foreign subsidiaries	<b>4 149</b>	84 504
	<b>90 165</b>	173 698
The decrease in the deferred tax liability on foreign subsidiaries is attributable to the movement on the exchange rate between the rand and the US dollar.		
<b>12. PROVISIONS</b>		
Provisions for post-retirement medical benefits		
The amount included in the statement of financial position arising from the group's obligation in respect of the defined-benefit plan is as follows:		
– Present value of unfunded obligations	<b>12 977</b>	15 398
– Unrecognised actuarial losses	<b>1 290</b>	(3 104)
	<b>14 267</b>	12 294
Amounts recognised in the income statement are as follows:		
– Current service cost	<b>42</b>	90
– Interest cost	<b>1 346</b>	1 128
– Expected employer benefit payments	<b>(837)</b>	(671)
– Net actuarial losses recognised in year	<b>1 422</b>	441
	<b>1 973</b>	988
Movements in the liability recognised in the statement of financial position were as follows:		
– At beginning of year	<b>12 294</b>	11 306
– Amounts charged to the income statement	<b>1 973</b>	988
At end of year	<b>14 267</b>	12 294
The provision is independently actuarially determined at least every third year, with independent forecasts for the years inbetween. The last independent actuarial valuation was at the end of March 2010.		
Key assumptions used:	%	%
– Discount rate	<b>9,25</b>	9,00
– Healthcare cost inflation	<b>7,50</b>	7,25
– Expected retirement age (years)	<b>60</b>	60
– Mortality tables used		
• During employment: SA85-90 (Light) ultimate table PA(90)		
• Post-employment: PA(90) ultimate table rated down two years plus 1% improvement per annum (from a base year of 2006)		

		CONSOLIDATED	
		2010	2010
		R'000	%
<b>12. PROVISIONS</b>	(continued)		
The sensitivity of the present value of funded obligations for changes in certain key assumptions used is as follows:			
Healthcare cost inflation			
– Liability at 31 March 2010: -1%		11 618	(10,5)
– Liability at 31 March 2010: +1%		14 605	12,5
– Current service cost and interest cost for the year ending 31 March 2010: -1%			
		1 056	(11,1)
– Current service cost and interest cost for the year ending 31 March 2010: +1%			
		1 347	13,4
– Liability at 31 March 2010: +5% for 5 years			
		15 768	21,5
– Liability at 31 March 2010: +10% for 5 years			
		19 069	46,9
Discount rate			
– Liability at 31 March 2010: -1%		14 620	12,7
– Liability at 31 March 2010: +1%		11 628	(10,4)
Expected retirement age			
– Liability at 31 March 2010: 1 year younger		13 003	0,2
– Liability at 31 March 2010: 1 year older		12 953	(0,2)

The liability and fair value of plan assets relating to the post-retirement medical plan, were as follows for the current and four preceding financial years:

	Present value of obligations	Fair value of plan assets	Fair value of obligations in excess of plan assets	Experience adjustments in respect of present value of obligations	Experience adjustments in respect of fair value of plan assets
	R'000	R'000	R'000	R'000	R'000
2006	11 816	(7)	11 809	167	(9)
2007	12 945	–	12 945	(710)	(8)
2008	13 346	–	13 346	(371)	–
2009	15 398	–	15 398	(2 517)	–
2010	12 977	–	12 977	2 972	–

The expected contributions to be paid for the period 1 April 2010 to 31 March 2011 amount to R784 000.

		CONSOLIDATED	
		2010	2009
		R'000	R'000
<b>Provision for long-service awards</b>			
Amounts recognised in the income statement are as follows:			
Current service cost		617	654
Interest cost		704	702
Expected employer benefit payments		(570)	(451)
Actuarial gain recognised in year		(473)	(980)
		278	(75)

	<b>CONSOLIDATED</b>	
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>12. PROVISIONS</b> (continued)		
Movements in the liability recognised in the statement of financial position were as follows:		
At the beginning of the year	<b>8 117</b>	8 192
Amounts charged to the income statement	<b>278</b>	(75)
At end of year	<b>8 395</b>	8 117
Key assumptions used:	%	%
Discount rate	<b>9,75</b>	9,00
Salary inflation	<b>7,50</b>	6,75
Expected retirement age (years)	<b>63</b>	63
CPI inflation	<b>6,00</b>	5,25
Mortality tables used		
– During employment: SA85-90 (Light) ultimate table		
	<b>R'000</b>	%
The sensitivity of the liability recognised for changes in certain key assumptions used is as follows:		
Salary inflation		
– Liability at 31 March 2010: -1%	<b>7 821</b>	(6,8)
– Liability at 31 March 2010: +1%	<b>9 034</b>	7,6
Discount rate		
– Liability at 31 March 2010: -1%	<b>9 037</b>	7,6
– Liability at 31 March 2010: +1%	<b>7 827</b>	(6,8)
Expected retirement age		
– Liability at 31 March 2010: 1 year younger	<b>7 971</b>	(5,1)
– Liability at 31 March 2010: 1 year older	<b>8 621</b>	2,7
	<b>2010</b>	2009
	<b>R'000</b>	R'000
<b>Provision for rehabilitation liabilities</b>		
At beginning of year	<b>45 588</b>	35 346
Capitalised as mining assets	<b>5 026</b>	–
(Decrease)/increase in costs debited to income statement	<b>(918)</b>	7 096
Rehabilitation provision – unwinding of discount	<b>3 528</b>	3 146
At end of year	<b>53 224</b>	45 588
Comprised of:		
Decommissioning and dismantling	<b>4 716</b>	4 500
Environmental restoration	<b>48 508</b>	41 088
	<b>53 224</b>	45 588
A provision is recognised for the restoration and rehabilitation of current mining activities based on current environmental and regulatory requirements.		
Key assumptions used:	%	%
– Inflation rate	<b>7,1</b>	7,3
– Risk-free rate	<b>8,3 – 8,4</b>	6,4 – 8,6
<b>Total provisions (R'000)</b>	<b>75 886</b>	65 999

	COMPANY		CONSOLIDATED	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>13. DEFERRED INCOME</b>				
Excess of sales proceeds over carrying value of assets sold and leased back (notes 1 and 10)			31 192	33 420
Credited to income statement			(6 684)	(2 228)
			24 508	31 192
Less: Current portion			(6 684)	(6 684)
			17 824	24 508
<b>14. TRADE AND OTHER PAYABLES</b>				
Trade payables	2 699	2 986	201 566	192 063
Government royalties	-	-	13 844	24 126
Contractor fees payable	-	-	2 982	851
Accrued leave pay and bonuses	-	-	20 868	14 838
State – other taxes	-	303	12 150	14 914
Share appreciation units	-	-	5 668	58
Current portion of deferred income (note 13)	-	-	6 684	6 684
Other payables	-	-	1 014	3 346
	2 699	3 289	264 776	256 880
<b>15. REVENUE</b>				
Diamonds: Mining	-	-	715 667	637 301
<b>16. OTHER (LOSSES)/GAINS – NET</b>				
Other (losses)/gains consists mainly of the following principal categories:				
– Net foreign exchange gains			958	9 366
– Loss on other financial assets at fair value through profit or loss			-	(6 282)
			958	3 084
<b>17. IMPAIRMENT OF ASSETS</b>				
As a result of the global economic slowdown and a subsequent decrease in rough diamond prices, the group reviewed the carrying amounts of its assets in the prior year. The review indicated impairment to the value of these assets and the value of these assets were reduced during the 2009 financial year.				
<b>Continuing operations</b>				
Details of the impairment charge are as follows:				
<b>Total</b>				
Land and buildings			-	3 087
Mining rights			-	71 504
Mine development costs			-	6 660
Mining plant and equipment			-	50 419
Goodwill			-	37 096
Long-term receivable from Angolan joint ventures			-	345 546
Net current assets			-	22 601
Impairment charge of assets before tax			-	536 913
Taxation			-	47 401
Net impairment charge			-	489 512

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>R'000</b>	<b>R'000</b>
<b>17. IMPAIRMENT OF ASSETS</b> (continued)		
<b>South Africa</b>		
<b>Middle Orange River Operations</b>		
Land and buildings	–	2 311
Mining rights	–	16 747
Mining plant and equipment	–	(12 247)
Impairment of assets before tax	–	6 811
Impairments and reversal of impairments on individual assets upon finalisation of the sale of the group's Middle Orange River operations.		
<b>Marine operations</b>		
Land and buildings	–	776
Mining rights	–	54 757
Mine development costs	–	25
Mining plant and equipment	–	6 184
Impairment of assets before tax	–	61 742
Impairment of individual assets as a result of the group's decision to suspend the Marine operations.		
<b>Other mine development costs</b>		
Net impairment charge	–	851
<b>Angola</b>		
<b>Luarica</b>		
Goodwill	–	18 548
Mining plant and equipment	–	23 776
Long-term receivable from Angolan joint ventures	–	136 958
Net current assets	–	9 286
Impairment of assets before tax	–	188 568
The Luarica cash-generating unit represents the group's share of the alluvial mining operations of the Luarica Association. The recoverable amount was based on value in use, with key assumptions disclosed on page 54.		
<b>Fucauma</b>		
Goodwill	–	18 548
Mine development costs	–	5 784
Mining plant and equipment	–	21 468
Long-term receivable from Angolan joint ventures	–	208 588
Net current assets	–	11 062
Impairment of assets before tax	–	265 450
The Fucauma cash-generating unit represents the group's share of the alluvial mining operations of the Fucauma Association. The recoverable amount was based on value in use, with key assumptions disclosed on page 54.		



	COMPANY		CONSOLIDATED	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>18. PROFIT/(LOSS) BEFORE INCOME TAX</b>				
The following items have been charged in arriving at profit/(loss) before income tax:				
<b>Income</b>				
Income from subsidiary companies:				
– Administration fees	2 190	3 052	–	–
Profit on sale of property, plant and equipment	–	–	2 550	217
<b>Expenses</b>				
Auditor's remuneration:				
– Audit	–	45	4 652	5 141
– Taxation services	54	–	1 016	640
– Other services	–	–	142	184
Depreciation	–	–	100 597	150 718
Maintenance and material	–	–	165 120	232 367
Operating lease payments	–	–	10 942	17 670
Other operating expenses: Luarica and Fucauma care and maintenance costs	–	–	31 568	–
<b>Staff costs</b>				
Salaries and wages			231 476	258 469
Termination benefits			3 943	9 275
Company contributions to retirement benefits			17 134	17 751
Other post-retirement medical benefits (note 12)			1 973	988
Total staff costs			254 526	286 483

	CONSOLIDATED					
	2010			2009		
	Executive R'000	Non- executive R'000	Total R'000	Executive R'000	Non- executive R'000	Total R'000
<b>19. DIRECTORS' REMUNERATION</b>						
The directors' remuneration for the year ended 31 March were as follows:						
Salaries and fees	4 058	736	4 794	3 693	897	4 590
Retirement contributions	994	–	994	903	–	903
Performance bonus	4 837	–	4 837	342	–	342
Loss of office	249	–	249	–	–	–
Other benefits	1 459	–	1 459	971	–	971
Total paid	11 597	736	12 333	5 909	897	6 806
Company			736			897
Subsidiaries			11 597			5 909

	Salaries and fees R'000	Retirement contri- butions R'000	Perform- ance bonus# R'000	Loss of office R'000	Other benefits* R'000	2010 R'000	2009 R'000
<b>19. DIRECTORS' REMUNERATION</b>							
(continued)							
<b>Executives</b>							
L Delport	1 773	432	2 503	–	387	5 095	2 604
MJ Carstens	1 190	292	1 330	–	512	3 324	1 776
IP Hestermann <sup>Δ</sup>	110	27	107	–	31	275	–
AG Müller <sup>°</sup>	985	243	897	249	529	2 903	1 529
Subtotal	4 058	994	4 837	249	1 459	11 597	5 909
<b>Non-executives</b>							
PL Zim	42	–	–	–	–	42	77
BR van Rooyen	159	–	–	–	–	159	166
T de Bruyn	95	–	–	–	–	95	94
E de la H Hertzog	97	–	–	–	–	97	113
JW Dreyer	68	–	–	–	–	68	–
DM Falck	–	–	–	–	–	–	58
DM Hoogenhout	–	–	–	–	–	–	71
AR Martin	136	–	–	–	–	136	148
PC Pienaar	17	–	–	–	–	17	81
T van Wyk	122	–	–	–	–	122	89
Subtotal	736	–	–	–	–	736	897
Total	4 794	994	4 837	249	1 459	12 333	6 806

# Performance bonuses consisted of R2 188 571 which related to performance for the 2009 financial year [L Delport (R1 207 733), MJ Carstens (R622 246) and (AG Müller R358 592)] paid in August 2009 and R2 648 773 in respect of the 2010 financial year [L Delport (R1 295 373), MJ Carstens (R708 117), IP Hestermann (R106 994) and AG Müller (R538 289)] payable in April 2010.

\* Other benefits mainly comprise car allowances, but include share appreciation units exercised, leave encashments and medical aid contributions.

<sup>Δ</sup> From 1 February 2010

<sup>°</sup> Up to 31 March 2010

#### Directors' and director-related entities

No material transactions other than directors' emoluments disclosed in note 19 were entered into during the year.

#### Share option transactions with directors and their director-related entities

The aggregate number of share options held by directors of the company and their director-related entities during the year is disclosed in note 8. All issues were made on terms and conditions no more favourable than those offered to other option holders.

#### REMUNERATION PHILOSOPHY

The remuneration committee establishes executive remuneration. The committee adopted a philosophy of remuneration for executives based on clearly defined individual goals, designed in such a manner as to complement each other to ensure corporate goals and shareholders' expectations are met. The practice of paying an annual bonus to the equivalent of one month's basic salary to executives was discontinued during the 2002 financial year and replaced by a short-term incentive cash bonus.

As at 31 March, the directors held, directly or indirectly, interest in the issued capital of the company as reflected in the table below:

	Direct		Indirect		Total
	Beneficial	Non-beneficial	Beneficial	Non-beneficial	
<b>2010</b>					
L Delport	150 000	–	–	–	150 000
E de la H Hertzog	–	–	38 800	–	38 800
	150 000	–	38 800	–	188 800
<b>2009</b>					
E de la H Hertzog	–	–	38 800	–	38 800
GJ Zacharias*	7 000	–	–	–	7 000
	7 000	–	38 800	–	45 800

\* Group company secretary (resigned effective 30 November 2009)

	COMPANY		CONSOLIDATED	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>20. INCOME TAX</b>				
<b>20.1 Income tax per income statement</b>				
RSA tax				
– Current	4	7	18 597	15 756
• Current year	4	7	35 091	16 734
• Overprovision prior year	–	–	(16 494)	(978)
– Secondary tax on companies	–	530	(3 325)	3 855
• Current year	–	530	–	3 855
• Overprovision prior year	–	–	(3 325)	–
– Deferred	–	–	(3 525)	(78 207)
• Current year	–	–	(9 021)	(80 390)
• Overprovision prior year	–	–	5 496	2 183
	<b>4</b>	<b>537</b>	<b>11 747</b>	<b>(58 596)</b>

Tax losses and unredeemed capital of certain subsidiaries at the end of the financial year available for utilisation against future taxable income of those companies are estimated at R269,8 million (2009: R432,8 million).

	%	%	%	%
<b>20.2 Reconciliation of effective income tax rate with standard rate</b>				
Effective income tax rate	–	(2,8)	31,8	(6,9)
Increase/(decrease) in rate as a result of:				
Expenses not deductible for income tax purposes	–	28,0	(40,6)	(18,2)
Income not taxable	28,0	–	–	–
Secondary taxation on companies	–	2,8	9,0	(0,4)
Overprovision prior year	–	–	29,8	–
Unrecognised tax losses in loss-making affiliates	–	–	(2,0)	(2,5)
Standard rate	28,0	28,0	28,0	(28,0)

	CONSOLIDATED	
	2010 R'000	2009 R'000
<b>21. DISCONTINUED OPERATIONS</b>		
During the 2008 financial year it was decided to discontinue with the group's marine vessel operations in Namibia. The results of these operations were as follows:		
Revenue	111	660
Expenses	(2 886)	(17 603)
	(2 775)	(16 943)
Impairment of assets	(1 067)	(29 189)
Profit on sale of assets	–	8 217
Loss before income tax	(3 842)	(37 915)
Income tax	299	727
Loss for the year	(3 543)	(37 188)
Net operating cash flows	498	(4 896)
Net investing cash flows	–	31 712
Net financing cash flows	–	–

	CONSOLIDATED	
	2010 R'000	2009 R'000
<b>22. EARNINGS PER SHARE</b>		
<b>Basic earnings per share</b>		
Profit/(loss) for the year from continuing operations	25 149	(760 385)
Loss for the year from discontinuing operations	(3 543)	(37 188)
Weighted average number of ordinary shares in issue (thousands)	105 699	105 699
Basic earnings/(loss) per share – continuing operations (cents)	23,8	(719,4)
Basic loss per share – discontinuing operations (cents)	(3,4)	(35,2)

In accordance with the revised IAS 33, Earnings per Share, mandatory convertible instruments will be included in weighted average number of share calculation for basic earnings per share.

**Diluted earnings per share**

No adjustment to basic earnings per share was required.

	Continuing operations		Discontinued operations	
	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Headline earnings per share				
Profit/(loss) for the year	25 149	(760 385)	(3 543)	(37 188)
(Profit)/loss on sale of assets	(2 550)	8 000	–	(8 217)
– Taxation impact	714	(1 952)	–	150
Impairment of assets	–	168 766	1 067	27 057
– Taxation impact	–	(35 251)	(299)	–
Impairment of available-for-sale investments	–	2 433	–	–
– Taxation impact	–	–	–	–
Headline earnings/(loss)	23 313	(618 389)	(2 775)	(18 198)
Headline earnings/(loss) per share (cents)	22,1	(585,1)	(2,6)	(17,2)

COMPANY

CONSOLIDATED

	2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>23. RECONCILIATION OF NET INCOME/(LOSS) BEFORE INCOME TAX WITH CASH (UTILISED IN)/GENERATED FROM OPERATIONS</b>				
Profit/(loss) before income tax	97 830	(193 710)	33 054	(856 896)
Adjusted for:				
Depreciation	–	–	100 597	150 718
(Profit)/loss on sale of assets and investments	–	–	(2 550)	6 065
Impairments of assets and investments	(97 817)	192 743	1 067	568 536
Deferred income credited	–	–	(6 684)	(2 228)
Exchange rate adjustments	–	–	(849)	(21 659)
Deferred stripping costs capitalised	–	–	(6 788)	–
Increase for post-retirement medical benefit	–	–	1 973	988
Increase/(decrease) for long-service awards	–	–	278	(75)
Increase in rehabilitation liabilities	–	–	2 610	10 242
Income from Trans Hex Rehabilitation Trust Fund	–	–	(3 038)	(3 829)
Share of results of associated company	–	–	9	7
Net interest received	(104)	220	(2 655)	(15 730)
Operating income/(loss) before movements in working capital	(91)	(747)	117 024	(163 861)
Movement in working capital	(625)	1 227	20 924	10 308
Inventory	–	–	(12 187)	(69 534)
Trade and other receivables	(35)	714	(9 747)	31 291
Trade and other payables	(590)	513	42 858	48 551
Cash generated from/(utilised in) operations	(716)	480	137 948	(153 553)
<b>24. RECONCILIATION OF INCOME TAX PAID WITH AMOUNT DISCLOSED IN THE INCOME STATEMENT</b>				
Amount unpaid at beginning of year	(511)	(511)	8 313	(19 405)
Amount per income statement	4	537	14 630	19 211
Amount unpaid at end of year	12	511	(20 619)	(8 313)
Amount paid/(received)	(495)	537	2 324	(8 507)
<b>25. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT</b>				
Earthmoving equipment			933	31 584
Plant extensions			868	3 118
Housing and personnel benefits			45	1 760
Operational buildings			555	55
Computer hardware and software			165	194
Transport vehicles			173	213
Mine development costs			39 355	–
Other			917	4 274
			43 011	41 198

CONSOLIDATED

	2010 %	2009 %
<b>26. JOINT VENTURES</b>		
The group holds the following interest in joint ventures which are engaged in alluvial diamond mining:		
Fucauma Association (Angola)	32	32
Luana Association (Angola) (Exploration contract)	33	33
Luarica Association (Angola)	35	35
Mvelaphanda Exploration (Pty) Ltd (South Africa)	50	50
Northbank Diamonds Ltd (Namibia)	50	50
Trans Hex Gariiep Venture (South Africa)	50	50
	<b>R'000</b>	<b>R'000</b>
These investments are accounted for using the proportionate consolidation method. The following amounts represent the group's effective interest in the assets, liabilities, sales and results of the joint ventures:		
Property, plant and equipment	55 481	1 153
Current assets	29 883	4 402
	<b>85 364</b>	<b>5 555</b>
Non-current liabilities	6 185	28 941
Current liabilities	212 915	214 169
	<b>219 100</b>	<b>243 110</b>
Net assets	<b>(133 736)</b>	<b>(237 555)</b>
Revenue	10 859	68 121
Loss before income tax	(40 989)	(204 127)
Income tax	(165)	(2 600)
Loss after income tax	<b>(41 154)</b>	<b>(206 727)</b>

**27. FINANCIAL INSTRUMENTS**

Financial instruments as disclosed in the statement of financial position include long and short-term borrowings, investments, cash resources, long-term receivables, trade receivables and trade payables.

**Categories of financial instruments**

	Loans and receivables R'000	Available for sale R'000	Other financial liabilities R'000
<b>CONSOLIDATED</b>			
<b>At 31 March 2010</b>			
Available-for-sale investments	-	43 342	-
Trade and other receivables	25 899	-	-
Cash and cash equivalents	268 892	-	-
Borrowings	-	-	(188 759)
Trade and other payables	-	-	(212 246)
Bank overdraft	-	-	(23 327)
<b>At 31 March 2009</b>			
Available-for-sale investments	-	40 065	-
Trade and other receivables	11 892	-	-
Cash and cash equivalents	231 899	-	-
Borrowings	-	-	(242 428)
Trade and other payables	-	-	(202 944)
Bank overdraft	-	-	(26 561)

	Loans and receivables R'000	Available for sale R'000	Other financial liabilities R'000
<b>27. FINANCIAL INSTRUMENTS</b> (continued)			
<b>COMPANY</b>			
<b>At 31 March 2010</b>			
Loans to subsidiaries	209 332	–	–
Cash and cash equivalents	1 420	–	–
Trade and other payables	–	–	(2 699)
<b>At 31 March 2009</b>			
Loans to subsidiaries	110 029	–	–
Cash and cash equivalents	3 024	–	–
Trade and other payables	–	–	(3 289)

## 28. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, credit risk, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments such as foreign exchange contracts and options to hedge certain exposures.

### (i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Entities in the group use forward contracts to hedge their exposure to foreign currency risk. External foreign exchange contracts are designated at group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions. The group also hedges the foreign currency exposure of its contract commitments to purchase certain production equipment. The forward contracts used in its programme are consistent with the related purchase commitments.

At 31 March 2010, if the currency had strengthened/weakened by 5% against the US dollar, pre-tax equity for the year would have been Rnil (2009: Rnil) lower/higher, mainly as a result of foreign exchange losses/gains on translation of the US dollar denominated long-term receivable from Angolan joint ventures.

### (ii) Equity market price risk

The group is exposed to equity market price risk because of investments held by the group and classified on the consolidated statement of financial position as available for sale and at fair value through profit or loss. The group is not exposed to commodity price risk.

At 31 March 2010, if the price of the investments had strengthened/weakened by 5%, other components of equity would have increased/decreased as a result of gains/losses on equity securities classified as available for sale by R22 528 (2009: R10 573).

All investments are classified as level 1 according to the fair value hierarchy.

### (iii) Interest rate risk

The group's income and operating cash flows are substantially independent of changes in market interest rates. The group sometimes borrows at variable rates. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk. The group interest rate exposure and effective interest rates are summarised in notes 6 and 10.

At 31 March 2010, if the interest rate had increased/decreased by 1%, post-tax profit for the year would have increased/decreased as a result of interest received/paid on cash and cash equivalents and borrowings by R474 000 (2009: R557 000).

The other financial instruments in the group's statement of financial position are not exposed to interest rate risk.

**28. FINANCIAL RISK MANAGEMENT** (continued)

**(iv) Credit risk**

The group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. The group has policies that limit the amount of credit exposure to any one financial institution.

The group minimises its credit risk by investing its cash and cash equivalents with major banks and financial institutions located principally in South Africa, Belgium and Angola. The majority of cash funds are held at South African financial institutions all of which have a F1, F2 or F3 Fitch short-term credit rating. The group believes that no concentration of credit risk exists with respect to investment of its cash and cash equivalents.

Amounts past due at reporting date has been impaired in full.

The group's maximum exposure to credit risk at the reporting date is the fair value of each class of financial assets.

**(v) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the group aims to maintain flexibility in funding by keeping committed credit lines available. In terms of the articles of association, the group has unlimited borrowing powers.

The group has undrawn borrowing facilities of R50 million (2009: R50 million). These facilities are at floating rates and expire within one year. These facilities are subject to an annual review.

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

	Less than 1 year R'000	1 to 2 years R'000	2 to 5 years R'000
<b>CONSOLIDATED</b>			
<b>At 31 March 2010</b>			
Borrowings	123 983	46 439	62 381
Trade and other payables	212 246	-	-
Bank overdraft	23 327	-	-
<b>At 31 March 2009</b>			
Borrowings	114 535	69 628	114 395
Trade and other payables	202 944	-	-
Bank overdraft	26 561	-	-
<b>COMPANY</b>			
<b>At 31 March 2010</b>			
Trade and other payables	2 699	-	-
<b>At 31 March 2009</b>			
Trade and other payables	3 289	-	-

**Defaults and breaches**

As at 31 March 2010 borrowings with a principal amount of R65 635 266 and accrued interest of R10 652 167 due by joint ventures to external credit providers, were in default.

## 28. FINANCIAL RISK MANAGEMENT (continued)

### Capital risk management

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Total capital is considered to be 'equity' as shown in the consolidated statement of financial position.

### Fair value estimation

The fair value of publicly traded derivatives and trading and available-for-sale investments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current bid price. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the reporting date.

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

## 29. RELATED-PARTY TRANSACTIONS

### Controlling entities

The company's major shareholders are Tegniese Mynbeleggings Ltd (a wholly owned subsidiary of Remgro Ltd), which holds 28,5% (2009: 28,5%) of the company's shares and Mvelaphanda Resources Ltd who owns 20,3% (2009: 20,3%).

### Subsidiaries and joint ventures

The group holds several interests in subsidiaries and joint ventures. A detailed list of investments in subsidiaries is disclosed under note 34. A detail list of joint ventures is disclosed under note 26.

The following transactions were carried out with related parties:

	CONSOLIDATED	
	2010	2009
	R'000	R'000
<b>(i) Payment for services rendered</b>		
Controlling entities		
Management fee paid to M&I Group Services Ltd (a fellow subsidiary of the company's major shareholder)	2 236	2 236
Internal audit fee paid to M&I Group Services Ltd (a fellow subsidiary of the company's major shareholder)	501	89
	<b>2 737</b>	<b>2 325</b>
The management services were carried out on commercial terms and conditions.		
<b>(ii) Purchase of services</b>		
Joint ventures	30	22
These transactions were carried out on commercial terms and conditions.		
<b>(iii) Sale of goods</b>		
Joint ventures	–	8 194
<b>(iv) Receipts for services rendered</b>		
Joint ventures	750	3 726

The sale of goods and rendering of services are usually negotiated with related parties on a cost-plus basis, allowing for a margin ranging from 2,5% to 7,5%.

	CONSOLIDATED	
	2010 R'000	2009 R'000
<b>29. RELATED-PARTY TRANSACTIONS</b> (continued)		
<b>(v) Executive directors and key management compensation</b>		
Salaries and other short-term benefits	23 176	16 200
Termination benefits	362	628
Other long-term benefits	2 978	2 193
Share-based payments	500	–
<b>(vi) Year-end balances arising from sales of goods and services</b>		
Receivables from joint ventures	–	211
	COMPANY	
<b>(i) Receipts for services rendered</b>		
Subsidiaries	2 190	3 052
<b>(ii) Loans to subsidiaries at end of year</b>	209 332	110 029

**30. SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by the executive management that are used to make strategic decisions.

The executive management considers the business from a geographic perspective. Geographically, management considers the performance of South Africa, Angola, Liberia and Namibia.

The reportable operating segments derive their revenue primarily from the selling of diamonds.

The executive management assesses the performance of the operating segments in a manner consistent with that of the financial statements.

The amounts provided to the executive management with respect to total assets and total liabilities are measured in a manner consistent with that of the financial statements.

More than 10% of the group's revenue is not derived from a single external customer.

	South Africa	Continuing Angola	Liberia	Total	Discontinued Namibia
<b>30. SEGMENT INFORMATION</b>					
(continued)					
<b>2010</b>					
Carats sold ('000)	95 251	1 220	–	96 471	–
	R'000	R'000	R'000	R'000	R'000
Revenue	714 279	1 388	–	715 667	111
Cost of goods sold	(520 562)	(7 049)	–	(527 611)	(2 886)
Gross profit/(loss)	193 717	(5 661)	–	188 056	(2 775)
Other operating expenses	–	(31 568)	–	(31 568)	–
Royalties	(29 837)	–	–	(29 837)	–
Selling and administration costs	(63 643)	(12 189)	1 161	(74 671)	–
Mining income/(expense)	100 237	(49 418)	1 161	51 980	(2 775)
Exploration costs	(4 046)	–	–	(4 046)	–
Other (losses)/gains – net	958	–	–	958	–
Finance income	17 649	–	–	17 649	–
Finance costs	(18 683)	(10 953)	–	(29 636)	–
Impairment of assets	–	–	–	–	(1 067)
Share of associate's results	(9)	–	–	(9)	–
Profit/(loss) before income tax	96 106	(60 371)	1 161	36 896	(3 842)
Depreciation included in the above	(95 490)	(5 108)	–	(100 598)	–
Assets	906 989	98 680	650	1 006 319	–
Non-current assets classified as held for sale	–	–	–	–	2 044
Liabilities	456 835	224 521	–	681 356	–
Capital expenditure	31 955	2 097	–	34 052	–
Net asset value per share (cents)	424	(119)	1	306	2
<b>2009</b>					
Carats sold ('000)	83 188	28 272	–	111 460	417
	R'000	R'000	R'000	R'000	R'000
Revenue	588 326	48 975	–	637 301	660
Cost of goods sold	(623 567)	(163 222)	(10)	(786 799)	(9 386)
Gross loss	(35 241)	(114 247)	(10)	(149 498)	(8 726)
Royalties	(24 103)	–	–	(24 103)	–
Selling and administration costs	(45 808)	(15 890)	–	(61 698)	–
Mining income/(expense)	(105 152)	(130 137)	(10)	(235 299)	(8 726)
Exploration costs	(5 805)	(43 276)	(3 476)	(52 557)	–
Other (losses)/gains – net	3 084	–	–	3 084	–
Finance income	28 332	–	–	28 332	–
Finance costs	(13 336)	(9 852)	–	(23 188)	–
Impairment of assets	(69 403)	(460 284)	(7 226)	(536 913)	(29 189)
Share of associate's results	(7)	–	–	(7)	–
Loss before income tax	(162 287)	(643 549)	(10 712)	(816 548)	(37 915)
Impairment of available-for-sale investment (other)	–	–	–	(2 433)	–
	(162 287)	(643 549)	(10 712)	(818 981)	(37 915)
Depreciation included in the above	(118 630)	(32 078)	(10)	(150 718)	–
Assets	898 127	82 581	866	981 574	–
Non-current assets classified as held for sale	–	–	–	–	3 111
Liabilities	545 529	252 858	–	798 387	–
Capital expenditure	78 039	33 280	–	111 319	–
Net asset value per share (cents)	333	(161)	1	173	3

**31. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The group is subject to claims which arise in the ordinary course of business. The group has provided performance guarantees to banks and other third parties amounting to R11,2 million (2009: R11,5 million). The group has been advised that potential foreign claims exist in respect of a guarantee on a loan from a financial institution of US\$8,7 million (2009: US\$8,7 million) and other legal claims of US\$0,6 million (2009: US\$nil). The directors have been advised that such claims would be very unlikely to succeed.

There were no contingent assets in the group at either 31 March 2010 or 31 March 2009.

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	<b>R'000</b>	<b>R'000</b>
<b>32. COMMITMENTS</b>		
<b>Capital commitments</b>		
Incomplete contracts for capital expenditure	<b>13 152</b>	1 368
Capital expenditure authorised but not yet contracted for	<b>48 387</b>	44 966
	<b>61 539</b>	46 334
<b>Operating lease commitments</b>		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
No later than 1 year	<b>4 584</b>	2 572
Later than 1 year and no later than 5 years	<b>11 669</b>	8 818
Later than 5 years	<b>1 356</b>	2 147
	<b>17 609</b>	13 537

The above commitments mainly constitute the rental of data lines and buildings.

**33. RESTATEMENT OF COMPARATIVE FIGURES**

Unwinding of discount was previously included under 'Other (losses)/gains –net' in the income statement. In terms of IAS 37 "Provisions, contingent liabilities and contingent assets" unwinding of discount should be presented as borrowing cost. The effect of this reclassification on the prior year figures is that 'Finance costs' in the income statement increased with R3 146 000 and 'Other (losses)/gains – net' decreased with the same amount.

### 34. INVESTMENTS

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital		Effective interest		Held by the company			
					Shares		Loan	
	2010 R	2009 R	2010 %	2009 %	2010 R'000	2009 R'000	2010 R'000	2009 R'000
<b>Company</b>								
Buffelsbank Diamante Bpk	50	50	100	100	1 481	1 481	209 332	110 029
Trans Hex Bemarking Bpk	100	100	100	100	–	–	–	–
Trans Hex Finansiering Bpk	10	10	100	100	2 294	2 294	–	–
Trans Hex Diamante Bpk	4 000	4 000	100	100	505	505	–	–
					<b>4 280</b>	<b>4 280</b>	<b>209 332</b>	<b>110 029</b>

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital		Effective interest	
	2010 R	2009 R	2010 %	2009 %
<b>Group</b>				
Benguela Concessions Ltd	1 077 509	1 077 509	100	100
Benguela Exploration Company (Pty) Ltd	500	500	100	100
Daisy Street Investments No 27 (Pty) Ltd	100	100	100	100
Diamond Fields International Ltd – Canada (US\$) (listed)	48 961 596	48 943 596	2	2
Dokolwayo Diamond Mines (Pty) Ltd – Swaziland (E)	15 008	15 008	50	50
Gem Diamond Mining Corporation Ltd	2 833 324	2 833 324	100	100
Hoanib Diamonds (Pty) Ltd – Namibia (N\$)	1 000	1 000	90	90
K P Delwery (Edms) Bpk	100	100	100	100
KPO Liberia – Liberia (US\$)	4	4	50	50
Luderitz Ocean Diamonds (Pty) Ltd – Namibia (N\$)	1	1	100	100
Marine West (Pty) Ltd	1 355 000	1 355 000	100	100
Matikara Prestacao De Servicos SARL – Angola (Kwanza)	100	100	49	49
Mineracao Barra Grande Limitada – Brazil (R\$)	1 000	1 000	65	65
Moonstone Diamonds (Namibia) (Pty) Ltd – Namibia (N\$)	4 000	4 000	77,5	77,5
Moonstone Diamonds (South Africa) (Pty) Ltd	2	2	100	100
Mvelaphanda Exploration (Pty) Ltd	12	12	50	50
Mvelaphanda Trade Solutions (Pty) Ltd	100	100	100	100
Nomeex (Edms) Bpk	120 900	120 900	100	100
Newdico (Pty) Ltd – Botswana (Pula)	100	100	6	6
Northbank Diamonds Ltd – Namibia (N\$)	8	8	50	50
North Bay Mining (Pty) Ltd	1 000	1 000	100	100
Northern Cape Diamond Mining and Exploration (Pty) Ltd	100	100	100	100
Ocean Diamond Mining 6C (Pty) Ltd	100	100	100	100
Ocean Diamond Mining 14C (Pty) Ltd	100	100	100	100
Oranje-Kunene Diamante Bpk	57	57	100	100
Pioneer Minerals (Pty) Ltd	16 700	16 700	100	100
See-Diamantkonsessie 2B (Edms) Bpk	200	200	49	49
Trans Hex Angola Ltda – Angola (Kwanza)	50 000	50 000	100	100
Trans Hex België N V – Belgium (Euro)	62 000	62 000	100	100
Trans Bamothibi (Pty) Ltd	200	200	100	100
Trans Hex Brasil Limitada – Brazil (R\$)	3 568 601	3 568 601	100	100

**34. INVESTMENTS** (continued)

Name of company Incorporated in South Africa (unless stated otherwise)	Issued share capital		Effective interest	
	2010 R	2009 R	2010 %	2009 %
Trans Hex Liberia (THL) Ltd – Liberia (US\$)	100	100	100	100
Trans Hex Marine (Namibia) (Pty) Ltd – Namibia (N\$)	100	100	100	100
Trans Hex Mynbou Bpk	500 000	500 000	100	100
Trans Hex Namibia (Pty) Ltd – Namibia (N\$)	5	5	100	100
Trans Hex Operations (Pty) Ltd	12 768	12 768	100	100
Trans Hex (Swaziland) (Pty) Ltd – Swaziland (E)	3	3	100	100
Trans Hex UK Ltd – UK (GBP)	1 000	1 000	100	100
Trans Tropic Trading Incorporated – British Virgin Islands (US\$)	250 000	250 000	100	100
Urembo Diamonds (Pty) Ltd	100	100	75	75
WADU – Investimentos Mineiros SARL – Angola (Kwanza)	100	100	80	80
Weasua Diamonds Ltd – Seychelles (US\$)	178 555	178 555	50	50

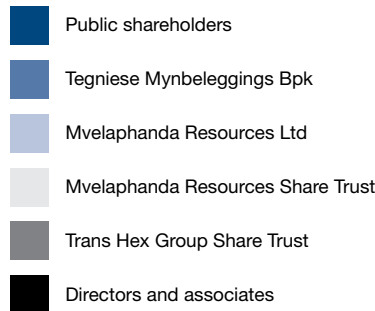
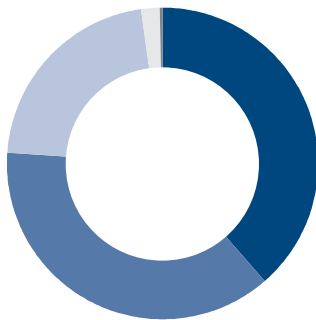
All the companies are unlisted unless stated otherwise.

**NON-PUBLIC/PUBLIC SHAREHOLDERS**

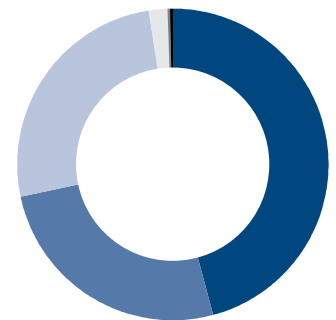
Pursuant to the JSE Listings Requirements and to the best knowledge of the directors, after reasonable enquiry, the spread of share-holders at 31 March 2010, appears below:

	2010 %	2009 %
Tegniese Mynbeleggings Bpk	28,49	28,49
Mvelaphanda Resources Ltd	17,92	17,92
Mvelaphanda Resources Share Trust	2,39	2,39
Trans Hex Group Share Trust	0,33	0,33
Directors and associates	0,18	0,04
Public shareholders	50,69	50,83

**NON-PUBLIC/PUBLIC SHAREHOLDERS 2010**



**NON-PUBLIC/PUBLIC SHAREHOLDERS 2009**



**SHAREHOLDER SPREAD**

Public/non-public shareholders	Number of shareholders	% of shareholders	Number of shares	% of total shares
<b>Non-public shareholders</b>	6	0,24	52 286 391	49,31
Directors and associates	2	0,08	188 800	0,18
Share trusts	2	0,08	2 882 591	2,72
Tegniese Mynbeleggings Bpk	1	0,04	30 215 000	28,49
Mvelaphanda Resources Ltd	1	0,04	19 000 000	17,92
<b>Public shareholding</b>	2 534	99,76	53 764 884	50,69
<b>Total</b>	2 540	100,0	106 051 275	100,00

**Major shareholders as at 31 March 2010**

According to information available to the directors, shareholders beneficially holding (either directly or via nominee companies) in excess of 3% of the issued share capital, were as follows:

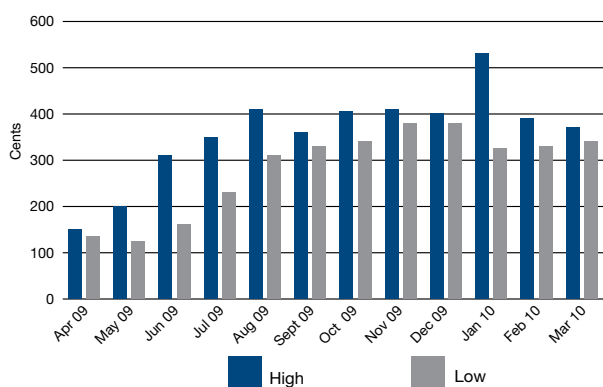
Shareholder	Number of shares	Percentage
Tegniese Mynbeleggings Bpk	30 215 000	28,49
Mvelaphanda Resources Ltd	19 000 000	17,92
Investment Solutions Ltd	4 723 048	4,45
Nedbank Group	3 963 277	3,74
Government Employees Pension Fund	3 187 163	3,00
<b>Total</b>	61 088 488	57,60

## ADDITIONAL SHAREHOLDER INFORMATION

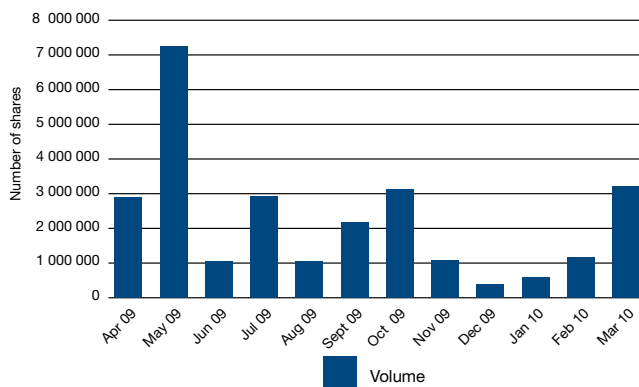
Trans Hex's ordinary shares are quoted on the JSE Limited (JSE) and the Namibian Stock Exchange (NSX). Share trading codes are TSX for the JSE and THX for the NSX.

### SHARE TRADING

MONTHLY HIGHS AND LOWS FOR 2009/10



MONTHLY VOLUMES TRADED FOR 2009/10



### GENERAL STATISTICS AND RATIOS FOR 2009/10

	2010	2009
Total number of shares in issue at year-end	106 051 275	106 051 275
Weighted average number of shares in issue	105 698 947	105 698 947
Total shares traded	26 945 432	21 031 212
Volume traded as a percentage of shares in issue (%)	31,8	22,3
Closing price as at 31 March (cents)	351	145
Volume weighted average annual price per share (cents)	319	642
Price/earnings ratio as at 31 March	18	(0,24)
Earnings yield as at 31 March (%)	5,6	(415,4)
Dividend yield as at 31 March (%)	-	-
Market capitalisation at 31 March (Rm)	371	153
Headline earnings per share (cents)	19,4	(602,3)
Interim dividend (cents)	-	-
Final dividend (cents)	-	-
Net asset value per share (cents)	308	176

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**SHAREHOLDER CATEGORIES AS AT 31 MARCH 2010**

<b>Category</b>	<b>Number of shareholders</b>	<b>%</b>	<b>Number of shares</b>	<b>%</b>
Banks	37	1,46	651 270	0,61
Holding company	1	0,04	30 215 000	28,49
Individuals	2 012	79,21	6 697 491	6,32
Insurance companies	5	0,20	723 693	0,68
Investment companies and corporate bodies	198	7,80	24 929 162	23,51
Medical aid schemes	2	0,08	123 467	0,12
Mutual funds	40	1,57	24 596 308	23,19
Nominees and trusts	205	8,07	3 273 481	3,09
Own holdings	1	0,04	4 136	0,00
Pension and endowment funds	39	1,53	14 837 267	13,99
	2 540	100,00	106 051 275	100,00

**SHAREHOLDING ANALYSIS AS AT 31 MARCH 2010**

<b>Holdings</b>	<b>Number of shareholders</b>	<b>%</b>	<b>Number of shares</b>	<b>%</b>
1 – 5 000 shares	2 130	83,86	2 168 860	2,04
5 001 – 10 000 shares	164	6,46	1 259 125	1,19
10 001 – 100 000 shares	169	6,65	5 436 102	5,13
100 001 – 500 000 shares	48	1,89	10 170 700	9,59
500 001 – 1 000 000 shares	13	0,51	9 187 337	8,66
Over 1 000 000 shares	16	0,63	77 829 151	73,39
Total	2 540	100,00	106 051 275	100,00

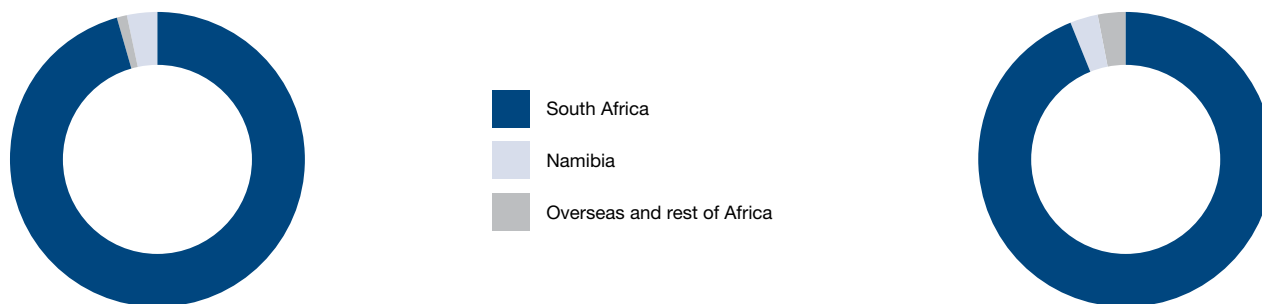
**ADDITIONAL INFORMATION**

Based on all available information the pie charts below represent the best estimates of the domicile of investors in Trans Hex shares.

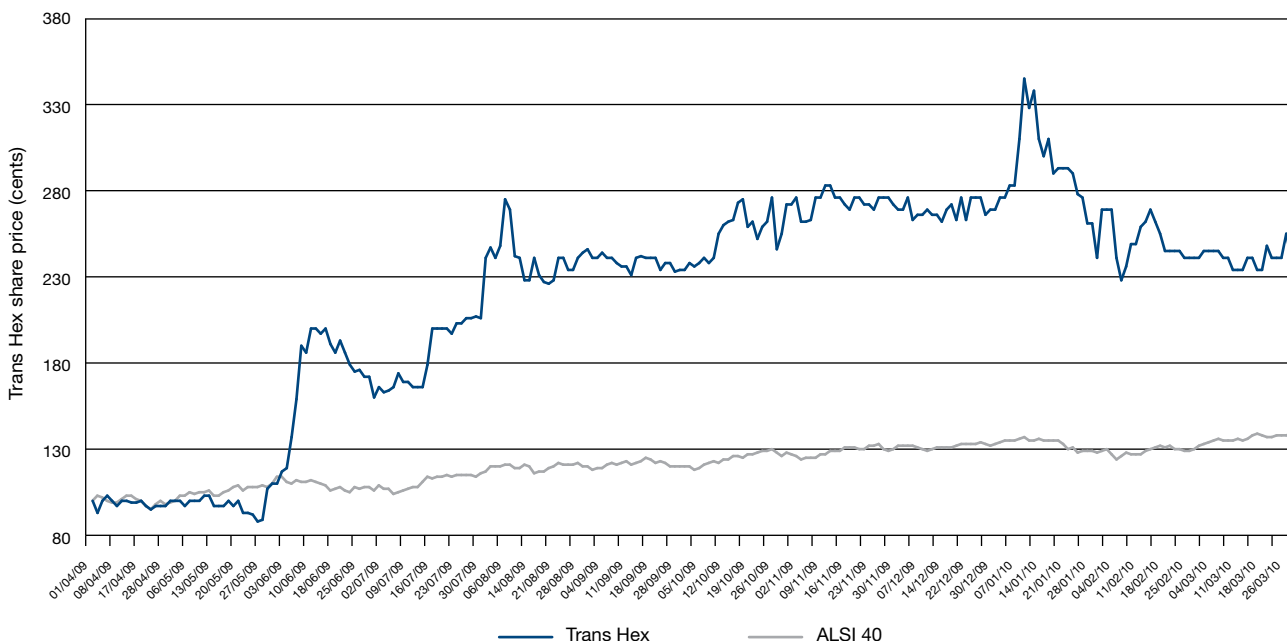
Geographical breakdown	Number of shareholdings	%	Number of shares	%
Namibia	27	1,06	3 257 530	3,07
Overseas and rest of Africa	375	14,76	1 256 500	1,18
South Africa	2 138	84,17	101 537 245	95,74
Total	2 540	100,00	106 051 275	100,00

**ADDITIONAL INFORMATION SHAREHOLDERS 2010**

**ADDITIONAL INFORMATION SHAREHOLDERS 2009**



**TRANS HEX SHARE PRICE VERSUS ALL SHARE INDEX (ALSI 40)**



**CONVERSION OF SHARE CERTIFICATES INTO ELECTRONIC FORMAT (STRATE)**

Trans Hex moved into the JSE's electronic settlement environment (STRATE) during October 2001. Shareholders who have not as yet submitted share certificates to their appointed custodian bank or qualifying stockbroker (Central Securities Depository Participant or CSDP) for dematerialisation, are urged to do so. They in turn will ensure the certificates are recorded electronically which will render the relevant share eligible for settlement in the STRATE environment. Should you require any further information, contact the company secretary or STRATE's Information Centre.

Notice is hereby given that the thirtieth Annual General Meeting of shareholders of Trans Hex Group Limited (“the company”) will be held on Thursday, 5 August 2010, at 10:00 at the company’s registered office, 405 Voortrekker Road, Parow, for the following purposes:

1. To consider and adopt the annual financial statements for the year ended 31 March 2010.
2. To determine and approve directors’ fees for the past financial year.
3. To elect the following retiring directors in accordance with the provisions of the company’s articles of association and who, being eligible, offer themselves for re-election, namely –

Directors retiring by rotation:

E de la H Hertzog

A R Martin

Directors appointed during the year:

I P Hestermann

Their profiles and abridged curriculum vitae appear on page 8. Each re-election will be voted on separately.

4. To reappoint PricewaterhouseCoopers Incorporated as auditors of the company and to appoint Mr D Adriaans as the designated audit partner to hold office for the ensuing year.
5. To consider and, if deemed fit, to pass, with or without amendments, the following ordinary and special resolutions:

#### ORDINARY RESOLUTION NUMBER ONE

##### Control of 10% of the authorised but unissued shares

RESOLVED THAT 10% of the authorised but unissued ordinary shares in the capital of the company be hereby placed under the control of the directors of the company as a general authority to them to allot, issue and otherwise dispose of the same at their discretion in terms of and subject to the provisions of the Companies Act, Act 61 of 1973, as amended (“the Act”), the articles of association of the company and the Listings Requirements of the JSE Limited (“JSE”).

#### ORDINARY RESOLUTION NUMBER TWO

##### General issue of shares for cash

RESOLVED THAT, subject to:

- not less than 75% of those shareholders of the company present in person or by proxy and entitled to vote at the Annual General Meeting at which this resolution is proposed, voting in favour of this resolution;
- the directors of the company be and they are hereby authorised by way of a general authority, to issue 10% of the authorised but unissued shares in the capital of the company for cash, as and when they in their discretion deem fit, subject to the Act, the articles of association of the company and the JSE Listings Requirements, when applicable, and subject to the following limitations, namely:
  - that this authority shall not extend either beyond 15 months from the date of this meeting; or beyond the date of the next Annual General Meeting, whichever is the earlier date;
  - that the issue shall be to public shareholders as defined in paragraph 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
  - that a paid press release, giving full details, including the impact on net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within one year, 5% or more of the number of ordinary shares issued prior to the issue;
  - that issues in the aggregate in any financial year, not exceed 10% of the number of ordinary shares of the company’s issued share capital, including instruments which are convertible into ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue (including instruments convertible into ordinary shares) at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, fully irrevocable and underwritten) or acquisition (which has had final terms enhanced) may be included as though they were shares in issue at the date of application;
  - that the equity securities which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue; and
  - that, in determining the price at which an issue for shares will be made in terms of this authority, the maximum discount permitted be 10% of the weighted average traded price of the shares in question over the 30 business days prior to the date that the price of the issue is determined or agreed to by the company’s directors and the party subscribing for the securities.

## SPECIAL RESOLUTION NUMBER ONE

RESOLVED THAT with effect from the date of adoption of this resolution, the articles of association of the company is hereby amended by deleting the existing wording of sub-article 26.5 and replacing it with the following wording:

*26.5 achieves the age of seventy five years during any financial year of the company, in which event he or she shall cease to hold office at the end of the Annual General Meeting immediately following the end of the financial year of the company in question, subject to the exception that the directors shall be entitled to adopt a resolution in respect of a particular person (including an existing director or a person they contemplate nominating for appointment as a director) to the effect that, despite the person concerned having achieved the age of seventy five or more, the board of directors is of the view (expressed by way of a majority vote) that such person is competent to serve as a director of the company, and if such a resolution is adopted, then the age disqualification provision in this article 26.5 shall have no application in respect of the person concerned (for the sake of clarity, any such exempting board resolution shall have enduring effectiveness from the date of adoption of the resolution or other date specified in the resolution, as the case may be, and does not have to be adopted again in any subsequent year);*

### Reason

The reason for this special resolution is to provide that where a director reaches that obligatory retirement age, the director only ceases to hold office at the end of the next Annual General Meeting and to provide the directors with a discretion to except a particular person from the obligatory disqualification retirement age for directors of 75 years. While it is accepted that directors should generally retire at a senior age, the board is of the view that the company should not be overly prescriptive in this regard as it may be in the interests of the company to retain or appoint a particular person on the board after the person concerned has reached the age of 75 years.

### Effect

The adoption of this special resolution will have the effect of amending the articles of association of the company by replacing sub-article 26.5 with the specified new sub-article, which, amongst other things, provides the directors with the discretion to except a particular person from the disqualification retirement age for directors.

## SPECIAL RESOLUTION NUMBER TWO

### General authority to repurchase issued shares

RESOLVED THAT, as a general approval contemplated in sections 85(2) and 85(3) of the Act, the acquisitions by the company, and/or any subsidiary of the company, from time to time of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Act and the JSE Listings Requirements, when applicable, and provided that:

- the repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the company's next Annual General Meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which the company's ordinary shares are acquired by the company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by the company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty percent) of the company's issued ordinary share capital as at the beginning of the financial year;
- the company or its subsidiary are not repurchasing securities during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
- the company only appoints one agent to effect any repurchase(s) on its behalf; and
- the number of shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% in the aggregate of the number of issued shares in the company of the relevant times.

The directors undertake that they will not effect a general repurchase of shares as contemplated above unless the following can be met:

- the company and the group are in a position to repay their debt in the ordinary course of business for a period of 12 months after the date of the general repurchase;
- the assets of the company or the group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of the company and the group for a period of 12 months after the date of the repurchase;
- the share capital and reserves of the company and the group are adequate for the next 12 months following the date of the repurchase;
- the available working capital is adequate to continue the operations of the company and the group in a period of 12 months after the date of the repurchase; and
- upon entering the market to proceed with the repurchase, the company's sponsor has confirmed the adequacy of the company's and the group's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE.

### **Reason for and effect of the special resolution**

The reason for and the effect of the special resolution is to grant the company's directors a general authority, up to and including the date of the following Annual General Meeting of the company, to approve the company's purchase of shares in itself, or of shares in its holding company, or to permit a subsidiary of the company to purchase shares in the company.

### **Other disclosure in terms of the JSE Listings Requirements Section 11.26**

The JSE Listings Requirements require the following disclosure, some of which are elsewhere in the annual report of which this notice forms part as set out below:

Directors and senior management – pages 8 and 9;

Major shareholders of the company – page 87;

Litigation statement – page 38;

Directors' interests in securities – page 40; and

Share capital of the company – page 65.

### **Directors' responsibility statement**

The directors, whose names are given on page 8 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this resolution and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

### **Material change**

Other than the facts and developments reported on in the annual report, there have been no material changes in the trading or financial position of the company and its subsidiaries since the date of signature of the audit report and the date of this notice.

### **Statement of board's intention**

The board has no immediate intention to use this authority to repurchase company shares. However, the board is of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

6. To transact such other business as may be transacted at an Annual General Meeting.

## VOTING AND ATTENDANCE AT THE ANNUAL GENERAL MEETING

Shareholders who have not dematerialised their shares or who have dematerialised their shares with own-name registration are entitled to attend and vote at the Annual General Meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a member. Proxy forms must be forwarded to reach the transfer secretaries of the company by no later than 48 hours before the time fixed for the holding of the Annual General Meeting (excluding Saturdays, Sundays and public holidays).

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such shareholder.

Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with own-name registration should contact their CSDP or broker, in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the Annual General Meeting, to obtain the necessary authority to do so.

Equity securities held by a share trust or scheme will not have their votes at the Annual General Meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

By order of the board



**GM van Heerden**  
*Company secretary*

Parow  
18 June 2010



TRANS HEX

TRANS HEX GROUP LIMITED

(Registration number: 1963/007579/06)

("Trans Hex" or "the company")

Share code: TSX ISIN: ZAE000018552

For completion by shareholders who have not dematerialised their shares or who have dematerialised their shares but with own-name registration.

For use by shareholders, who have not dematerialised their shares or who have dematerialised their shares but with own-name registration ("entitled shareholders"), at the Annual General Meeting of the company to be held at 10:00 on Thursday, 5 August 2010, at 405 Voortrekker Road, Parow.

Shareholders who have dematerialised their shares must inform their CSDP or broker of their intention to attend the Annual General Meeting and request their CSDP or broker to issue them with the necessary authorisation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the Annual General Meeting in person.

FORM OF PROXY FOR THE THIRTIETH ANNUAL GENERAL MEETING OF TRANS HEX GROUP LIMITED

I/We \_\_\_\_\_ (name in block letters)

of \_\_\_\_\_ (address)

being the holder(s) of \_\_\_\_\_ ordinary shares in the company, hereby appoint (see note 1):

1. \_\_\_\_\_

of \_\_\_\_\_ or failing him

2. \_\_\_\_\_

of \_\_\_\_\_ or failing him

3. the chairman of the company, or failing him, the chairman of the Annual General Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held at 405 Voortrekker Road, Parow on Thursday, 5 August 2010, at 10:00, or at any adjournment thereof.

I/We desire to vote as follows (see note 2):

Table with 4 columns: Resolution, For, Against, Abstain. Rows include Adoption of annual financial statements, Approve directors' fees, Election of directors (3.1 E de la H Hertzog, 3.2 AR Martin, 3.3 IP Hestermann), Reappoint Messrs PricewaterhouseCoopers Inc. as external auditors, Ordinary resolution number 1, Ordinary resolution number 2, Special resolution number 1, and Special resolution number 2.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2010

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Please see notes overleaf

## NOTES

1. An entitled shareholder may insert the name of a proxy or the name of two alternative proxies of the entitled shareholder's choice in the space/s provided, with or without deleting 'the chairman of the Annual General Meeting', by any such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. Entitled shareholders must insert an 'X' in the relevant spaces according to how they wish their votes to be cast. However, if entitled shareholders wish to cast their votes in respect of a lesser number of shares than they own in Trans Hex they must insert the number of shares held in respect of which they wish to vote. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the Annual General Meeting as he/she deems fit in respect of the entire entitled shareholder's votes exercisable at the Annual General Meeting. An entitled shareholder or his/her proxy is not obliged to use all the votes exercisable by the entitled shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the entitled shareholder or by his/her proxy.
3. Forms of proxy must be received by the transfer secretaries by no later than 10:00 on Tuesday, 3 August 2010.

### **In South Africa:**

Computershare Investor Services (Proprietary) Limited  
10th Floor  
70 Marshall Street  
Johannesburg  
PO Box 61051  
Marshalltown 2107

### **In Namibia:**

Irwin, Jacobs, Greene & Associates  
12 Love Street  
Windhoek  
PO Box 2401  
Windhoek  
Namibia

4. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this form of proxy.
5. The completion and lodging of this form of proxy will not preclude the relevant entitled shareholder from attending the Annual General Meeting and speaking and voting in person at the Annual General Meeting to the exclusion of any proxy appointed in terms of this form of proxy.
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the Annual General Meeting.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
8. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries of Trans Hex.

The chairman of the Annual General Meeting may accept any form of proxy which is completed, other than in accordance with these notes, if the chairman is satisfied as to the manner in which the entitled shareholder wishes to vote.

Shareholders or interested parties may contact the company secretary for general information concerning Trans Hex or visit our website at [www.transhex.co.za](http://www.transhex.co.za).

Share transfers, dividend payments, change of address and similar queries should also be addressed to the company secretary or the company's transfer secretaries.

**COMPANY SECRETARY**

Trans Hex Group Limited  
PO Box 723 Parow, Cape Town, 7499  
Telephone: +27 21 937 2000  
Fax: +27 21 937 2100  
email: [gregv@transhex.co.za](mailto:gregv@transhex.co.za)  
Registration number: 1963/007579/06

**TRANSFER SECRETARIES**

**SOUTH AFRICA**

Computershare Investor Services (Pty) Ltd  
PO Box 61051  
Marshalltown 2107  
Telephone: +27 11 370 5000  
Fax: +27 11 688 5237

**NAMIBIA**

Transfer Secretaries (Pty) Ltd  
PO Box 2401  
Windhoek  
Telephone: +264 61 22 7647  
Fax : +264 61 24 8531

**APPOINTED SPONSOR**

(as per JSE Listings Requirements)  
Rand Merchant Bank Limited  
(A division of FirstRand Bank Limited)  
PO Box 786273  
Sandton 2146  
Telephone: +27 11 282 8000  
Fax: +27 21 11 282 8259  
email: [sponsorteam@rmb.co.za](mailto:sponsorteam@rmb.co.za)

**SPONSORING BROKER**

**NAMIBIA**

Irwin, Jacobs, Greene & Associates  
12 Love Street  
Windhoek  
Telephone: +264 61 383500  
Fax: +264 61 304671

**STRATE**

Telephone: +27 11 759 5300  
Fax: +27 11 759 5500  
email: [info@strate.co.za](mailto:info@strate.co.za)  
website: [www.strate.co.za](http://www.strate.co.za)

**TRANS HEX WEBSITE**

[www.transhex.co.za](http://www.transhex.co.za)

**IMPORTANT DATES FOR SHAREHOLDERS**

Financial year-end	31 March
Annual general meeting	5 August 2010
Financial reports:	
Half-year interim report	November
Announcement of annual results	May
Annual financial statements	June
Interim dividend	
Declared	May
Paid	July
Final dividend	
Declared	November
Paid	December



**TRANS HEX**

[www.transhex.co.za](http://www.transhex.co.za)