AG(SA) Public Entities
SA Diamond Board
1999
AG06553

AUDITOR-GENERAL

REPORT

OF THE

AUDITOR-GENERAL

ON THE

FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD

FOR

THE YEAR ENDED 31 MARCH 1999

PUBLISHED BY AUTHORITY
RP 43/2000
ISBN 0-621-29989-6

OBTAINABLE FROM THE GOVERNMENT PRINTER, BOSMAN STREET, PRIVATE BAG X85, PRETORIA, 0001. TEL. [illegible]

SAHA ARCHIVE FOR JUSTICE

AUDITOR-GENERAL

AUDITOR GENERAL
2006 -12- 4
LIBRARY

REPORT

OF THE

AUDITOR-GENERAL

ON THE

FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD

FOR

THE YEAR ENDED 31 MARCH 1999

PUBLISHED BY AUTHORITY

AUDITOR - GENERAL
LIBRARY

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

FINANCIAL STATEMENTS

31 MARCH 1999

CONTENTS **PAGE**

The Annual Financial Statements which appear on pages 3 to 10 have been approved by the board and are signed on its behalf by:

G THULA

Chairman

Date 24/01/2000

DR V B SIBIYA

Chief Executive Officer

Date 24. January 2000

SAHA ARCHIVE FOR JUSTICE

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD FOR THE YEAR ENDED 31 MARCH 1999

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 4 to 10, for the year ended 31 March 1999, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 17(4) of the Diamonds Act, 1986 (Act No. 56 of 1986). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

2. REGULARITY AUDIT

2.1 NATURE AND SCOPE

2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations applicable to financial matters. I believe that the audit provides a reasonable basis for my opinion.

2.2 QUALIFICATION

2.2.1 Financial audit

2.2.1.1 Bank and Cash balances

Four cheques to the total value of R205 513 were not available for verification. An explanation received from the Chief Executive Officer indicated that the bank never returned the cheques.

There is no evidence that an independent senior official reviewed the bank reconciliation.

2.2.1.2 Fixed Assets

An amount of R126 690 shown as "opening balance difference" on the schedule of depreciation for the year ended 31 March 1999 could not be tested for accuracy. The opening balance difference could be due to fully depreciated assets. Management does not review and follow up fully depreciated assets neither could information be furnished with regard to fully depreciated assets and whether they are in use or not.

SAHA ARCHIVE FOR JUSTICE

2(ii)

The reconciliation of the fixed asset register to the general ledger accounts was not done and needs to be addressed as a matter of urgency.

2.2.1.3 Depreciation

The depreciation on Software Development and Programs, which was capitalised as fixed assets, was not calculated for the year financial 1998/99. There is no accounting policy with regard to the depreciation of Software Development and Programs and therefore I am unable to express an opinion on the depreciation amount. The total value of Software Development and Programs was R121 758 at 31 March 1999.

2.3 Audit opinion

2.3.1 Disclaimer of an opinion: Financial audit

Because of the significance of the matters discussed in paragraph 2.2.1, I do not express an opinion on the financial statements.

2.3.2 Unqualified opinion: Compliance audit

The transactions of the SA Diamond Board that I have examined during the course of the audit were in my opinion, in all material respects, made in accordance with the relevant laws and regulations, applicable to financial matters.

3. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

3.1 Export duty

In terms of sections 62(1) and (2) the Board shall levy an export duty on every unpolished diamond exported from the Republic of South Africa. The export duty shall amount to 15% of the fair market value of an unpolished diamond in the Republic as at the date on which that diamond is registered for export.

Levies on export of unpolished diamonds to the value of R8 704 354 as imposed by the Minister of Minerals and Energy under section 93 of the Diamond Act were recorded as income in the Income Statement. All these exported unpolished diamonds were exempt from the export duty in accordance with section 63(1)(a)(ii), and the Chief Executive Officer stated that: "Virtually all diamond-exporting entities associated with De Beers have exemption on the basis that the goods were presented to local cutters and toolmakers prior to export [section 63(1)(a)(ii)]. This is contemplated in the "section 59 Agreements" that are now under scrutiny. According to the best knowledge of the current management, there are no producers with an export duty exemption in terms of section 63(l)(a)(i) [Minister approval] of the Act. Exemptions that should have been sought under subsection 63(1)(a)(ii) have been granted by the previous Boards, but the application for such exemptions were based on a circuitous and highly questionable route".

Copies of the valuation certificates furnished in terms of subsection (2) of section 65 and necessary supporting approval and certificates for exemption were not obtained.

3.2 Internal control and financial management

Few weaknesses became apparent during the audit of the system of internal control. These were brought to the attention of the Chief Executive Officer through a management letter dated 20 December 1999. He replied that corrective action will be taken where necessary.

SAHA ARCHIVE FOR JUSTICE

2(iii)

3.3 Policies and procedures

A concern was raised with the Chief Executive Officer for policies and procedures with regard to the maintenance and spending of petty cash. I was unable to evaluate the disbursements made through petty cash and the petty cash float of R2 500 was not authorised by an appropriate official.

3.4 Segregation of duties

It appears that the duties were not adequately separated. The initiation of transactions and completing of source documents, recording transactions in the accounting records and reconciliation of various components were done by an individual. This indicates a lack of adequate internal controls.

3.5 Stockpile held in London

The Chief Executive Officer indicated that the Board has never been furnished with documentation reflecting value, at the time of export, of the stockpile (1992 – 1998) held in London. The Board has never been furnished with records of the audit done on the stockpile prior to the current Government Diamond Valuator. The efforts by the current Government Diamond Valuator to secure detailed and reliable data from the previous valuator has not been successful and has not met with adequate levels of co-operation. The Government Diamond Valuator has not had access to the entire stockpile. According to information at hand, the values of that portion of the stockpile which were seen by the Government Diamond Valuator, as at the beginning of 1999 was $900 million. The reliability of figures given to the Government Diamond Valuator is highly questionable, as valuations by the latter have indicated instances of serious under valuation. This should be treated as a matter of urgency as it might result in loss of revenue.

3.6 Internal audit

There is no internal audit department.

3.7 Audit Committee

The SA Diamond Board has not established an Audit Committee.

4. LATE SUBMISSION OF FINANCIAL STATEMENTS

The financial statements were submitted six months instead of four months subsequent to the end of the financial year. The final signed financial statements were received on 11 January 2000.

5. APPRECIATION

The assistance rendered by the Board during the audit is sincerely appreciated.

Signed by R.K. Nayager
for Auditor-General
Johannesburg
25/01/2000

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

BALANCE SHEET AT

31 MARCH 1999

	NOTES	31/03/99 R	31/03/98 R
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	1 + 3	784 573	402 096
CURRENT ASSETS		4 783 164	3 191 865
Debtors		3 751	-
Prepaid expenses		3 353	9 593
Fixed deposits and call accounts		4 304 154	3 055 837
Cash on hand and at bank		314 179	126 435
VAT refundable		157 727	-
TOTAL ASSETS		5 567 737	3 593 961
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		3 243 127	2 629 968
Accumulated funds			
NON-CURRENT LIABILITIES	2	231 721	32 025
Interest-bearing borrowings			
CURRENT LIABILITIES		2 092 889	931 968
Trade and other payables		2 054 572	926 768
Short-term portion of long-term liabilities	2	38 317	5 200
TOTAL EQUITY AND LIABILITIES		5 567 737	3 593 961

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

	NOTES	31/03/99 R	31/03/98 R
Revenue	4	8 704 354	6 702 230
Other income/Investment income	4	651 170	598 501
		9 355 524	7 300 731
Operating expenses	4	8 742 365	7 608 223
Net income(loss) for the year	4	613 159	(307 492)
Accumulated funds at beginning of year		2 629 968	2 937 460
Accumulated funds at end of year		3 243 127	2 629 968

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

	NOTES	31/03/99 R	31/03/98 R
Cash flow from operating activities		1 771 421	242 277
Cash generated from operations	7.1	1 134 948	(302 864)
Investment income		616 170	523 786
Proceeds on disposal of asset	7.2	35 000	21 355
Finance charges		(14 697)	-
Cash flow from investing activities			
Additions to fixed assets	7.3	(568 173)	(399 304)
Cash flow from financing activities		232 813	37 225
Loans raised		199 696	32 025
Increase in short-term portion of long-term loans		33 117	5 200
Net change in cash and cash equivalents		1 436 061	(119 802)
Cash and cash equivalents at beginning of the year		3 182 272	3 302 074
Cash and cash equivalents at end of the year	7.4	4 618 333	3 182 272

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

1. **Accounting basis**

The financial statements have been prepared on the historical cost basis and incorporate the following accounting policies, which are consistent with those applied in the previous year:

1.1 Acknowledgement of income

Income is acknowledged on the accrual basis.

1.2 Fixed assets and depreciation

Fixed assets are stated at historical cost less depreciation. Depreciation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life.

The rates are as follows:

Computer hardware	: 20%
Furniture and fittings	: 10%
Motor vehicles	: 20%
Office machines and laboratory equipment	: 20%
Parking bay	: 0%
Leasehold improvements	: Over period of lease

1.3 **Leased assets**

Assets leased in terms of finance lease agreements are capitalised at the estimated present value of the underlying lease payments and are depreciated in accordance with the policies applicable to equivalent items of owned assets. The corresponding rental obligations, net of finance charges, are included in other long-term payables. Lease finance charges are amortised over the duration of the leases by the effective interest rate method which takes into account the effective interest charge on the lease.

1.4 Pension fund

Pensions are provided for employees by means of contributions to THE ASSOCIATED INSTITUTIONS PENSION FUND.

	31/03/99 R	31/03/98 R
2. **Long-term liabilities**		
Capitalised lease agreement at an interest rate of 25,06% per annum. Secured by a lease agreement over a switchboard with a book value of R 32 882 (1998 : R 42 506) and repayable in 52 instalments of R 1 382 per month.	41 658	37 225
Capitalised lease agreements at an interest rate of 24,07% per annum. Secured by a lease agreement over motor vehicles with a book value of R 222 258 and repayable in 60 monthly instalments of R 6 663,74.	228 380	-
	270 038	37 225
Less : Short-term portion transferred to current liabilities	(38 317)	(5 200)
	231 721	32 025

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

3. **Fixed assets**

	COST R	ACCUMULATED DEPRECIATION R	BOOK VALUE 31/03/99 R	COST R	ACCUMULATED DEPRECIATION R	BO VA 31/03 R
Own assets						
Parking Bay	4 580	-	4 580	4 580	-	4
Computer hardware	377 923	341 045	36 878	337 393	276 593	60
Furniture and fittings	223 034	182 477	40 557	200 419	162 367	38
Motor vehicles	432 904	264 916	167 988	432 904	211 711	221
Office machines and laboratory equipment	253 265	167 490	85 775	175 598	140 633	34
Leasehold improvements	75 681	3 784	71 897	-	-	-
Software development and programs	121 758	-	121 758	-	-	-
	1 489 145	959 712	529 433	1 150 894	791 304	359 5
Leased assets						
Switchboard	48 120	15 238	32 882	48 120	5 614	42 5
Motor vehicles	229 922	7 664	222 258	-	-	-
	278 042	22 902	255 140	48 120	5 614	42 5
Total assets	1 767 187	982 614	784 573	1 199 014	796 918	402 0

The carrying amount of fixed assets can be reconciled as follows:

	BOOK VALUE AT BEGINNING OF YEAR R	ADDITIONS R	DISPOSALS R	DEPRECIATION R	BOOK VALUE END OF YEAR R
Own assets					
Parking Bay	4 580	-	-	-	4 580
Computer hardware	60 800	40 530	-	(64 452)	36 878
Furniture and fittings	38 052	22 615	-	(20 110)	40 557
Motor vehicles	221 193	-	-	(53 205)	167 988
Office machines and laboratory equipment	34 965	77 667	-	(26 857)	85 775
Leasehold improvements	-	75 681	-	(3 784)	71 897
Software development and programs	-	121 758	-	-	121 758
	359 590	338 251	-	(168 408)	529 433
Leased assets					
Switchboard	42 506	-	-	(9 624)	32 882
Motor vehicles	-	229 922	-	(7 664)	222 258
	42 506	229 922	-	(17 288)	255 140
Total assets	402 096	568 173	-	(185 696)	784 573

Certain fixed assets are encumbered as disclosed in note 2.

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

	31/03/99 R	31/03/98 R
4. Net income		
The following items are included in net income:		
Total income	9 355 524	7 300 731
Levies	8 704 354	6 702 230
Other income	35 000	74 715
Interest	616 170	523 786

	Budget 31/03/99 R	31/03/99 R	Budget 31/03/98 R	31/03/98 R
Total expenditure	9 444 368	8 742 365	7 115 330	7 608 223
Auditors remuneration	41 145	63 660	41 800	37 494
Board members remuneration	79 750	96 276	177 000	103 765
Commission of Inquiry Note 5	-	-	50 000	114 154
Depreciation	-	185 696	-	168 257
Diamond valuation fees	3 217 720	4 338 200	2 787 180	2 773 800
Insurances	55 402	31 283	55 000	33 428
Other expenditure	591 466	562 130	447 350	384 331
Overseas travelling	157 786	262 925	50 000	101 230
Rent : Offices and parking	415 153	442 868	400 000	397 596
Staff recruitment and related expenses	235 000	99 125	42 000	32 630
Salaries and contributions	4 564 353	2 576 504	2 950 000	2 458 208
Travelling and subsistance	86 593	83 698	115 000	81 491
Termination of services CEO Note 6	-	-	-	921 839
NET INCOME(LOSS)		613 159		(307 492)

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1999

5. **Contingent liability R 58 905**

Commission of Inquiry into the Diamond Industry of South Africa.

The commission had been created by Parliament on condition that the SA Diamond Board be responsible for 50% of the expenses of the commission, limited to a total of R 600 000.

The commission has been terminated due to the death of the supervising Judge. The expense to date of termination amounted to R 717 810 and the SA Diamond Board has received an account for 50% of this amount, ie. R 358 905.

No provision has been made for the amount of R 58 905 by which the account received exceeds the R 300 000 responsibility accepted by the Board.

6. **Termination of Services Chief Executive Officer (CEO)**

The services of the CEO of the Board had been terminated by the Minister of Minerals and Energy Affairs with effect from 1 February 1997 and a new CEO had been appointed with effect from 1 March 1997.

The termination was set aside by an order of court on 15 May 1997. The court order specified that the CEO should remain an employee with uninterrupted service at his normal salary and benefits, and that an amicable parting of ways should be worked out by the parties.

The above matter was resolved during April 1998 and although the Board was the second defendant, all the expenses were taken up in the accounts of the Board, being:

	R
Salary and employment benefits:-	
1 February to 31 March 1997	51 896
1 April 1997 to 31 March 1998	337 963
Compensation for loss of office	540 000
Legal and related expenses to obtain settlement	43 876
TOTAL	973 735
Disclosed in 96/97 year	51 896
Disclosed in 97/98 year	921 839
	973 735

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1999

	31/03/99 R	31/03/98 R

7. Cash flow information

7.1 Cash flows from operating activities

	31/03/99 R	31/03/98 R
Net income(loss)	613 159	(307 492)
Adjustments for:		
Investment income	(616 170)	(523 786)
Profit on sale of asset	(35 000)	(21 355)
Depreciation	185 695	168 257
Finance charges	14 697	-
Operating loss before working capital changes	162 381	(684 376)
Changes in working capital		
(Increase)Decrease in prepaid expenses	6 240	(1 646)
Increase(Decrease) in creditors	1 127 805	383 158
(Increase)Decrease in debtors	(3 751)	-
(Increase)Decrease in VAT refundable	(157 727)	-
	1 134 948	(302 864)

7.2 Disposal of fixed assets

	31/03/99 R	31/03/98 R
Motor vehicle	35 000	21 355

7.3 Additions to fixed assets

	31/03/99 R	31/03/98 R
Leasehold improvements	(75 681)	-
Furniture and fittings	(22 615)	(1 393)
Office machines and laboratory equipment	(77 667)	(18 204)
Computer equipment	(40 530)	(85 709)
Motor vehicle	(229 922)	(245 878)
Switchboard	-	(48 120)
Software development and programs	(121 758)	-
	(568 173)	(399 304)

7.4 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	31/03/99 R	31/03/98 R
Fixed deposits and call accounts	4 304 154	3 055 837
Cash on hand and at bank	314 179	126 435
	4 618 333	[illegible]

SAHA ARCHIVE FOR JUSTICE

SA DIAMOND BOARD

AUDIT REPORT 2000

RP 77/2001

AUDITOR-GENERAL

REPORT

OF THE

AUDITOR-GENERAL

ON THE

FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD

FOR THE

YEAR ENDED 31 MARCH 2000

PUBLISHED BY AUTHORITY
RP 77/2001
ISBN 0-621-30746-9

OBTAINABLE FROM THE GOVERNMENT PRINTER, BOSMAN STREET, PRIVATE BAG X85, PRETORIA, 0001 TEL (012) 334-4507/4510

SAHA ARCHIVE FOR JUSTICE

AUDITOR-GENERAL

REPORT

OF THE

AUDITOR-GENERAL

ON THE

FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD

FOR THE

YEAR ENDED 31 MARCH 2000

PUBLISHED BY AUTHORITY

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD
ANNUAL REPORT
31 MARCH 2000

CONTENTS **PAGES**

The Annual Financial Statements which appear on this Annual Report have been approved by the Board and are signed on its behalf by:

G THULA

CHAIRMAN

Date 03 May 2001

DR VB SIBIYA

CHIEF EXECUTIVE OFFICER

Date 03 May 2001

SAHA ARCHIVE FOR JUSTICE

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD FOR THE YEAR ENDED 31 MARCH 2000

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 4 to 11, for the year ended 31 March 2000 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 17(4) of the Diamonds Act, 1986 (Act No. 56 of 1986). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

2. REGULARITY AUDIT

2.1 Nature and scope

2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters. I believe that the audit provides a reasonable basis for my opinion.

2.2 Qualification: Financial audit

Fixed assets

The annual asset count had not been performed by the Board for the 1999/2000 financial year. The completeness of the fixed asset amount disclosed in the financial statements could therefor not be verified.

An amount of R126 690 shown as opening balance difference on the schedule of calculating the depreciation for the year-end 31 March 1999, could not be tested for completeness and existence. The opening balance difference related to fully depreciated assets for which no information could be furnished. This matter had also been reported on in the 1998/99 financial year.

SAHA ARCHIVE FOR JUSTICE

2.3 Audit opinion

2.3.1 Qualified audit opinion: Financial audit

In my opinion, except for the effect on the financial statements of the matter referred to in paragraph 2.2, the financial statements fairly present, in all material respects, the financial position of the Diamond Board at 31 March 2000 and the results of its operations and cash flows for the year ended in accordance with prescribed accounting practice.

2.3.2 Unqualified opinion: Compliance audit

Based on the audit work performed, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulations, applicable to financial matters, has occurred.

3. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

3.1 Financial loss for the year

The South African Diamond Board had made a loss of R3 164 686 for the year ended 31 March 2000, which had decreased the accumulated funds from R3 243 127 at the beginning of the year to R78 441 at the end of the year.

3.2 Leave provision

The Board did not make provision for the cumulative leave days of employees at year-end resulting in the Board's liabilities being understated at year-end.

3.3 Special Investigation

A special investigation is being conducted into the export duties and will be reported on separately, if deemed necessary.

3.4 Computer audit

A high-level overview of the computerised information system environment at the South African Diamond Board had been completed during November 2000 identifying that a comprehensive security policy and a formal disaster recovery plan had not been in place. Management had since taken various corrective steps to address the weaknesses, the effectiveness of which will be evaluated during the next financial year's audit.

3.5 Internal audit

There was no internal audit department.

3.6 Audit committee

The SA Diamond Board had not established an audit committee for the period under review.

SAHA ARCHIVE FOR JUSTICE

4. LATE SUBMISSION OF SIGNED FINANCIAL STATEMENTS

The financial statements must be submitted to the Auditor-General not later than four months subsequent to the end of the financial year. The signed financial statements had been submitted on 5 October 2000, and after changes were dated 3 May 2001.

5. APPRECIATION

The assistance rendered by the staff of the Board during the audit is sincerely appreciated.

Signed by JE van Heerden
for Auditor-General
Johannesburg
17/05/2001

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

BALANCE SHEET AS AT

31 MARCH 2000

	NOTES	31/03/2000 R	31/03/1999 R
ASSETS			
NON-CURRENT ASSETS			
Fixed assets	1 + 3	1,739,236	784,573
CURRENT ASSETS		7,904,994	4,783,164
Debtors		139,233	3,751
Prepaid expenses		7,297	3,353
Fixed deposit and call accounts		7,566,191	4,304,154
Cash on hand and at bank		192,274	314,179
Vat refundable		-	157,727
TOTAL ASSETS		9,644,230	5,567,737
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Accumulated funds		78,441	3,243,127
NON-CURRENT LIABILITIES	2		
Interest-bearing borrowings		164,711	231,721
CURRENT LIABILITIES		9,401,077	2,092,889
Trade payables		382,914	2,054,572
Short-term portion of long-term liabilities	2	34,427	38,317
Other payables		7,154,964	-
Vat payable		67,813	
DVIC Valuations SA (Pty) Ltd	5	1,760,959	
TOTAL EQUITY AND LIABILITIES		9,644,230	5,567,737

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

INCOME STATEMENT FOR THE YEAR ENDED

31 MARCH 2000

	NOTES	31/03/2000 R	31/03/1999 R
Revenue	4	12,895,829	8,704,354
Other income / Investment income	4	183,213	651,170
		13,079,042	9,355,524
Operating expenses	4	16,243,728	8,742,365
(Net Loss) / Income for the year		(3,164,686)	613,159

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED

31 MARCH 2000

	Accumulated funds R
Balance at 31 March 1998	2,629,968
Net income for the year	613,159
Balance at 31 March 1999	3,243,127
Loss for the year	(3,164,686)
Balance at 31 March 2000	78,441

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

CASH FLOW STATEMENT FOR THE YEAR ENDED

31 MARCH 2000

	NOTES	31/03/2000 R	31/03/1999 R
Cash flow from operating activities		(2,707,799)	1,771,421
Cash generated from operating activities	6.1	(2,866,093)	1,134,948
Investment income		183,213	616,170
Proceeds on disposal of assets		-	35,000
Finance charges		(24,919)	(14,697)
Cash flow from investing activities			
Additions to fixed assets	6.2	(1,303,946)	(568,173)
Cash flow from financing activities		7,151,878	232,813
Loans raised		(67,010)	199,696
Decrease in short-term portion of long-term loans		(3,890)	33,117
Increase in other payables		7,154,964	-
Increase in Vat payable		67,813	-
Net change in cash and cash equivalents		3,140,132	1,436,061
Cash and cash equivalents at beginning of the year		4,618,333	3,182,272
Cash and cash equivalents at end of the year	6.3	7,758,465	4,618,333

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2000

1 ACCOUNTING POLICIES

The following are the principal accounting policies of the South African Diamond Board which are consistent in all material respects with those applied in the previous year, except as otherwise indicated in the note on changes in accounting policies.

1.1 *Basis of presentation*

The financial statements have been prepared on the historical cost basis and incorporate the following accounting policies:

1.1.1 *Acknowledgement of income*

Income is acknowledged on an accrual basis.

1.1.2 *Fixed assets and depreciation*

Fixed assets are stated at historical cost less depreciation. Depreciation is calculated on a straight-line method to write off the cost of each asset over its estimated useful life.

The depreciation rates are as follows:

Computer hardware	: 20%
Computer software	: 20%
Furniture and fittings	: 10%
Motor vehicle	: 20%
Office machine and laboratory equipment	: 20%
Parking bay	: 0%
Leasehold improvements	: over period of lease

1.1.3 *Leased assets*

Assets leased in terms of finance lease agreements are capitalised at the estimated present value of the underlying lease payments and are depreciation in accordance with the policies applicable to equivalent items of owned assets. The correspondence rental obligations, net of finance charges, are included in other long-term payables. Lease finance charges are amortised over the duration of the leases by the effective interest rate method which takes into account the effective interest charge on the lease.

1.1.4 *Pension fund*

Pensions are provided for employees by means of contributions to THE ASSOCIATED INSTITUTIONS PENSION FUND.

1.2 CHANGE IN ACCOUNTING POLICIES:

Computer software and depreciation

Computer software is stated at historical cost less depreciation. Unlike in previous years depreciation has been provided for on a straight-line basis.

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2000

		31/03/2000 R	31/03/1999 R
2	**Long-term liabilities**		
	Capitalised lease agreement at an interest rate of 25.06% per annum. Secured by a lease agreement over a switchboard with a book value of R 23 259 (1999 : R32 882) and repayable in 52 instalments of R 1 382 per month.	25,417	41,658
	Capitalised lease agreement at an interest rate of 24,07% per annum. Secured by a lease agreement over motor vehicles with a book value of R 176 274 and repayable in 60 monthly instalments of R 6 663,74.	173,722	228,380
		199,138	270,038
	Less : Short-term portion transferred to current liabilities	34,427	(38,317)
		164,711	231,721

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2000

3 **Fixed assets**

	Cost R	Accumulated Depreciation R	Book Value 31/03/2000 R	Cost R	Accumulated Depreciation R	Book Value 31/03/1999 R
Own assets						
Parking bay	4,580	-	4,580	4,580	-	4,580
Computer hardware	924,353	431,150	493,203	377,923	341,045	36,878
Furniture and fittings	242,717	203,903	38,814	223,034	182,477	40,557
Motor vehicles	432,904	314,091	118,813	432,904	264,916	167,988
Office machines and laboratory equipment	359,020	202,034	156,987	253,265	167,490	85,775
Leasehold improvements	176,445	31,296	145,148	75,681	3,784	71,897
Software development and programs	653,071	70,912	582,159	121,758	-	121,758
	2,793,091	1,253,386	1,539,705	1,489,145	959,712	529,433
Leased assets						
Switchboard	48,120	24,861	23,259	48,120	15,238	32,882
Motor vehicles	229,922	53,649	176,274	229,922	7,664	222,258
	278,042	78,510	199,533	278,042	22,902	255,140
Total assets	3,071,133	1,331,895	1,739,238	1,767,187	982,614	784,573

	Book Value At Beginning of Year R	Additions R	Disposals R	Depreciation R	Book Value At End of Year R
Own assets					
Parking bay	4,580	-	-	-	4,580
Computer hardware	36,878	546,430	-	90,104	493,204
Furniture and fittings	40,557	19,683	-	21,426	38,815
Motor vehicles	167,988	-	-	49,176	118,812
Office machines and laboratory equipment	85,827	105,756	-	34,596	156,987
Leasehold improvements	71,897	100,763	-	27,513	145,147
Software development and programs	121,758	531,314	-	70,912	582,160
	529,485	1,303,946	-	293,727	1,539,705
Leased assets					
Switchboard	32,882	-	-	9,624	23,258
Motor vehicles	222,258	-	-	45,984	176,274
	255,140	-	-	55,608	199,532
Total assets	784,625	1,303,946	-	349,335	1,739,236

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2000

4 Net income

	Budget 31/03/2000 R	Actual 31/03/2000 R	Budget 31/03/1999 R	Actual 31/03/1999 R
The following items are included in net income:				
Total income		13,079,042		9,355,524
Levy income		12,895,829		8,704,354
Other income		-		35,000
Interest received		183,213		616,170
Total expenditure includes:	14,632,920	16,243,728	9,444,368	8,742,365
Audit fees	57,400	98,193	41,145	63,660
Board members remuneration	148,758	104,920	79,750	96,276
Depreciation	-	349,284	-	185,696
Diamond valuation fees	8,300,000	10,370,164	3,217,720	4,338,200
Salaries and contributions	3,650,465	3,472,682	4,564,353	2,576,504
NET INCOME/(LOSS)		(3,164,686)		613,159

5 DVIC Valuations SA (Pty) Ltd

An amount of R1,760 958.72 relating to invoices received from DVIC Valutions SA (Pty) Ltd in respect of extra work done in Kimberley and in London on behalf of the South African Diamond Board at De Beers. De Beers disputes their indebtedness to the South African Diamond Board for this amount. The Board has, subsequent to the balance sheet date, alledged that there are no monies owed in respect of extra work. The matter was expected to be resolved in a Court of Law, however a settlement out-of-court has been reached and the Board has accepted its indebtedness to DVIC Valuations SA (Pty) Ltd.

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2000

		31/03/2000 R	31/03/1999 R
6	**Cash flow information**		
6.1	**Cash flows from operating activities**		
	Net income / (Loss)	(3,164,686)	613,159
	Adjustments for:		
	Investment income	(183,213)	(616,170)
	Profit on sale of assets	-	(35,000)
	Depreciation	349,284	185,695
	Finance charges	24,919	14,697
	Operating loss before working capital changes	(2,973,696)	162,381
	Changes in working capital		
	(Increase) / Decrease in prepaid expense	(3,944)	6,240
	(Decrease) / Increase in creditors	(1,671,658)	1,127,805
	Increase in DVIC Valuations SA (Pty) Ltd	1,760,959	-
	Increase in debtors	(135,482)	(3,751)
	Decrease / (Increase) in Vat refundable	157,727	(157,727)
		(2,866,093)	1,134,948
6.2	**Additions of fixed assets**		
	Leasehold improvements	(100,763)	(75,681)
	Furniture and fittings	(19,683)	(22,615)
	Office machines and laboratory equipment	(105,756)	(77,667)
	Computer equipment	(546,430)	(40,530)
	Motor vehicles	-	(229,922)
	Switchboard	-	-
	Software development and programs	(531,314)	(121,758)
		(1,303,946)	(568,173)
6.3	**Cash and cash equivalents**		
	Cash and cash equivalents consisting of cash on hand and balance with banks. Cash and cash equivalents in the cash flow statement comprise the following balance sheet amounts:		
	Fixed deposits and call accounts	7,566,191	4,304,154
	Cash on hand and at bank	192,274	314,179
		7,758,464	4,618,333

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD
ANNUAL REPORT
31 MARCH 2000

CONTENTS **PAGES**

The Annual Financial Statements which appear on this Annual Report have been approved by the Board and are signed on its behalf by:

G THULA

CHAIRMAN

Date 03 May 2001

DR VB SIBIYA

CHIEF EXECUTIVE OFFICER

Date 03 May 2001

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD
ANNUAL REPORT
31 MARCH 2000

CONTENTS — **PAGES**

The Annual Financial Statements which appear on this Annual Report have been approved by the Board and are signed on its behalf by:

....	....
G THULA	**DR VB SIBIYA**
CHAIRMAN	**CHIEF EXECUTIVE OFFICER**
Date 03 May 2001	**Date** 03 May 2001

O R T

AUDITOR-GENERAL

of the

AUDITOR-GENERAL

on the

FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD

for the year ended

31 MARCH 2001

...HORITY

... from the Government Printer, Bosman Street, Private Bag X85, Pretoria 0001 Tel (012) ...

SAHA ARCHIVE FOR JUSTICE

AUDITOR-GENERAL

REPORT

OF THE

AUDITOR - GENERAL

ON THE

FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD

FOR

THE YEAR ENDED 31 MARCH 2001

PUBLISHED BY AUTHORITY

RP 29/2002
ISBN 0-621-31841-8

SAHA
ARCHIVE FOR JUSTICE

AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD FOR THE YEAR ENDED 31 MARCH 2001

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 4 to 11, for the year ended 31 March 2001, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 17(4) of the Diamonds Act, 1986 (Act No. 56 of 1986). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements and compliance with relevant laws and regulations, applicable to financial matters, based on the audit.

2. REGULARITY AUDIT

2.1 NATURE AND SCOPE

2.1.1 Financial audit

The audit was conducted in accordance with generally accepted government auditing standards, which incorporate generally accepted auditing standards. These standards require the audit to be planned and performed to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

2.1.2 Compliance audit

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

2.2 Audit opinion

2.2.1 Financial audit

In my opinion, the financial statements fairly present, in all material respects, the financial position of the South African Diamond Board at 31 March 2001 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting practice.

SAHA
ARCHIVE FOR JUSTICE

2.2.2 Compliance audit

Based on the audit work performed, nothing has come to my attention that causes me to believe that material non-compliance with laws and regulations, applicable to financial matters, has occurred.

3. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

3.1 Special investigation

A special investigation into the export duty exemptions was still in progress and will be reported on separately, if deemed necessary.

3.2 Internal audit

There was no internal audit department.

3.3 Audit committee

The Audit Committee came into being in February 2001, thus they have not been functional in the year under review.

3.4 Late submission of signed financial statements

In terms of audit circular no. 2 of 1997, paragraph 2.1, the signed financial statements should be submitted to the Auditor-General not later than four months after the year-end. The final set of financial statements had only been signed on 24 January 2002.

3.5 Cheques outstanding

A cheque amounting to R350 583.93 had been reflected as outstanding on the bank reconciliation as at 31 March 2001 due to the Receiver of Revenue not accepting the cheque.

4. APPRECIATION

The assistance rendered by the staff of the South African Diamond Board during the audit is sincerely appreciated.

DORIS L.T. DONDUR
for **Auditor-General**
Johannesburg
25/01/2002

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD
ANNUAL REPORT
31 MARCH 2001

CONTENTS **PAGES**

The Annual Financial Statements which appear on this Annual Report have been approved by the Board and are signed on its behalf by:

....

A CHIKANE

CHAIRMAN

Date...24 JANUARY 2002

....

L MABOMBO

ACTING CHIEF EXECUTIVE OFFICER

Date...24 JANUARY 2002

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

BALANCE SHEET AS AT

31 MARCH 2001

	NOTES	31/03/2001 R	31/03/2000 R
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets	2	1,507,595	1,739,236
CURRENT ASSETS		2,380,295	7,904,994
Debtors		46,157	139,233
Prepaid Expenses		321,141	7,297
Fixed Deposit and Call Accounts		2,009,397	7,566,191
Cash on Hand and at the Bank		3,600	192,274
TOTAL ASSETS		3,887,890	9,644,230
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Accumulated Funds		(738,618)	78,441
NON-CURRENT LIABILITIES	3		
Interest-bearing borrowings		48,921	164,711
CURRENT LIABILITIES		4,577,586	9,401,077
Trade payables		563,313	382,914
Short-term portion of long-term liabilities	3	90,977	34,427
Bank Overdraft (Salary Account)		134,764	0
Other Payables		7,338	7,154,964
Vat Payable		15,077	67,813
DVIC Valuations SA (Pty) Ltd	4	3,766,117	1,760,959
TOTAL EQUITY AND LIABILITIES		3,887,890	9,644,230

SOUTH AFRICAN DIAMOND BOARD

INCOME STATEMENT FOR THE YEAR ENDED

31 MARCH 2001

	NOTES	31/03/2001 R	31/03/2000 R
Revenue	5	15,627,768	12,895,829
Other Income / Investment Income	5	124,837	183,213
		15,752,604	13,079,042
Operating Expenses	5	16.569,663	16,243,728
Net Loss for the Year		(817,059)	(3,164,686)

SOUTH AFRICAN DIAMOND BOARD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED

31 MARCH 2001

	Accumulated funds R
Balance at 31 March 1999	3,243,127
Net loss for the year	(3,164,686)
Balance at 31 March 2000	78,441
Net Loss for the year	(817,059)
Balance at 31 March 2001	(738,618)

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD
CASH FLOW STATEMENT FOR THE YEAR ENDED
31 MARCH 2001

	NOTES	31/03/2001 R	31/03/2000 R
Cash flow from/(to) operating activities		1,624,193	(2,707,799)
Cash generated by/(utilised in) operating activities	6.1	1,578,431	(2,866,093)
Investment Income Received		82,815	183,213
Finance charges paid		(37,053)	(24,919)
Cash flow from investing activities			
Additions to fixed assets	6.2	(244,822)	(1,303,946)
Cash flow from financing activities		(7,124,839)	7,151,878
Loans raised		(115,791)	(67,010)
Decrease in short-term portion of long-term Loans		56,550	(3,890)
Increase/(Decrease) in Other Payables		(7,147,627)	7,154,964
Increase/(Decrease) in Vat Payable		(52,736)	67,813
Increase/(Decrease) in Bank Overdraft		134,764	0
(Decrease)/Increase in cash and cash equivalents		(5,745,467)	3,140,132
Cash and cash equivalents at beginning of the Year		7,758,465	4,618,333
Cash and cash equivalents at end of the Year	6.3	2,012,998	7,758,465

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

1 ACCOUNTING POLICIES

The following are the principal accounting policies of the South African Diamond Board which are consistent in all material respects with those applied in previous year, except as otherwise indicated in the note on changes in accounting policies.

1.1 *Basis of presentation*

The financial statements have been prepared on the historical cost basis and incorporate the following accounting policies:

1.1.1 *Acknowledgement of Income*

Income is acknowledged on an accrual basis

1.1.2 *Fixed Assets and depreciation*

Fixed assets are stated at historical cost less depreciation. Depreciation is calculated on a straight-line method to write off the cost of each asset over its estimated useful life.

The depreciation rates are as follows:

Computer Hardware	: 20%
Computer Software	: 20%
Furniture and fittings	: 10%
Motor vehicle	: 20%
Office machine and laboratory equipment	: 20%
Parking bay	: 0%
Leasehold improvements	: over period of lease

1.1.3 *Leased Assets*

Assets leased in terms of finance lease agreements are capitalised at the estimated present value of the underlying lease payments and are depreciated in accordance with the policies applicable to equivalent items of owned assets. The correspondence rental obligations net of finance charges, are included in other long-term payables. Lease finance charges are amortised over the duration of the leases by the effective interest rate method which takes into account the effective interest charge on the lease.

1.1.4 *Pension Fund*

Pensions are provided for employees by means of contributions to THE ASSOCIATED INSTITUTIONS PENSION FUND.

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

2 **Fixed Assets**

	Cost R	Accumulated Depreciation R	Book Value 31/03/2001 R	Cost R	Accumulated Depreciation R	Book Value 31/03/2000 R
Own Assets						
Parking Bay	4,580	0	4,580	4,580	0	4,580
Computer hardware	586,961	211,149	375,811	924,353	431,150	493,203
Furniture and Fittings	243,102	228,184	14,918	242,717	203,903	38,814
Motor vehicles	296,187	177,919	118,268	432,904	314,091	118,813
Office machines and laboratory equipment	359,020	242,295	116,725	359,020	202,033	156,987
Leasehold improvements	185,683	66,739	118,944	176,445	31,296	145,148
Software development and programs	837,961	223,537	614,424	653,071	70,912	582,159
	2,513,494	1,149,824	1,363,670	2,793,091	1,253,386	1,539,705
Leased Assets						
Switchboard	48,120	34,485	13,635	48,120	24,861	23,259
Motor vehicles	229,922	99,633	130,289	229,922	53,649	176,274
	278,042	134,118	143,924	278,042	78,510	199,533
Total Assets	2,791,536	1,283,942	1,507,594	3,071,133	1,331,895	1,739,238

	Book Value At Beginning of Year	Additions R	Disposals R	Depreciation R	Book Value At End of Year
Own Assets					
Parking Bay	4,580	0	0	0	4,580
Computer hardware	493,203	0	0	117,392	375,811
Furniture and Fittings	38,814	385	0	24,281	14,918
Motor vehicles	118,813	50,309	0	50,853	118,269
Office machines and laboratory equipment	156,987	0	0	40,261	0 116,725
Leasehold improvements	145,148	9,238	0	35,443	118,944
Software development and programs	582,159	184,890	0	152,625	0 614,424
	1,539,705	244,822	0	420,856	1,363,671
Leased Assets					
Switchboard	23,259	0	0	9,624	13,635
Motor vehicles	176,274	0	0	45,984	130,289
	199,533	0	0	55,608	143,924
Total Assets	1,739,238	244,822	0	476,464	1,507,595

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

	31/03/2001 R	31/03/2000 R
3 Long-term Liabilities		
Capitalised lease agreement at an interest rate of 25.06% per annum. Secured by a lease agreement over a switchboard with a book value of R 13 635 (1999 : R23 259) and repayable in 52 instalments of R 1 382 per month.	11,012	25,417
Capitalised lease agreement at an interest rate of 24.07% per annum. Secured by a lease agreement over motor vehicles with a book value of R 130 289 and repayable in 60 monthly instalments of R 6 663.74.	128,885	173,722
	139,898	199,138
Less : Short-term portion transferred to current liabilities	90,977	34,427
	48,921	164,711

4 DVIC Valuations SA (Pty) Ltd

'An amount of R3,766 117 relating to invoices received from DVIC Valuations SA (Pty) Ltd in respect of extra work done in Kimberly and in London on behalf of the South African Diamond Board at De Beers. The final indebtedness amount was reached after a litigation was resolved out-of-court.

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2001

5 **Net Income**

	31/03/2001 R	31/03/2000 R
The following items are included in net income:		
Total Income	15.752.604	13.079.042
Levy Income	15.627.768	12.895.829
Other Income	42.021	0
Interest Received	82.815	183.213

	Budget 31/03/2001 R	Actual 31/03/2001 R	Budget 31/03/2000 R	Actual 31/03/2000 R
Total Expenditure Includes	16.989.166	16.569.663	14.632.920	16.243.728
Audit Fees	170.580	115.247	57.400	98.193
Board members remuneration	179.800	157.300	148.758	104.920
Depreciation	458.049	476.464	0	349.284
Diamond Valuation Fees	9.467.015	10.678.218	8.300.000	10.370.164
Salaries and contributions	3.496.085	3.621.218	3.650.465	3.472.682
NET LOSS		(817.059)		(3.164.686)

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2001

		31/03/2001 R	31/03/2000 R
6	**Cash Flow Information**		
6.1	**Cash flows from/(to) operating activities**		
	Net Loss	(817,059)	(3,164,686)
	Adjustments for:		
	Investment Income	(82,815)	(183,213)
	Depreciation	476,464	349,284
	Finance charges	37,053	24,919
	Operating loss before working capital changes	(386,357)	(2,973,696)
	Changes in Working Capital		
	Increase in prepaid expense	(313,845)	(3,944)
	Increase/(Decrease) in Creditors	180,399	(1,671,658)
	Increase in DVIC Valuations Liability Account	2,005,158	1,760,959
	(Increase)/Decrease in Debtors	93,076	(135,482)
	Decrease in Vat refundable	0	157,727
		1,578,431	(2,866,093)
6.2	**Additions of fixed assets**		
	Leasehold improvements	(9,238)	(100,763)
	Furniture and fittings	(385)	(19,683)
	Office machines and laboratory equipment	0	(105,756)
	Computer equipment	0	(546,430)
	Motor vehicles	(50,309)	0
	Software development and Programs	(184,890)	(531,314)
		(244,822)	(1,303,946)

6.3 Cash and cash equivalents

Cash and cash equivalents consisting of cash on hand and balance with banks. Cash and cash equivalents in the cash flow statement comprise the following balance sheet amounts:

	31/03/2001 R	31/03/2000 R
Fixed Deposits and Call Accounts	2,009,397	7,566,191
Cash on hand and at bank	3,600	192,274
	2,012,997	7,758,464

SAHA ARCHIVE FOR JUSTICE

ADMINISTRATIVE INFORMATION

The South African Diamond Board is a regulatory authority established in terms of the Diamonds Act No. 56 of 1986 for control over the possession, the purchase and sale, the processing and the export of diamonds; and for matters connected therewith. The objects of the Board are to ensure that the diamond resources of the Republic are exploited and developed in the best interest of the country and to promote the sound development of diamond undertakings in the Republic.

For further information please contact:

HEAD OFFICE - JOHANNESBURG

N.O. 240 Commissioner Street, Johannesburg, 2001

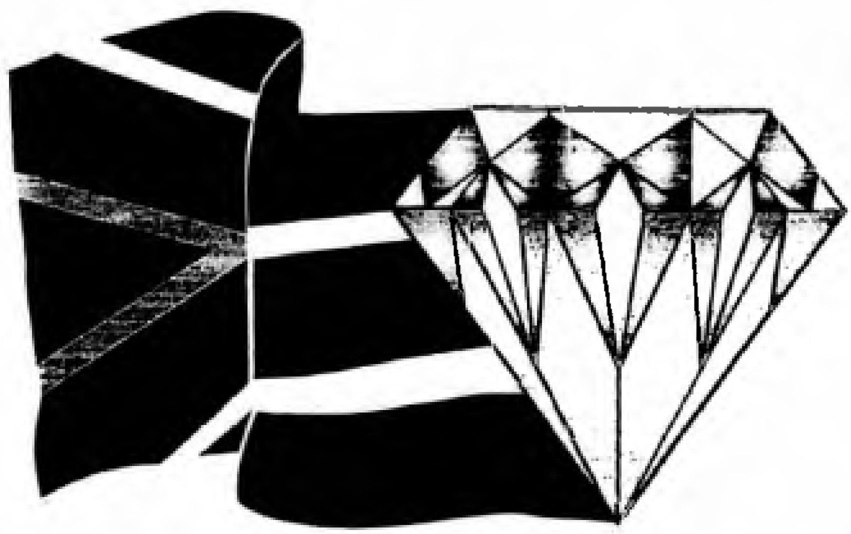
P.O Box 260499, Excom, 2023

Telephone: +27 11 334 – 8980

Telefax : +27 11 334 – 8898

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 MARCH 2002



G.P.-S. 129-9003

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

ANNUAL REPORT

31 March 2002

CONTENTS

The annual Financial Statements which appear on this Annual Report have been approved by the Board and are signed on its behalf by:

....	....
Mr A. CHIKANE	**Mr L. SELEKANE**
Chairman	Acting Chief Executive Officer
Date: 24 July 2002	*Date*: 24 July 2002.

SAHA ARCHIVE FOR JUSTICE

REPORT

of the

AUDITOR-GENERAL

to

Parliament on the Financial Statements of the South African Diamond Board for the year ended 31March 2002

1. ***Audit assignment:*** The financial statements as set out on pages [2] to [15], for the year ended 31 March 2002, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 17 (4) of the Diamonds Act, 1986 (Act No. 56 of 1986). These financial statements, the maintenance of effective control measures and compliance with the relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. ***Nature and Scope:*** The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- Assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. ***Qualification:***

3.1 Going concern:

The financial statements have been prepared on the basis of accounting practises applicable to going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The audit further identified that the Board was experiencing cash flow problems.

Because of the significance of the increase in liabilities and the significant losses reported in the financial statements, as well as the uncertainty surrounding the contingent obligations and the cash flow problem encountered by the Board, the going concern is of concern.

3.2 Accuracy of revenue and debtors:

No supporting documentation and/or required authorisation could be obtained for credit notes amounting to [illegible]05.

3.3 Fixed assets:

It was not possible to confirm the completeness, validity and accuracy of the fixed assets disclosed in the financial statements. This was partly due to the fact that the fixed assets register was not kept up to date during the financial year.

3.4 Value Added Tax:

The liability of the VAT account for a two-month period, 1 February 2002 to 31 March 2002, indicated an amount of R432 250, whilst the amount declared on the Vat 201 return was R50 229. This was an understatement of the liability by R382 021 on the return. This could lead to significant penalties and interest due to the noncompliance with the VAT Act.

SAHA
ARCHIVE FOR JUSTICE

AUDITOR-GENERAL

3.5 Irregular expenditure:

Advertising costs of R495 340 were incurred on behalf of the Board by the former Acting CEO without the approval of the Board. No value was added through this service. This fact was not disclosed in the financial statements.

4. *Audit opinion:* Because of the significance of the matters referred to in paragraph 3, I do not express an opinion on the financial statements.

5. *Emphasis of matter:* Without further qualifying the audit opinion expressed above, attention is drawn to the following matters:

Matter affecting the financial statements:

5.1 Deduction of income tax:

A payment of R45 000 was made during the year as a back dated salary increase of the CEO. This forms part of the remuneration for standard service as per the Income Tax Act, and tax should have been deducted. No Board authority could be obtained for this payment.

Matters affecting the financial statements:

5.2 Weaknesses in internal control:

5.2.1 Supervision and review:

A lack of the review of documentation and reconciliation being performed as part of management, existed thus compromising internal control.

Key positions for instance the Chief Executive Officer and the Financial Manager were filled with temporary appointments.

5.2.2 Segregation of duties:

The internal environment regarding the personnel expenditure did not allow for effective segregation of duties.

No prior approval of Electronic Fund Transfers had been obtained before effected. The person capturing the transfer was the same as the one authorising the transactions.

5.2.3 Income:

The systems of internal control were not effective to provide the necessary accuracy and validity for the purpose of the audit. Sufficient audit procedures, could not be performed to obtain reasonable assurance that all entries were properly and adequately recorded.

5.3 Non-compliance with laws and regulations:

5.3.1 Late submission of financial statements:

The financial statements should be submitted within two months after the financial year as per section 55 (1) (c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999). The first copy of the financial statements was only signed on 19th of June 2002. The final approved copy was signed on 24 July 2002.

5.3.2 Budget not approved:

The Minister of Minerals and Energy did not approve the budget for the financial year 2001—2002.

For the financial year 2002–2003 the budget was not submitted for approval 6 months before the beginning of the financial year, as required by section 53 of the Public Finance Management Act, 1999 (Act No. 1 of 1999).

5.3.3 Internal audit:

In terms of section 51 (1) (a) (ii) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), the accounting authority must ensure that the public entity has and maintans a system of internal audit under the control and direction of an audit committee. Although the SA Diamond Board has an audit committee, the internal audit function was not functional for the year under review.

5.3.4 Audit Committee:

The audit committee has not been functional during the year under review.

SAHA ARCHIVE FOR JUSTICE

AUDITOR-GENERAL

5.4 Government Diamond Valuator:

The contract for the performance of the duty of the Government Diamond Valuator according to the Diamonds Act, is ending in March 2003. To date of this report, no formal processes have been in place to either extend or award a new contract for the service. This function is regarded as the primary function of the Board.

5.5 Possible fruitless expenditure:

Legal cost to an amount of approximately R650 000 was incurred for legal action taken against the Board that was not defended. This could be regarded as fruitless expenditure.

5.6 Suspension of the CEO:

The CEO of the Board was suspended from the end of May 2002 by the Minister of Minerals and Energy.

5.7 Export duty:

A liability of R1 107 090 was disclosed in the financial statements in respect of export duties received for the export of diamonds. A dispute between the Receiver of Revenue and the Board existed since the Receiver of Revenue did not initially accept that the amount is owed.

6. ***Appreciation:*** The assistance rendered by the staff of the South African Diamond Board during the audit, is sincerely appreciated.

Doris L.T. Dondur

DORIS L.T. DONDUR

For Auditor-General

Johannesburg

29 July 2002

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD
BALANCE AS AT
31 MARCH

	Notes	2002 R	2001 R
ASSETS			
Non-Curent Assets	2	1 199 851	1 507 595
Current Assets		2 268 142	2 380 295
Debtors		0	46 157
Prepaid Expenses		4 969	321 141
Fixed Deposit and Call Accounts		2 260 156	2 009 397
Cash on Hand and at the Bank		3 017	3 600
Total Assets		3 467 993	3 887 890
EQUITY AND LIABILITIES			
Accumulated Funds		(2 582 798)	(738 618)
Non-Current Liabilities:			
Interest-bearing borrowings	3	54 653	48 921
Current Liabilities		5 996 138	4 577 587
Trade payables		2 498 972	563 313
Short-term portion of long-term liabilities	3	54 553	90 977
Bank Overdraft (Salary Account)		35 800	134 765
Other payables		1 577 388	7 338
Vat Payable		430 500	15 077
DVIC Valuations SA (Pty) Ltd	4	1 368 117	3 766 117
Debtors with Credit Balances	5	32 811	0
Total Equity and Liabilities		3 467 993	3 887 890

SAHA
ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

INCOME STATEMENT FOR THE YEAR ENDED

31 MARCH

	Notes	2002 R	2001 R
Revenue	5	14 767 836,17	15 627 768
Other Income/Investment Income	5	67 158,18	124 837
		14 834 994,35	15 752 604
Operating Expenses	5	16 821 055,48	16 427 782
Net loss for the year		(1 986 061)	(675 178)

SOUTH AFRICAN DIAMOND BOARD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED

31 MARCH 2002

	Accumulated funds R
Balance at 31 March 2000	78 441,00
Net loss for the year	(675 177,86)
Balance at 31 March 2001	(596 736,86)
Net loss for the year	(1 986 061,13)
Balance at 31 March 2002	(2 582 797,99)

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH

	Notes	2002 R	2001 R
Cash flow from/(to) operating activities		**(2 318 059)**	**1 624 193**
Cash generated by/(utilised in) operating activities	6.1	(2 336 305	1 578 431
Investment Income Received		67 158	82 815
Finance charges paid		(48 913)	(37 053)
Cash flow from investing activities			
Additions to fixed assets	**6.2**	**(195 054)**	**(244 822)**
Cash flow from financing activities		**2 727 489**	**(7 124 839)**
Loans raised		0	(115 791)
Decrease in short-term portion of long-term Loans	6.3	(30 691)	56 550
Increase/(Decrease) in Other Payables		2 443 702	(7 147 627)
Increase/(Decrease) in Vat Payable		417 173	(52 736)
Increase/(Decrease) in Bank Overdraft		(102 695)	134 764
			0
(Decrease/Increase in cash and cash equivalents		**214 376**	**(5 745 468)**
Cash and cash equivalents at beginning of the Year		**2 012 997**	**7 758 465**
Cash and cash equivalents at end of the Year	**6.4**	**2 227 373**	**2 012 997**

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

1. Accounting Policies:

The following are the principal accounting policies of the South African Diamond Board which are consistent in all material respects with those applied in previous year, except as otherwise indicated in the note on changes in accounting policies.

1.1 Basis of presentation:

The financial statements have been prepared on the historical cost basis and incorporate the following accounting policies:

1.1.1 Acknowledgement of Income:

Income is acknowledged on an accrual basis.

1.1.2 Fixed Assets and depreciation:

Fixed assets are stated at historical cost less depreciation. Depreciation is calculated on a straight-line method to write off the cost of each asset over its estimated useful life.

The depreciation rates are as follows:

Computer Hardware	: 20%
Computer Software	: 20%
Furniture and fittings	: 10%
Motor vehicle	: 20%
Office machine and laboratory equipment	: 20%
Parking bay	: 0%
Leasehold improvements	: over period of lease

1.1.3 Leased Assets:

Assets leased in terms of finance lease agreements are capitalised at the estimated present value of the underlying lease payments and are depreciated in accordance with the policies applicable to equivalent items of owned assets. The correspondence rental obligations net of finance charges, are included in other long-term payables. Lease finance charges are amortised over the duration of the leases by the effective interest rate method which takes into account the effective interest charge on the lease.

1.1.4 Pension Fund:

Pensions are provided for employees by means of contributions to THE ASSOCIATED INSTITUTIONS PENSION FUND.

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

	31/03/2002 R	31/03/2002 R
3. Long-term liabilities		
Capitalised lease agreement at an interest rate of 25,06% per annum. Secured by a lease agreement over a switchboard with a book value of R13 635 (2 000: R23 259) and repayable in 60\\ instalments of R802 per month	**1 388**	11 012
Capitalised lease agreement at an interest rate of 24,07% per annum. Secured by a lease agreement over motor vehicles with a book value of R84 304 and repayable in 60 monthly instalments of R5 788,00	**107 818**	128 885
	109 206	139 897
Less: Short-term portion transferred to current liabilities	54 553	90 977
	54 653	48 920

4. DVIC Valuations SA (Pty) Ltd

An amount of R1 366 117 (2001; R3 766 117) relating to Invoices received from DVIC Valuations SA (Pty) Ltd in respect of extra work done in Kimberly and in London on behalf of the South African Diamond Board at De Beers. The final indebtedness amount was reached after a litigation was resolved out-of-court.

5. Provision for Bad Debt write off

The debtors balance is arrived at after taking the following into account:

Current year debtors	121 893,00
Less provision for bad debts	154 704,24
Debtors with credit balances	-32 811,24

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

2. *Fixed Assets*

	Cost	Accumulated Depreciation	Book Value 31/03/2002	Cost	Accumulated Depreciation	Book Value 31/03/2001
	R	R	R	R	R	R
Own Assets						
Parking Bay	4 580	0	4 580	4 580	0	4 580
Computer hardware	751 334	347 634	403 700	586 961	211 149	375 811
Furniture and fittings	247 112	236 860	10 252	243 102	228 184	14 918
Motor vehicles	296 187	237 156	59 031	296 187	177 919	118 268
Office machines and laboratory equipment	353 603	262 575	91 028	359 020	242 295	116 725
Leasehold improvements	186 183	103 918	82 265	185 683	66 739	118 944
Software development and programs	851 664	392 151	459 513	837 961	223 537	614 424
Security System	17 885	16 719	1 166	0	0	0
	2 708 547	1 597 012	1 111 535	2 513 494	1 149 823	1 363 670
Leased Assets						
Switchboard	48 120	44 109	4 011	48 120	34 485	13 635
Motor vehicles	229 922	145 617	84 305	229 922	99 633	130 289
	278 042	189 726	88 316	278 042	134 118	143 924
Total Assets	**2 986 590**	**1 786 738**	**1 199 851**	**2 791 536**	**1 283 941**	**1 507 594**

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

	Book Value At Beginning of Year	Additions	Adjustments	Depreciation	Book Value At End of Year
	R	R	R	R	R
2.1					
Own Assets					
Parking Bay	4 580	0	0	0	4 580
Computer hardware	375 811	164 373	0	136 485	403 699
Furniture and fittings	14 918	4 010	0	8 676	10 252
Motor vehicles	118 268	0	0	59 237	59 031
Office machines and laboratory equipment	116 725	12 468	0	38 165	91 028
Leasehold improvements	118 944	500	0	37 178	82 266
Software development and programs	614 424	13 703	0	168 614	459 513
Security Systems	0	0	(4 744)	3 577	1 167
	1 363 670	195 054	(4 744)	451 932	1 111 535
Leased Assets					
Switchboard	13 635	0	0	9 624	4 011
Motor vehicles	130 289	0	0	45 984	84 305
	143 924	0	0	55 608	88 316
Total Assets	1 507 594	195 054	(4 744)	507 541	1 199 851

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

2.2 Adjustments on fixed assets

The exclusion of the Security System from the assets listing of the previous year's report has necessitated the following adjustment to agree the asset register to the General Ledger.

	R
Security Systems at cost	17 885
Less: Opening Accumulated depreciation	13 141
Net Book value at 1 April 2002	4 744
Less: Annual Depreciation	3 577
Net Book value at 31 March 2002	1 167

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

SCHEDULES TO FINANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

	31/03/2002 R	31/03/2001 R
Debtors		
700/000 Debtors control	25 537	(24 827)
820/000 Credit card	4 043	4 082
832/000 E C Urbani	0	40
835/000 Dvic Account	88 313	57 677
840/005 Paye clearing	4 000	
840/006 (7) Bonitas & Bestmed	0	9 186
Total	121 893	46 158
Fixed deposit and call accounts		
900/000 Current account account	2 248 506	420 297
915/000 Investec call account	0	0
920/000 Nedbank Call Account	11 650	1 589 097
925/000 Boland call account	0	0
926/000 Merrill Lynch call account	0	3
927/000 Merrill Lynch (Daily)	0	0
Total	2 260 156	2 009 397
Trade payables		
810/000 Accruals	2 498 972	557 474
815/000 Provision for audit fees	132 000	80 000
930/000 Outreach training	0	10 000
838/000 Bonus provision	53 056	
839/000 Leave pay provision	168 285	
999/000 Transfer/Suspense	1 107 090	(84 161)
816/000 Provision for bad debts	154 704	0
Total	4 114 105	563 313

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH

5. *Net Income*

	Budgeted 2002	Actual 2002	Budgeted 2001	Actual 2001
The following items are included in net income:	R	R	R	R
Total income	19 391 959 00	14 834 994 35	16 132 490 00	15 752 604 00
Levy Income	18 676 766 00	14 658 207 88	15 603 182 00	15 627 768 00
Other Income	658 539 00	109 628 29	446 966 00	42 021 00
Interest Received	56 654 00	67 158 18	82 342 00	82 815 00
Total Expenditure Includes	**16 989 166 00**	**16 821 055 48**	**16 989 165 00**	**16 427 782 00**
Audit fees	170 580 00	572 004 68	170 580 00	115 247 00
Board members remuneration	179 800 00	231 197 09	179 800 00	157 300 00
Depreciation	458 040 00	502 796 31	458 049 00	476 464 00
Diamond Valuation Fees	9 467 015 00	9 175 228 26	9 467 015 00	10 536 337 00
Insurance	44 574 00	44 544 17	44 574 00	41 729 00
Other Expenditure	2 236 509 00	2 018 764 83	2 236 499 00	792 784 00
Overseas travelling	293 378 00	241 976 49	293 378 00	37 189 00
Rent: Offices and Parking	478 960 00	590 982 50	478 960 00	585 165 00
Staff Recruitement and related Expenses	80 075 00	12 096 00	80 075 00	0 00
Salaries and contributions	3 496 085 00	3 356 022 61	3 496 085 00	3 621 218 00
Local Travelling and subsistence	84 150 00	75 442 54	84 150 00	64 349 00
Net Surplus (Deficit)	2 402 793	(1 986 061)	(856 675)	(674 178)

6. *Changes in the Retained Income opening balance*

The opening balance in the retained income has had to be restated because of some changes which were effected as follows:

Opening balance as at 01/04/01	738 618
Less; overprovision in accruals brought forward now written back	(171 146)
Less; Outreach donation received in previous years now written off	(10 000)
Add; correction of interest charged on leased vehicles previously misallocated	28 397
Add; unexplained charges per bank statements previously allocated to the suspense account now written off.	10 867
Revised balance	596 737

SAHA ARCHIVE FOR JUSTICE

SOUTH AFRICAN DIAMOND BOARD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

	31/03/2002 R	31/03/2001 R
6. Cash flow Information		
6.1 Cash flows from (to) operating activities	**(2 336 305)**	1 578 431
Net profit (Loss) for the year	**(1 986 061)**	(817 059)
Adjustments for:		
Investment Income	**(67 158)**	(82 815)
Depreciation	**502 796**	476 464
Finance charges	**48 903**	37 053
Operating loss before working capital changes	**(1 501 520)**	(386 357)
Changes in Working Capital	**(834 784)**	1 964 788
Increase/(Decrease) in prepaid expense	**312 820**	(313 845)
Increase/(Decrease) in Creditors	**1 493 915**	180 399
Increase/(Decrease) in Debtors	**(106 991)**	93 076
Increase/(Decrease) in DVIC Valuation account	**(2 400 000)**	2 005 158
Increase/(Decrease) in Provisions	**(134 528)**	0
6.2 Additions of fixed assets		
Leasehold improvements	**(500)**	(9 238)
Furniture and fittings	**(4 010)**	(385)
Office machines and laboratory equipment	**(12 467)**	0
Computer equipment	**(164 373)**	0
Motor vehicles	**(13 703)**	(50 309)
Sofware development and Programs	**0**	(184 390)
	(195 054)	(244 322)

6.3 Decrease in interest bearing borrowings:	01/04/01 Opening Bal.	31/03/02 Closing Ba	Decrease
Switchboard	-11 012,42	-1 388,42	**(9 624)**
Wesbank BMY69510E	-64 442,95	-53 908,95	**(10 534)**
Wesbank BMY69510E	-64 442,95	-53 908,95	**(10 534)**
			(30 691)

6.4 Cash and cash equivalents

Cash and cash equivalents consisting of cash on hand and balance with banks. Cash and cash equivalents in the cash flow statement comprise the following balance sheet amounts:

	31/03/2002	31/03/2001
Fixed deposits and cal accounts	**2 224 356**	2 009 397
Cash on hand and at bank	**3 017**	3 600
	2 227 373	2 012 997

SAHA ARCHIVE FOR JUSTICE

ADMINISTRATIVE INFORMATION

The South African Diamond Board is a regulatory authority established in terms of the Diamond Act No. 56 of 1986 for control over the possession, the purchase and sale, the processing and the export of diamonds; and for matters connected therewith.

The objects of the Board are to ensure that the diamond resources of the Republic are exploited and developed in the best interest of the country and to promote the sound development of diamond undertakings in the Republic.

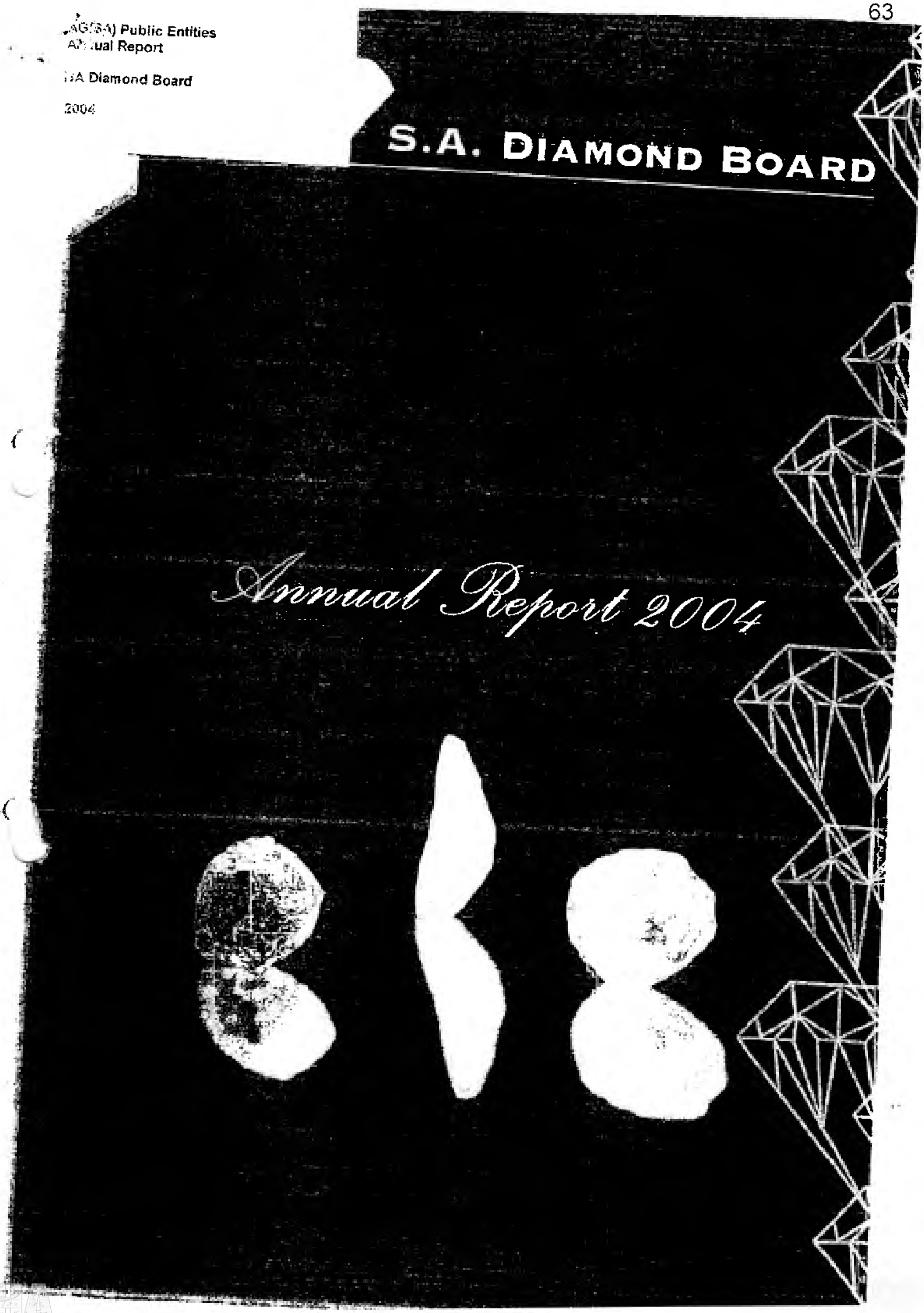
For further information please contact;
Head Office, Johannesburg
No. 240 Commissioner Street
JOHANNESBURG
2001;
P.O. Box 260499
EXCOM,
2023
Telephone: +27 11 334-8980/6
Telefax: +27 11 334-8898

SAHA
ARCHIVE FOR JUSTICE

AG(SA) Public Entities
Annual Report

SA Diamond Board

2004



SAHA
ARCHIVE FOR JUSTICE

ORIGIN AND UNIQUE CHARACTERISTICS OF DIAMONDS

SOURCE OF DIAMONDS

Diamonds began life as crystalline carbon which was converted to diamond 150 - 200 kilometers (equivalent to about 50 kilobars of pressure and 1 200 degrees centigrade of temperature) below the earth's surface some 900 - 3 300 million years ago. These diamonds are brought to the earth's surface by "passenger trains" in the form of kimberlite and lamproite volcanoes. Kimberlite and lamproite mechanism have occurred in regular cycles through geological time. Over 7 000 kimberlite and lamproite localities are known worldwide. Less than about 10 % of these contain diamonds Less than 1 % have been mined.

TYPES OF DIAMOND DEPOSITS

Diamond deposits are of two types:

Primary or hard rock in the form of kimberlite and lamproite deposits, which are usually large tonnage and high grade with lower quality stones (ave. ± $70/carat). Secondary or alluvial (placer) deposits which may be found on land, in rivers, or the ocean. These are usually low grade with higher quality stones (ave. ± $300/carat). Alluvial deposits typically contain a high proportion of gem diamonds (as much as 95 %), hence the much higher dollar values.

SAHA
ARCHIVE FOR JUSTICE

CONTENTS

SAHA
ARCHIVE FOR JUSTICE

CHAIRMAN'S STATEMENT

It gives me great pleasure to announce that the South African Diamond Board is now a globally respected institution. The organization has re-claimed its rightful place in the family of diamond institutions worldwide. It is known for it's unwavering commitment to good governance in line with international best practices.

As the fourth largest diamond producer in terms of value in the world (behind Botswana, Russia and Canada), South Africa can proudly say that it is in the centre of the constantly changing global diamond industry. Our knowledge and experience of the industry enables us to impact positively in the on-going changes.

Our position in international affairs is articulated in conference presentations, diamond industry publications and newspapers, as well as in electronic media. We participated in international conferences hosted by the World Federation of Diamond Bourses, World Diamond Council, World Jewellery Confederation, British Columbia University and the Israel Diamond Institute. Our ultimate goal is to further enhance our leadership role in international affairs and to build a globally competitive industry that is able to benefit our country and its people.

We continue to ensure that the diamond resources of South Africa are exploited and developed in the best interests of the country by supporting industry players and facilitating black economic empowerment. New entrants into the industry, most of whom are historically disadvantaged individuals and companies, have been licensed to cut and polish rough diamonds and to trade in the international market. The challenge for the Diamond Board is to assist them to find creative ways of ensuring sustainability.

As indicated in my previous statement, our major challenge is to transform the diamond industry in line with policies of the new political dispensation. We need to change all pieces of legislation that create constraints in the transformation process.

I am confident that these legislative changes will transform the South African Diamond Industry in a manner that will position the country as a globally competitive diamond producing country and in a sustainable manner.

SOUTH AFRICA'S POSITION IN THE GLOBAL DIAMOND INDUSTRY

We maintained our position as the fourth largest diamond producer. We produced approximately 13 million carats valued at US$1.2 billion (R7.8 billion) this year. Over 50% of diamonds we produce are economic to cut and polish in South Africa. Our cutting and polishing industry is competitive in creating diamonds of greater value, where the cost of manufacture is less than the polished diamond price.

The industry employs 28 000 people: 13 000 in mining; 9 000 in jewellery retail; 3000 in jewellery manufacturing; 2 100 in cutting and polishing and 900 in sorting and valuing diamonds.

SAHA
ARCHIVE FOR JUSTICE

The cost of labour in the diamond industry can be compared to Israel. South Africa is able to cut a three-grainer at US$30-35 per carat. With the exception of diamond cutting and polishing countries in the Far East and possibly the Near East, South Africa's cost of labour is lower than other cutting centres such as Belgium and the United States of America.

One could even argue that we are the only major diamond producing country with a successful cutting and polishing industry. We need to capitalize on this success and grow this sector. We also need to grow the jewellery-manufacturing sector. In the year under review, South Africa represented 0.4% of the global jewellery trade. With the increase in the disposable income of South Africans and the increase in consumer demand, we can do better.

In addition, there is a growing tourist market. The country can position itself as "The Land of the Diamonds". Tourists must not be able to resist returning without a souvenir that contains a diamond.

South Africa is a solid diamond trading country with a complex value chain. It covers all aspects of the diamond trade from producing, cutting, polishing, sorting, jewellery manufacturing, exporting and importing of diamonds.

H ver, South Africa still exports rough diamonds. The challenge is to add value to our goods by creating a h value chain.

SOUTH AFRICAN GOVERNMENT OBJECTIVE

The South African government's objective is to transform the diamond industry in such a way that it positions the country as a global competitor.

Despite legislative constraints, the Diamond Board has facilitated an emerging consensus between government and industry leaders on the need to transform the industry. Both parties agree that transformation must position South Africa as a globally competitive country.

KIMBERLEY PROCESS

S h Africa, a founder member of the Kimberley Process, successfully led the multi-lateral negotiations b en governments, civil society and the diamond industry, leading up to the launch of the Kimberley Process C ation Scheme for the trade in rough diamonds. In November 2003 the Chairmanship was handed over to the government of Canada.

The trade in conflict diamonds is still a matter of serious concern. The Board has consistently and persistently urged diamond industry members to comply fully with the minimum requirements of the Kimberley Process Certification Scheme.

The Minister of Minerals and Energy, on the recommendation of the Board and by notice in the Gazette, imposed minimum requirements of the Kimberley Process to all licensed diamond traders operating in South Africa.

SAHA ARCHIVE FOR JUSTICE

Furthermore, the Diamond Board has established an auditable monitoring and control system that traces the movement of rough diamonds from mine to market. The Board has also created top-of-mind awareness about the need to comply with the Kimberley Process.

MAJOR CHALLENGE

Our major challenge is to grow and advance South Africa's cutting, polishing and jewellery manufacturing capacity in such a manner that it positions South Africa as a globally competitive diamond producing country.

APPRECIATIONS

I wish to thank members of the Board of Directors for their commitment to the plight of the diamond industry, the Chief Executive Officer for his leadership qualities, management and staff for their dedication and hard work.

I thank you all.

A. Chikane
Chairman, SA Diamond Board

SAHA
ARCHIVE FOR JUSTICE

CHIEF EXECUTIVE OFFICER'S STATEMENT

The Kimberley Process Certification Scheme was officially implemented, coming into effect on the 1st January 2003.

A total of forty-seven countries, including producing and trading countries were accepted as participants in the Kimberley Process Certification Scheme. The Kimberley Process seeks to protect the legal system of trade in rough diamonds from those seeking to abuse it. The very characteristic of diamonds that make it so valuable is also the characteristic that makes it appealing to criminals and criminal networks.

The South African Diamond Board together with other government institutions have established inter-governmental and regional co-operations within the Nepad Framework to try to control the trade in illicit diamonds which pass undetected across porous borders and through Customs.

order to promote consumer confidence in the industry, it is of the utmost importance that consumers be able to identify synthetic or treated diamonds from natural diamonds. Synthetic diamonds have occasionally been encountered in the gem trade, but until recently, attention has focused almost exclusively on the type produced by exposing carbon containing solids to high pressures and temperatures.

The long-term effect of synthetic diamonds in the natural diamond trade is to impact negatively on producing countries such as South Africa, in terms of tax revenues due to host governments. It will also impact negatively on employment opportunities associated with the curtailing of diamond mining activities. Whether consumers will embrace the synthetic diamonds is anyone's guess but the consequences in the natural diamond industry could be significant.

The SADB continues to participate in the various committees established to ensure the smooth implementation of the Kimberley Process by member countries which includes review visits.

.earnership programmes have been compiled and registered with the Mines Qualification Authority for skills evelopment for new entrants. The long-term objective is to help new entrants to grow and become globally mpetitive within the diamond industry.

Diamond Marketing Consultants SA (Pty) Limited were appointed as the official Government Diamond Valuator (GDV) for a period of two years with effect from March 2004. The GDV's key performance areas include the valuation of "Run-of-Mine" intended for export to ensure that there is no under-valuation of goods, and imports of regular sight goods from DTC London office to supply the local manufacturers. The total carats audited and valued by the GDV for the year under review is in excess of eleven million.

The awarding of the contract took into cognisance the involvement and training of historically disadvantaged trainees who at present own a 49% equity within Diamond Marketing Consultant SA (Pty) Limited.

S.A. DIAMOND BOARD

The Broad Based Black Economic Empowerment Charter, as promulgated by the Department of Minerals and Energy, was adopted by the Board as a guideline document that will ensure transformation of the diamond trade industry. The customised Charter, together with its accompanying scorecard, will be used as a tool to measure equitable access within the industry.

The Board remains committed in ensuring that the diamond resources of South Africa are exploited and developed in the best interests of the country.

L. Selekane
Chief Executive Officer

SAHA
ARCHIVE FOR JUSTICE

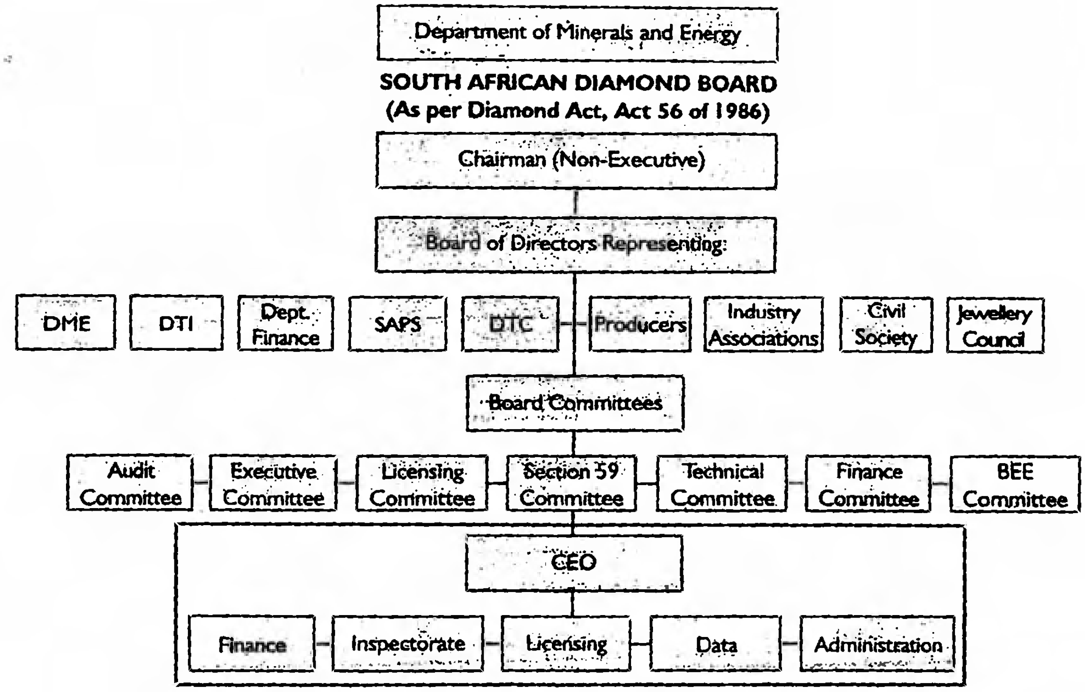
Colour

Colour depends on factors such as trace elements in the chemical structure of the diamond, plastic deformation caused by pressure and temperature, and other factors such as the presence of radio-active minerals during deposition. Varying levels of nitrogen causes colours ranging from white, or colourless, to yellow.

Diamonds are typically graded for colour on an alphabetical scale. D-F colourless, G-J near colourless, K-M faint yellow, N-P very light yellow, and S-Z light yellow.

Clarity

Clarity refers to the total number, size, placement and nature of inclusions and/or surface irregularities. Flawless diamonds are free of inclusions when viewed under 10 power magnification. Internally flawless diamonds are those without any internal inclusions. Several grading scales are used but, in general, diamonds with extremely small inclusions are referred to as VVS-1 and VVS 2. VS 1 and VS-2 possess small inclusions, IS 1 and IS 2 have inclusions that can be seen easily under 10 power magnification but are not visible to the naked eye. If the inclusion is visible to the naked eye it is referred to as I 1, I 2 or I 3.



APPOINTMENT OF BOARD MEMBERS

Board members of the SADB are appointed by the Minister of the Department of Minerals and Energy. The Board is represented by all roleplayers in the diamond industry. A non-executive Chairman heads the Board of the SADB and the Chief Executive Officer is the Accounting Officer.

SAHA ARCHIVE FOR JUSTICE

BOARD MEMBERS

Back row (from left to right)

Messrs: Raisaka Masebelanga, Ernie Blom, MacDonald Temane, Dr Jan Bredell, George Zacharias, Dr Humphrey Mathe, Ori Temkin and Richard Napier.

Front row:

Messrs: Archie Luhlabo (Deputy Chairman), Ms. Ntsiki Van Averbeke, Abbey Chikane (Chairman), Ms. Nomawabo Msizi, Ms Claire Minnitt and Louis Selekane (Chief Executive Officer).

Not in the picture:

Ms. Zollie Ramos, Messrs: Martin Grote, Andries Manoko and Parks Modise.

HUMAN RESOURCES

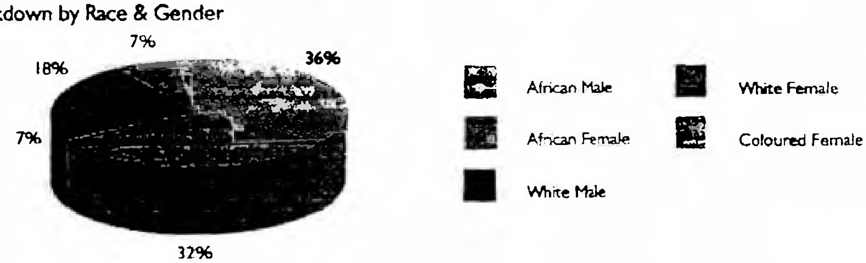
Employment Equity

The South African Diamond Board has made every effort to achieve equity in the workplace by promoting equal opportunity and fair treatment in our employment practices. Special care has been taken to ensure equitable representation in all occupational categories and levels at the South African Diamond Board.

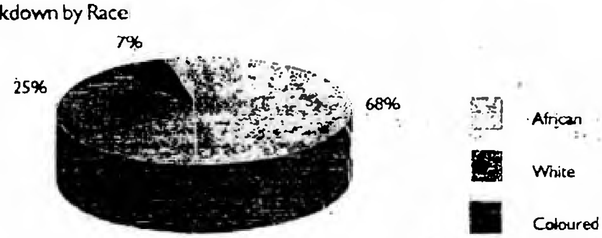
Table I

Occupational Levels	Male				Female				TOTAL
	African	Colored	Indian	White	African	Colored	Indian	White	
Top management	1	0	0	0	0	0	0	0	1
Senior management	1	0	0	0	0	0	0	1	2
Professionally qualified & experienced specialists & mid-management	0	0	0	1	0	0	0	1	2
Skilled technical & academically qualified workers, supervisors, junior management	4	0	0	1	2	0	0	1	8
Semi-skilled and discretionary decision making	2	0	0	0	4	2	0	1	9
Unskilled and defined decision making	1	0	0	0	2	0	0	0	3
TOTAL PERMANENT	9	0	0	2	8	2	0	4	25
Non-permanent employees	1	0	0	0	1	0	0	1	3
TOTAL	10	0	0	2	9	2	0	5	28

Breakdown by Race & Gender



Breakdown by Race



SAHA ARCHIVE FOR JUSTICE

Training and Development

In January 2004, the South African Diamond Board appointed a Skills Development Facilitator who subsequently registered with the Mining Qualifications Authority (MQA), which is the SETA for our Industry.

A Workplace Skills plan for 2004 /2005 was submitted to the MQA with the following identified as our skill priorities:

- Customer Service Skills;
- Business Writing Skills;
- Management Skills;
- Communication Skills;
- Diamond Evaluation Skills.

Our Annual Training Report for 2003/2004 was submitted to the MQA. A total of 1.84% of the payroll (R78,692.29) was spent on training and development during this period. The training budget has since been ~reased to 7.6% of payroll in the current year.

Performance Management

A Performance Management system was implemented in order to monitor and reward staff performance. Each job was profiled and key result areas were determined based on these job profiles. This allows management to evaluate their staff's performance based on job specific criteria.

Performance appraisal sessions were held quarterly and this provided the perfect opportunity to determine training needs as well as to open the lines of communication between management and staff.

SAHA ARCHIVE FOR JUSTICE

FINANCIAL HIGHLIGHTS

The South African Diamond Board faced a number of financial challenges from 1998 to 2004. Unlike other public entities, which are financed on the basis of regular annual government grants which maximise income security, the Board is self-funded by imposing a funding mix of levies, fees and user charges. Furthermore, the Board's income is materially influenced by the value of the Rand against the US Dollar.

While the Board has limited powers in deciding on the amounts to be charged for the services it renders to stakeholders, it has no control whatsoever on the Rand / US Dollar parity value, thereby creating significant uncertainties in the Board's finances.

During the past seven years, the finances of the Board performed as follows;

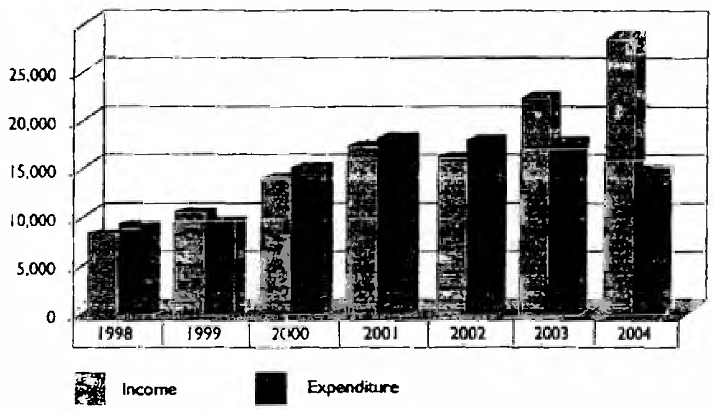


Table 2

Year	2004	2003	2002	2001	2000	1999	1998
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Income	22,537	19,910	14,835	15,753	13,079	9,356	7,301
Expenditure	13,809	17,004	16,821	16,428	14,483	8,742	7,698
Surplus / (deficit)	8,728	2,906	(1,986)	(675)	(1,404)	614	(397)

Remaining Financial Risks

Although the Board has managed to build sound cash reserves over the last two financial years, there remains looming danger that if the Rand / Dollar exchange rate firms to a level higher than R 5.00 to the Dollar, the Board, in the absence of expenditure cuts, could potentially experience cash shortages.

In the 2002 financial year, the Board was faced with an ongoing concern as it had consistently and repeatedly reported deficits over a period of four to five years, thereby eroding its reserves. Attempts to raise alternative funding did not materialize. In addition, the key positions of the Board, namely those of the Chief Executive Officer and the Financial Manager were vacant. These two key positions were temporarily filled by employees who took it upon themselves to restructure the income of the Board on the one hand and to institute better expenditure controls on the other hand. In this endeavour, responsible Board Members on the Finance Committee provided critical leadership and support. The efforts paid off in 2003, which saw the Board reporting a healthy surplus for the first time in four years. The single biggest cost element then was the contract the Board had concluded with the Government Diamond Valuator. In this regard the Finance Committee was instrumental in calling for an external audit of the GDV's service delivery to the Board and the Board's procurement policies with a view to improving the financial position.

Improved Budgeting Process

It was also in the 2003 financial year that the Board commenced work on a more transparent and efficient budgeting process that was debated and adopted by the various committees of the Board before it was finally approved by the Minister. In addition, the Board has managed to meet with all the statutory deadline requirements such as:

a) Section 17(4) of the Diamond Act 56 of 1986;
b) Section 55(1) of the Public Finance Management Act (Act No. 1 of 1999 as amended); and the
c) Treasury Regulations numbers TR 26.0.2 to TR31.2.1.

Providing Finances for Skills Enhancement

The Board has begun to invest in Skills Enhancement Programmes by providing proper training to employees with the object of improving service delivery to the upstream and downstream diamond industry in South Africa. These initiatives will continue.

Audit Committee

The Board has established an Audit Committee as required in terms of Section 51(1)(a)(ii) of PFMA which is critical for the assessment and identification of risks facing the Board.

SECTION 59 AGREEMENTS

Membership of the Section 59 Committee was expanded during the year to include the United Diamond Association of South Africa (UDASA) and UASA which broadly represent workers in the downstream diamond industry.

The Section 59 Agreements of De Beers and Trans Hex were both thoroughly reviewed in terms of their alignment with the Act and their practical implementation. A significant amendment of the De Beers Agreement was the deletion of a clause that gave sightholders the right to export unpolished diamonds duty free after they have been offered to the local cutting industry for two and a half days. This clause was considered to be against the spirit and intent of the Agreement and also inappropriate in the sense that sightholders are not a party to the agreement.

The Committee also embarked upon a continuous effort to assess and improve the effectiveness of Section 59 Agreements. In this regard, the export of unpolished diamonds that had been bought under the pretext of

SAHA
ARCHIVE FOR JUSTICE

processing it locally, was identified by the Committee as the single most important factor that neutralises the effectiveness of Section 59 Agreements. Acting on a recommendation by the Committee, the Board has since approved and implemented the stricter application of Sections 58 and 40 of the Act in order to ensure that goods that are bought by local cutters and toolmakers are in fact locally manufactured as intended by the Act. In an attempt to further address this problem, the Committee is also investigating the possibility of the Board entering into Section 59 Agreements with sightholders.

Proposals for a new regulatory regime to replace the current Section 59 dispensation were drafted and submitted for consideration to the Department of Minerals and Energy.

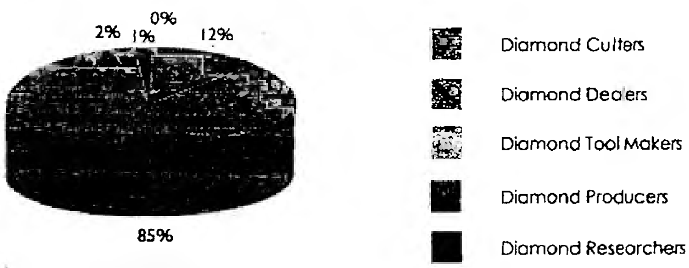
LICENSES

Licenses Approved from 01 April 2003 to 31 March 2004

Table 3

Licenses Type	DC	DD	DP	DR	DT
Number	35	237	5	1	3
Percentage	12.46%	84.34%	178.00%	36.00%	1.07%

Figure 1



Registered Diamond Exchange Certificates

1. Diamond Bourse of South Africa in Johannesburg
2. Diamond Bourse of Africa In Bedford View
3. Kimberley Diamond Bourse in Kimberley
4. Uniteam Investmenta 18 cc in Kimberley

SAHA ARCHIVE FOR JUSTICE

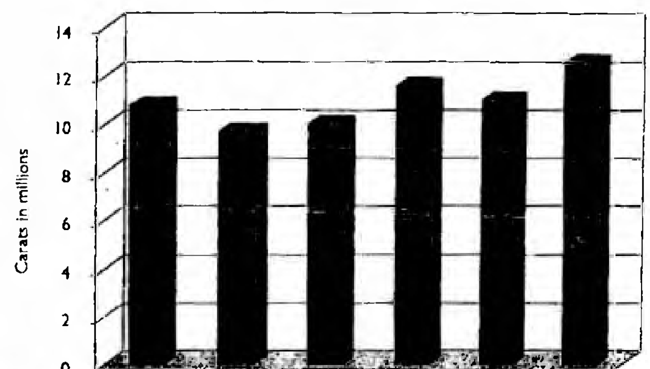
1. **Diamond Dealer's License (DD) -** entitling the holder to carry on business as a buyer, seller, importer or exporter of unpolished diamonds;
2. **Diamond Cutting License (DC) -** entitling the holder to polish diamonds for the purpose of business or trade;
3. **Diamond Tool-Making License (DT) -** entitling the holder to set unpolished diamonds in tools, implements or other articles or to crush or to alter those diamonds for the purposes of such setting or for the purpose of trade;
4. **Diamond Research License (DR) -** entitling the holder to do applied research and tests in connection with diamonds, but not to polish diamonds for the purpose of business or trade.

STATISTICAL REPORTING

Synopsis of the South African Diamond Industry

The history of diamonds in South Africa dates back to between December 1866 and February 1867 when diamonds were found on a farm on the south bank of the Orange River. Over the years South African diamond production has increased tremendously. Today South Africa is fourth in terms of production value and it is predicted to stay that way for the foreseeable future. Figure 2 shows the total production from South African operations over the past five years.

Figure 2. Estimated Total Diamond Production from South Africa during the period 1998 - 2003.



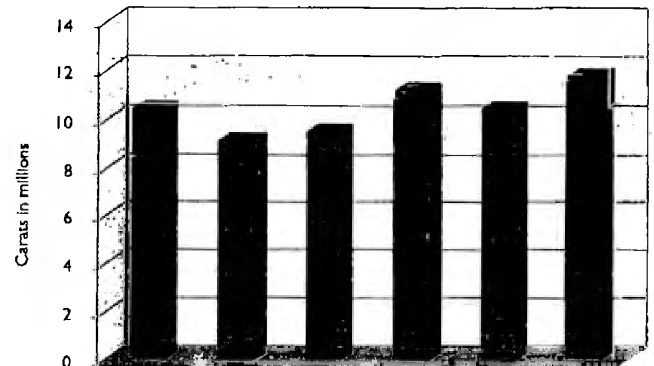
	1998	1999	2000	2001	2002	2003
Carats	10,789,91	9,713,605	10,043,91	11,627,45	11,004.98	12,586,31

South African diamond production is from primary sources (mainly Kimberlite Pipes and, to a lesser extent, Lamproite Pipes) and secondary sources of alluvial and Beach Placer deposits. In South Africa, diamond producers can be divided into small-scale (or junior) miners and large-scale miners. Junior miners concentrate largely on mining alluvial or gravel deposits whereas large producers mine both primary and secondary diamond deposits with a greater bias on primary diamond deposits. Figures 3 and 4 depict the estimated production from junior miners and large-scale producers.

Annual Report 2004

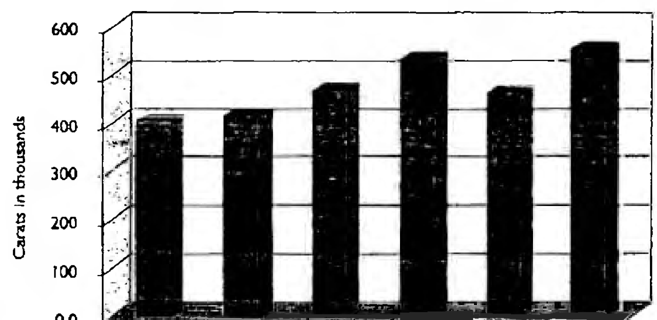
SAHA
ARCHIVE FOR JUSTICE

Figure 3. Estimated Diamond Production from South African large scale producers for the period 1998 - 2003.



	1998	1999	2000	2001	2002	2003
Carats	10,391	9,308,910	9,575,512	11,094	10,540	12,036

Figure 4. Estimated Diamond Production from South African small scale producers for the period 1998 - 2003.



	1998	1999	2000	2001	2002	2003
Carats	398,217	404,695	468,402	532,482	464,195	549,483

Growth of the South African Diamond Industry and the Role of the South African Diamond Board

The South African diamond industry has shown a steady growth over the years both in diamond production (Figs. 2 - 4) and in diamond beneficiation. However, there is still great potential for growth in the beneficiation sector especially in the involvement of historically disadvantaged South Africans (HDSA). The latter are steadily being involved in the diamond-mining sector.

The SADB through its internal technical committee, formulated the establishment of a resource centre, containing statistical data on the diamond production and trade in South Africa.

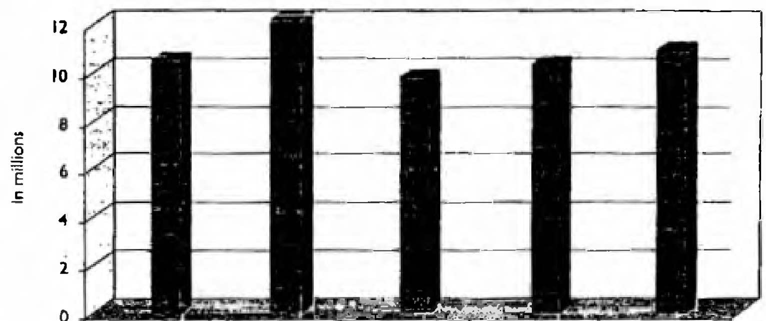
SAHA ARCHIVE FOR JUSTICE

Export and Import of Rough Diamonds

The rough diamond market commanded high prices in the year under review. There was, on average, a 20% increase in rough diamond prices. Recently, De Beers' Diamond Trading Company(DTC) announced increases of about 8%. A long-term shortage of rough diamonds is forecast and prices are expected to rise.

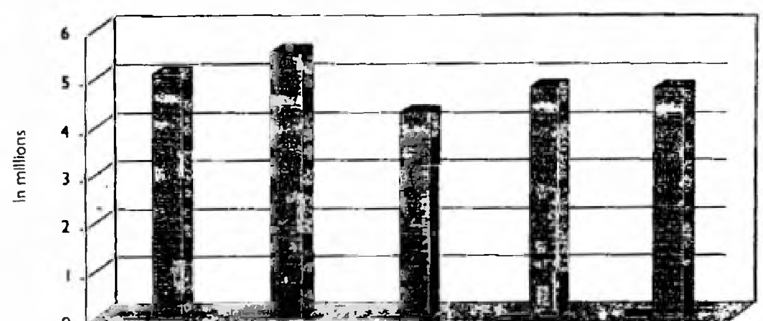
Figures 5 and 6 show a steady increase in the carats and revenue from exported and imported rough diamonds. Belgium and the United Kingdom are the major trading countries.

Figure 5. Total Rough diamond exports with their respective dollar value for the period 1999 - 2003.



	1999	2000	2001	2002	2003
Carats	10,195,718	11,943,267	12,416,852	10,236,880	10,081,759
Dollar value	1,050,955,662	1,218,026,666	969,841,883	1,034,771,809	1,109,098,594

Figure 6. Total Rough diamond imports with their respective dollar value for the period 1999 - 2003.



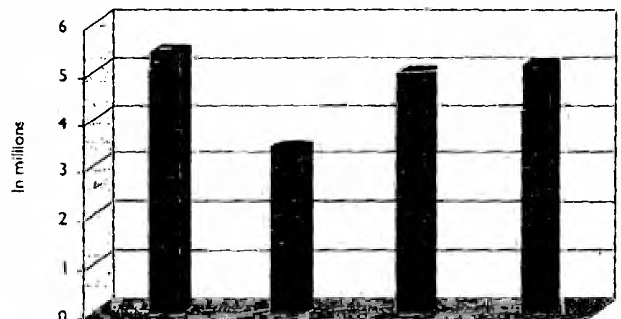
	1999	2000	2001	2002	2003
Carats	3,292,784	3,336,245	2,561,452	5,198,982	20,828,616
Dollar value	501,366,624	553,099,644	424,046,273	485,663,850	480,446,064

SAHA
ARCHIVE FOR JUSTICE

Export and Import of Polished Diamonds

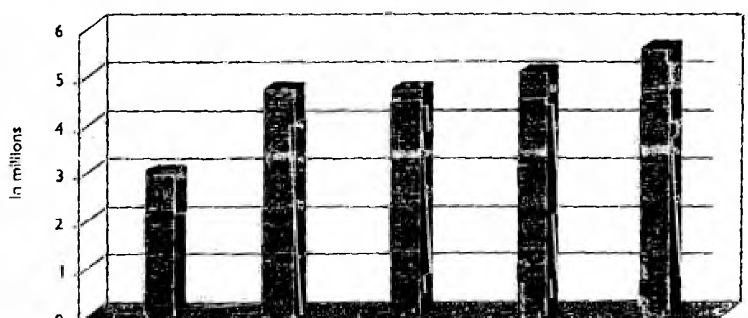
There is an increasing trend of beneficiation of diamonds in South Africa. A total of 2,500 people are employed within this sector. South Africa is the only major producer with an appreciable cutting and polishing sector. The benefit of this was an increase in the price of polished diamonds, which are 12% higher than they were in January 2003. There has also been a steady increase in the tenor and revenue of polished diamonds over the past five years (1999 to 2003), see Figures 7 and 8.

Figure 7. Total polished diamond imports with their respective dollar value for the period 2000 - 2003.



	2000	2001	2002	2003
Carats	71,678	49,858	716,507	335,367
Dollar value	53,471,443	33,792,114	50,089,926	51,141,324

Figure 8. Total polished diamond exports with their respective dollar value for the period 1999 - 2003.



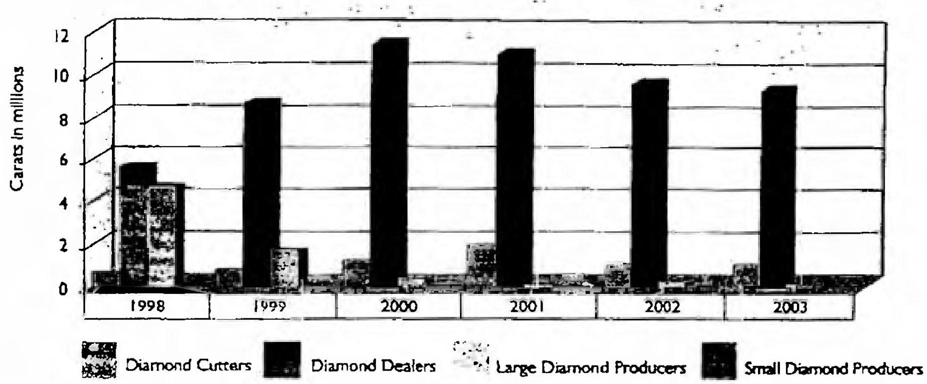
	1999	2000	2001	2002	2003
Carats	180,987	253,457	243,366	321,046	353,305
Dollar value	295,883,809	474,447,826	476,689,329	510,641,022	550,323,720

SAHA ARCHIVE FOR JUSTICE

Export of Diamonds by the Various License Holders

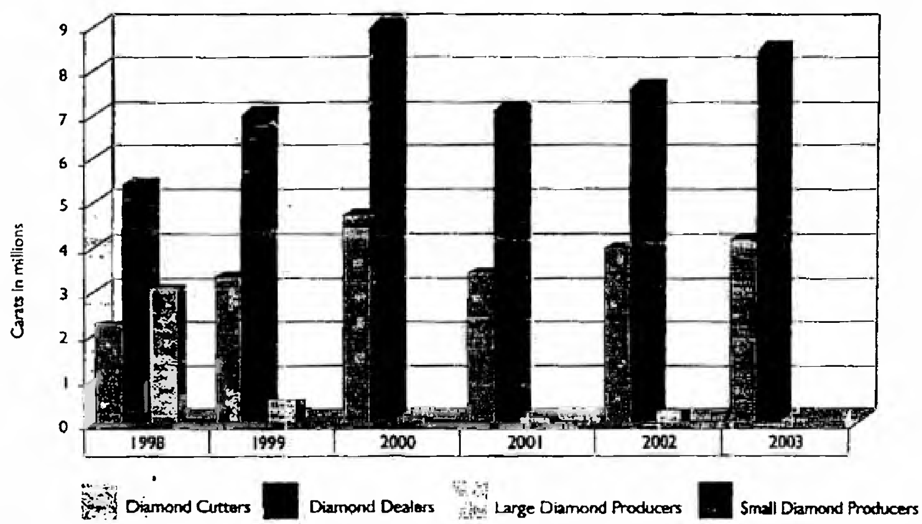
The following figures show the transactions undertaken by the various license holders for the period from 1999 - 2003.

Figure 9. Carats of unpolished diamonds exported by the various license holders from 1998 - 2003.



	1998	1999	2000	2001	2002	2003
Diamond Cutters	519,546	628,486	938,087	1,667,397	750,073	761,757
Diamond Dealers	5,938,766	8,461,188	11,123,000	10,765,767	9,489,760	9,388,115
Diamond Producers	4,439,704	1,227,090	131,896	103,435	141,015	103,539
Others	81,836	43,635	48,823	6,340	919	24,245

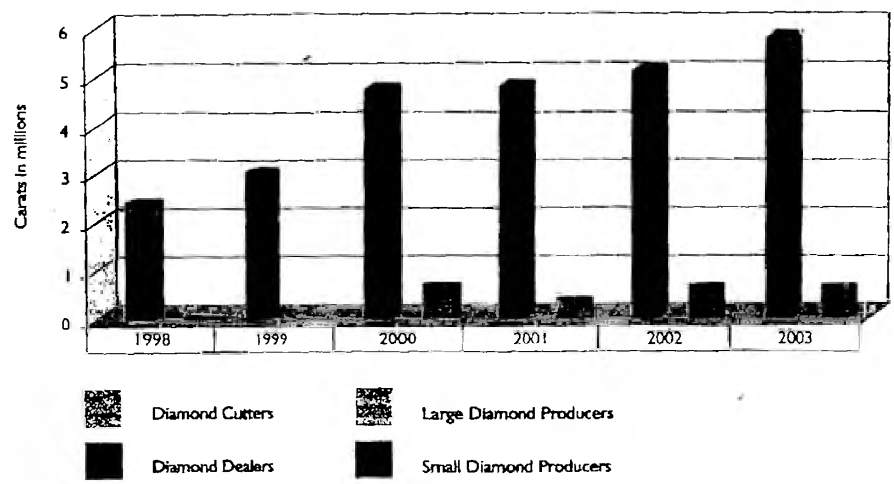
Figure 10. US Dollar value of unpolished diamonds exported during the period 1998 - 2003 by different license holders.



	1998	1999	2000	2001	2002	2003
Diamond Cutters	227,872,297	337,470,174	478,314,211	350,020,062	395,988,434	411,331,482
Diamond Dealers	538,687,043	694,695,218	906,843,712	717,381,373	757,301,836	834,686,006
Diamond Producers	290,559,249	58,893,174	10,404,829	12,202,698	20,771,010	6,256,838
Others	5,296,576	1,586,118	1,882,678	384,659	333,893	661,007

SAHA
ARCHIVE FOR JUSTICE

Figure 11. Imports and exports of polished diamonds by the diamond cutters of South Africa 1998 - 2003.



	1998	1999	2000	2001	2002	2003
Polished Exports (Carats)	152,901	181,016	253,487	243,455	321,046	353,305
US Dollar Value of Exports	230,598,502	295,926,602	474,495,073	476,999,828	510,641,022	550,323,720
Polished Imports (Carats)	4,978	1	71,678	49,868	716,507	334,987
US Dollar Value of Imports	4,159,227	8,350	53,471,443	33,798,294	50,089,926	51,062,189

SAHA
ARCHIVE FOR JUSTICE

Number of Kimberley Process Certificates issued for the calender year 2003

Table 4

COUNTRIES	Exports	Re-exports	TOTAL EXPORTS	Imports	Re-Imports	TOTAL IMPORTS
Angola	0	1	1	0	0	0
Australia	0	1	1	2	1	3
Belgium*	614	17	631	59	11	70
Botswana	1	4	5	1	0	1
Canada	4	1	5	3	0	3
China	1	1	2	0	0	0
Congo	0	1	1	2	0	2
Cyprus	0	1	1	0	0	0
D.R.C. Congo	0	3	3	8	0	8
Dubai	14	0	14	4	0	4
Germany	2	0	2	0	0	0
Guinea	0	2	2	2	0	2
Hong-Kong	35	0	35	0	0	0
India	20	0	20	0	0	0
Israel*	440	20	460	78	36	114
Mauritius	14	2	16	0	4	4
Namibia	3	1	4	0	0	0
Russia	5	1	6	0	0	0
Sierra-Leone	0	1	1	0	0	0
Singapore	1	0	1	0	0	0
Switzerland	34	2	36	2	2	4
Tanzania	0	2	2	5	0	5
Ukraine	3	0	3	0	0	0
United Arab Emirates	5	0	5	0	0	0
United Kingdom	35	7	42	40	2	42
United States	85	11	96	18	8	26
France	0	0	0	1	0	1
Ireland	0	0	0	35	0	35
Lesotho	0	0	0	3	0	3
Korea	0	0	0	7	0	7
GRAND TOTAL	1,316	79	1,395	270	64	334

* Belgium and Israel are the main importers of unpolished diamonds from South Africa and account for 45% and 32% respectively of the overall total Kimberley Process Certificates issued by the Board.

SAHA ARCHIVE FOR JUSTICE

PAPER SPECIFICATIONS & SECURITY FEATURES INCORPORATED IN THE CERTIFICATE

- 50% cotton & 50% selected wood pulp.
- Weight: 105 gms.
- Colour: White.
- Watermark: Random SABN and logo watermark (Unique to SABN).
- UV dull (Does not fluoresce when exposed to Ultra Violet light).
- Fully sensitive to: Acids, strong bases, Bleach / Oxidizing agents, Polar and Non Polar solvents. Contact with such substances causes a reaction with the paper and leaves a stain if there has been any interference.
- Invisible fibers fluorescing green under Ultra Violet light.
- Visible red fibers that fluoresce blue under Ultra Violet light.
- "Laserguard" treated on both sides. (Laser printed data cannot be removed without damage to substrate).

PRINT & SECURITY FEATURES INCORPORATED IN THE CERTIFICATE

LITHO

Logo: Visible Kimberley Process logo, which fluoresces green when exposed to UV light. Invisible Kimberley Process logo, on all sections, which fluoresce red when exposed to UV light.

Fine line background: 2 colors, blue and yellow varifuge inks and where they overlap make green. Colors bleed strongly when tampered with.

Micro text: The wording "South African Diamond Board".

Mandatory Text: Black ink.

INTAGLIO (Certificate of Origin portion only)

Border: Blue guilloche pattern with a tactile feel.

NUMBERING (All sections)

Unique, with the Alpha 2 country code (Numerals which fluoresce when exposed to UV light).

PERFORATIONS

Down all dedicated sections. The Certificate meets the minimum requirements as per Annexure I of the KPCS document (copy of certificate is attached).

SAHA ARCHIVE FOR JUSTICE

S.A. DIAMOND BOARD

ANNEXURE I

ZA000251

HS CODE	Carat mass	Value (US$)
7102.21		
7102.31		

Number of Parcels

Date of Issue

Date of Expiry

Name of Exporter

Signature of Inspector

Name of Importer

Exporter's Copy

REPUBLIC OF SOUTH AFRICA

ZA000251

SOUTH AFRICAN DIAMOND BOARD

KIMBERLEY PROCESS CERTIFICATE

Issued in terms of Regulation 1(1)(f) of the Diamonds Act, 1986 (Act No. 56 of 1986)

HS CODE	Carat mass	Value (US$)
7102.21		
7102.31		

Country of origin

Number of Parcels

Stamp of SA Diamond Board

It is hereby certified that the unpolished diamonds in this consignment have been handled in accordance with the provisions of the Kimberley Process International Certification Scheme for unpolished diamonds

Address of Importer

Date of Issue

Name of Exporter

Date of Expiry

Name of Importer

Signature of Registering Officer

ZA000251

Name of Importing authority

Date of Receipt by Importing authority

Signature of Importing official

Stamp of Importing authority

Import Confirmation: This is to certify that the unpolished diamonds accompanied by this Certificate were imported into ... and verified in compliance with the Kimberley Process Certification Scheme for Unpolished Diamonds.

Copy of certificate as accompanying Confirmation

Annual Report 2004

SAHA ARCHIVE FOR JUSTICE

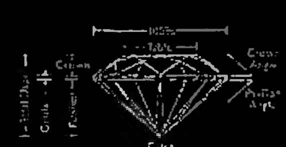
Carat

Carat is the measure of the Weight of a diamond. The carat is a standard metric weight of 0,2 grams or 1/142 of a standard ounce. Conventionally, each carat is divided into 100 points with, for example, a half carat being 50 points and written as 0,50. Carat is named after the carat seed.

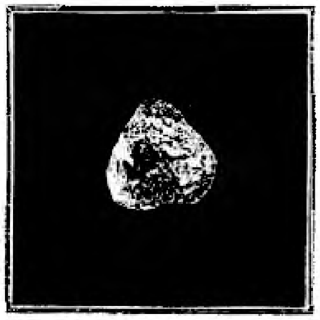
Cut

Cut refers to a number of parameters including:

- Depth Percentage - the relationship between the depth and the average diameter of a diamond;
- Table - the relationship between the flat, top surface and the average diameter;
- Girdle - the variance and relative width at minimum and maximum positions;
- Culet - the bottom surface of a diamond as viewed through the Table;
- Polish - the quality of the surface of a diamond; and
- Symmetry - the general balance or form of the diamond.



SAHA
ARCHIVE FOR JUSTICE



ANNUAL FINANCIAL STATEMENTS

SAHA ARCHIVE FOR JUSTICE

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The Annual Financial Statements which appear on this Annual Report were orginally approved by the Board on 26 May 2004. The Statements were signed on behalf of the BOARD by:

A Chikane	I Selekane
Chairman	Chief Executive Officer

SAHA
ARCHIVE FOR JUSTICE

AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND BOARD (SADB) FOR THE YEAR ENDED 31 MARCH 2004

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 33 to 48, for the year ended 31 March 2004, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 3 and 5 of the Auditor-General Act, 1995 (Act No. 12 of 1995) and section 17(4) of the Diamond Act, 1986 (Act No. 56 of 1986). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

I believe that the audit provides a reasonable basis for my opinion.

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of the South African Diamond Board (SADB) at 31 March 2004 and the results of its operations and cash flows for the year then ended in accordance with Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended.

SAHA ARCHIVE FOR JUSTICE

AUDITOR GENERAL

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Internal Control Shortcomings

The accounting authority is required by section 51(1) of the Public Finance Management Act, 1999 as amended, to ensure that the public entity has implemented effective, efficient and transparent systems of financial and risk management and internal control. The accounting authority is also responsible in terms of section 51(1)(c) for the management and the safeguarding of the assets. The following areas of concern were identified during the audit:

(a) The internal controls surrounding fixed assets were inadequate. No proper fixed asset numbering took place at the SADB to ensure adequate control over the safeguarding of assets.

(b) The N(i) forms are used to generate invoices. Some N (i) forms selected did not have invoice numbers recorded on them. It was therefore not possible to trace certain invoice amounts to the general ledger as well as to verify the invoice against the N (i) form.

4.2 Audit Committee

In terms of Treasury Regulations 27.1.1, the accounting authority of the public entity must establish an audit committee. The SADB did not have an audit committee for the period under review.

4.3 Internal Audit Function

In terms of section 51(1)(a)(i) of the PFMA the public entity must maintain an effective, efficient and transparent system of financial and risk management and internal control. In connection with this, Treasury Regulations 27.2.1 prescribe that, the accounting authority must ensure that a risk assessment is conducted at least annually to identify the emerging risks of the public entity.

Treasury regulations 27.2.7, also prescribes that the internal audit function must, in consultation with the audit committee, prepare:

- A rolling three-year strategic internal audit plan based on its assessment of key areas of risk for the public entity;
- An internal audit plan for the first year of the rolling plan;
- Plans indicating the scope of each audit in the annual internal audit plan.

The SADB did not comply with the above regulations.

SAHA
ARCHIVE FOR JUSTICE

4.4 Finance Lease

Contrary to Treasury Regulation 32.2.3(b), the SADB had entered into a finance lease agreement during the period under review.

4.5 Policy for Provision for Bad Debts

The SADB has no approved policy for the provision for bad debts.

4.6 Conversion from Pastel system to Great Plains system

During the testing of the conversion of the Pastel system to the Great Plains system, it was found that a number of invoices and payments that appeared on the Pastel system were not reflected on the Great Plains system although the take on balances were correctly transferred. This omission directly impacted on the completeness of data audited. The service fee transactions transferred and recorded from the Pastel system to the Great Plains system in the general ledger (disclosed as part of other income) did not indicate invoice numbers and debtor names. The validity of service fees could therefore not be confirmed.

4.7 Financial Statements

In terms of section 40(1)(c) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) the accounting officer must submit the financial statements within two months after the end of the financial year to the Auditor-General. The financial statements were submitted on time. Due to amendments to the financial statements, they were resubmitted on 30 July 2004.

4.8 Provision for Post-retirement Employee Benefits

Retired and in-service employees of the SA Diamond Board are entitled to certain post-retirement benefits in terms of their employment contracts. Contrary to AC 116, no provision has been raised, or valuation made of this liability.

4.9 Investigation Relating to the Export and Sale of Diamonds in Terms of the Diamonds Act, 1986 (Act No. 56 of 1986) (Act)

With reference to paragraph 3.1 of my 2000-01 report on export duties payable on unpolished diamonds exported from South Africa, my investigation into, inter alia, the validity of the exemptions given under section 63 of the Act to diamond producers or dealers by virtue of agreements entered into in terms of section 59 of the Act, and the extent of possible duties and levies payable as a result of non-compliance with section 59 of the Act, has been concluded.

I would like to draw attention to the fact that the investigation was hampered throughout by limited documentation and differences and disputes between the Government Diamond Valuator (GDV) and the SA Diamond Board (Board) relating to the role and functions of the GDV. This dispute resulted in a long-drawn-out legal process. The inability of certain key personnel to assist in providing clarity on the affairs of

SAHA
ARCHIVE FOR JUSTICE

the Board, as well as a lack of funding of the investigation by the auditee, also impacted on the duration and finalisation of the investigation. Consequently I was unable to make any conclusive findings with regard to the validity of the Section 63 exemptions as referred to above. The investigation was therefore limited to the responsibilities of the various statutory role-players and the outcome of their functions. I summarise the key findings together with recommendations, which require urgent attention.

Finding 1

There has been a lack of specific action on the part of the Board and little progress was made with the comprehensive review of section 59 Agreements by the task team appointed by the Minister of the Department of Minerals and Energy (DME) relating to the intent, implementation and implications of the agreements entered into as anticipated. In this regard I also refer to the response of the former CEO of the Board as mentioned in my 1998-99 report. This lack of urgency and comprehensiveness possibly contributed to the fact that no conclusive findings on the validity of the exemptions have been possible up to now for the period when the agreements were in place. The recommendation by the task team that the investigation be taken further by the DME was not implemented.

Recommendation:

As certain documentation has more recently become available, it is suggested that the DME together with the National Treasury combine their efforts in bringing this matter to a conclusion. Special attention should be given to the period prior to 1994.

Finding 2

Based on information obtained from and further discussions with officials of the South African Reserve Bank (SARB), it was ascertained that the control environment within the SARB did not allow for the reconciliation of the information on the authorisation to export diamonds with the proceeds being returned to South Africa after the sale of the diamonds overseas.

Recommendation:

The SARB, for the purpose of good reserve management, should improve its systems and controls to enable it to reconcile the initial rand value of all exported diamonds as indicated on the export permits to that of the final proceeds that are returned to South Africa.

Finding 3

The current provision in section 62 of the Act, which provides for the levy of export duties on certain diamonds exported, is in contradiction to section 77 of the Constitution (Act 108 of 1996) as it constitutes a tax charge. Such a provision can only be contained in legislation that does not deal with any other matter except a subordinate matter incidental to the appropriation of money or the imposition of taxes, levies or duties.

SAHA ARCHIVE FOR JUSTICE

Recommendation:

The necessary changes to the relevant Act should be made.

Finding 4

The State Law Advisor was requested on 19 February 2001 to provide an opinion and further advise on the interpretations of the different role-players of sections 59 and 63 of the Act. The preliminary opinion was subject to further information being made available by the former CEO of the Diamond Board. As no further information was forthcoming, the legal opinion could not be considered as a final opinion and the validity of exemptions granted by the SA Diamond Board in terms of section 63 of the Act could not be determined. Any non-compliance with the Act and the provisions therein could have constituted a serious erosion of Government's revenue position.

Recommendation:

A final legal opinion should be obtained in order to determine the validity of the Section 59 agreements.

Finding 5

As a body responsible for both the promotion and regulation of the diamond industry, the Board has an inherently conflicting statutory mandate. I am of the view that the composition of the current Board as prescribed by the Act has majority of its representatives from the regulated sectors of the industry and does not conform to good governance.

Recommendation:

The current structure of the Board should be changed in order to conform to good governance. I am, however, aware of the fact that these matters are currently being considered for possible amendments to the relevant legislation, inter alia as reflected in the Precious Metals and Diamonds General Amendment Draft Bill which was published in the Government Gazette on 16 April 2004.

Finding 6

Currently the Board is responsible to levy and collect the taxes relating to the Act. As a result of limited resources and skills, as well as the conflict referred to above, there has been instances of ineffective and inefficient administration.

Recommendation:

Consideration should be given to the possibility of the South African Revenue Service taking over the responsibility for collecting the levies and duties payable on the export and sale of diamonds. I am of the view that section 4 (1) (a) of the SA Revenue Service Act 1997 (Act No. 34 of 1997) does provide for such an arrangement.

SAHA ARCHIVE FOR JUSTICE

5. APPRECIATION

The assistance rendered by the staff of the South African Diamond Board during the audit is sincerely appreciated.

Shauket Fakie
Auditor-General

Pretoria
13 September 2004

SAHA ARCHIVE FOR JUSTICE

[illegible]

ASSETS	Notes	2003/04 R	2002/03 R
Property and equipment	11	**1,310,171**	330,451
		11,800,978	7,790,524
Receivables	5	**255,595**	14,327
Prepaid expenses		**6,791**	4,221
Bank balances and cash	6	**11,538,592**	7,771,976
Total assets		**13,111,149**	8,120,976
EQUITY AND LIABILITIES			
Accumulated Funds		**10,085,475**	456,375
Non-current liabilities			
Interest-bearing lease	3	**123,108**	-
Current liabilities		**2,902,566**	7,664,601
Trade payables		**156,948**	1,103,380
Short-term portion of long-term lease	3	**53,904**	53,321
Other payables	7	**2,151,915**	3,133,205
Audit fee provision		**281,500**	160,981
Bonus provision		**82,059**	55,136
Leave-pay provision		**176,240**	107,163
Deferred Income		-	3,051,415
[illegible]		**13,111,149**	8,120,976

SAHA ARCHIVE FOR JUSTICE

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2003/04 R	2002/03 R
Revenue		**21,813,653**	19,828,591
Grant received from DME	12	**3,051,415**	348,585
Other income / Investment income		**722,496**	81,531
Total income	13	**25,587,564**	20,258,707
Total Expenditure	13	**16,860,058**	17,352,579
Operating expenses		**16,784,420**	17,332,927
Finance costs		**75,638**	19,652
Net surplus for the year		**8,727,506**	2,906,128

SAHA
ARCHIVE FOR JUSTICE

	Note	Accumulated funds R
Retained deficit as at 31 March 2002		(2,449,753)
Net surplus for the year		2,906,128
Retained income as at 31 March 2003		456,375
Prior year adjustment	14	901,594
Revised balance as at 31 March 2003		1,357,969
Net surplus for the year		8,727,506
Balance at 31 March 2004		**10,085,475**

SAHA ARCHIVE FOR JUSTICE

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004

	Notes	2003/04 R	2002/03 R
Cash generated from operations	15.1	7,147,613	3,621,213
Interest paid		(75,638)	(19,652)
Deferred income recognised		(3,051,415)	-
Net cash from operating activities		4,020,560	3,601,561
Cash flow from investing activities		(377,052)	(34,956)
Interest received		722,496	81,531
Additions to fixed assets	15.2	(1,381,045)	(119,980)
Proceeds from fixed assets sold	15.3	281,497	3,493
Cash from financing activities		123,108	1,977,998
Grant received		-	3,400,000
Increase in interest bearing leases	15.4	123,108	(55,885)
Decrease in loan with DVIC		-	(1,366,117)
Increase in cash and cash equivalents		3,766,616	5,544,603
Cash and cash equivalents at beginning of year		7,771,976	2,227,373
Cash and cash equivalents at end of year	15.5	11,538,592	7,771,976

SAHA ARCHIVE FOR JUSTICE

ACCOUNTING POLICIES

The accounting policies adopted by the South African Diamond Board comply in all material respects with the Statements of Generally Accepted Accounting Practice. The financial statements set out on pages 33 to 48 are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those applied in previous year, unless otherwise indicated in the note on changes in accounting policies.

1.1 ACKNOWLEDGEMENT OF INCOME

Income is acknowledged on an accrual basis, net of value added tax.

1.2 FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at historical cost less depreciation. Depreciation is calculated on a straight-line method to write off the cost of each asset over its estimated useful life.

The depreciation rates are applied as follows:

Computer hardware: 33,30% per annum
Office machine and laboratory equipment: 20% per annum
Computer software: 33,30% per annum
Parking bay: 0% per annum
Furniture and fittings: 10% per annum
Leasehold improvements: over period of lease per annum
Motor vehicle: 20% per annum

1.3 LEASED ASSETS

Assets leased in terms of finance lease agreements are capitalised at the estimated present value of the underlying lease payments and are depreciated in accordance with the policies applicable to equivalent items of owned assets. The corresponding rental obligations net of finance charges, are included in other long-term payables. Lease finance charges are amortised over the duration of the leases by the effective interest rate method which takes into account the effective interest charge on the lease.

1.4 PENSION FUND

The Board operates both defined contributions and defined benefit plans, the assets of which are generally held in a separate trustee-administered fund named THE ASSOCIATED INSTITUTIONS PENSION FUND. The plans are generally funded by payments from the Board and employees.

SAHA
ARCHIVE FOR JUSTICE

1. ACCOUNTING POLICIES (continued)

1.5 MEDICAL AID

The Board is in terms of the conditions of service obliged to continue with contributions into the medical aid at the current ratio of 60% by the employer and 40% by the employees.

1.6 MATERIALITY FRAMEWORK

The Board considers any project which has a cost amounting to R 200 000 or more, to be material in nature and should be offered to the suppliers by way of a tender.

1.7 FINANCIAL INSTRUMENTS

Measurements

Financial instruments are initially measured at costs which includes transaction costs. Subsequent to initial recognition, these instruments are measured as follows;

Trade and other receivables

Trade and other receivables which resulted in un-renewed licenses and default in submitting diamond statistics, are stated at cost less provision for bad debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Gains and losses in subsequent measurement

Gains and losses arising from a change in the fair market value of financial instruments are recognised in net surplus or deficit for the period in which the change arises.

Interest received

Interest is recognised on the time proportion basis based on the effective rate applicable to the period of investment.

Interest rate risk

The Board is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk managed by maintaining an appropriate mix between fix and floating rate placing within market expectation.

SAHA ARCHIVE FOR JUSTICE

4. COST OF MAJOR PROJECTS INCURRED DURING THE YEAR	2003/04	2002/03
	R	R
During the year under review, the Board invited quotations for the following projects:		
(a) The appointment of the Government Diamond Valuator at a cost of;	480,000	-
(b) The upgrade of the File Server networks at a cost of;	350,000	-
(c) The implementation of the new accounting package at a cost of;	410,000	-
(d) The repartitioning of the inspectorate section of the Boards floor.	298,437	-

5. TRADE AND OTHER RECEIVABLES

The introduction of the new accounting package which has billing capabilities resulted in the accrued income totaling R1 500 270	1,500,270	-
The provision for bad debts was calculated at 84.405% of the total debtors book value	(1,266,311)	-
Staff debtors	21,636	14,327
	255,595	14,327

6. BANK BALANCES AND CASH

Cash on Call Accounts	10,264,300	6,291,804
Cash on Current Account	1,246,451	1,440,946
Cash on Salary Account	30,818	5,431
Cash on hand	3,800	3,600
Cash received in advance	(6,777)	30,195
Total bank and cash balances	11,538,592	7,771,976

7. TRADE AND OTHER PAYABLES

Sundry accruals	521,861	1,881,475
Vat payable	438,704	80,131
Export Duty payable	1,187,045	1,168,351
Payroll accruals	4,305	-
Stale cheques written back	-	3,248
	2,151,915	3,133,205

SAHA ARCHIVE FOR JUSTICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004 (continued)

8. CONTINGENT LIABILITIES

The Board is currently faced with civil claims from various parties which date back as follows:

		R
1.	A claim for underpaid services dating back to the year 1997 amounting to;	**863,111**
2.	A claim for services rendered out of scope dating back to the year 2000 amounting to;	**800,000**
3.	A claim in respect of a dishonored contract dating back to the year 1999 amounting to.	**130,000**
	Total pending claims	**1,793,111**

The above claims do not include interest at 15,5% and are currently in the hands of the lawyers of the Board.
These claims have not been included in the current year result as they have been going on for a number of years without conclusion and are likely to drag on even further.

9. INCOME TAX

The SOUTH AFRICAN DIAMOND BOARD is exempted from paying tax in terms of the Income Tax Act, No 58 of 1962 as amended. The Board's tax exemption number is 9615/289/15/5.

10. BOARD MEMBERS REMUNERATIONS

	2003/04	2002/03
	R	R
The amounts paid to board members were in terms of:		
Fees for attending meetings.	**422,504**	279,356

All fees paid are approved by the Minister of Minerals and Energy.
All board members are non executive.

SAHA ARCHIVE FOR JUSTICE

	Cost	Accumulated Depreciation	Book Value 31/03/2004	Cost	Accumulated Depreciation	Book Value 31/03/2003

11.FIXED ASSETS

Own assets	R	R	R	R	R	R
Parking bay	4,580	-	4,580	4,580	-	4,580
Computer hardware	1,071,306	813,356	257,950	781,872	696,260	85,612
Furniture and fittings	404,258	207,632	196,627	247,112	245,761	1,351
Motor vehicles	-	-	-	296,187	287,661	8,526
Office machines and laboratory equipment	529,576	358,320	171,256	376,251	299,245	77,006
Leasehold improvements	483,120	178,357	304,762	186,183	141,121	45,062
Software development and programs	1,129,420	898,921	230,499	892,119	848,450	43,669
Security system	42,643	24,075	18,568	42,643	19,123	23,520
	3,664,903	2,480,661	1,184,242	2,826,948	2,537,621	289,327
Leased assets						
Switchboard	48,120	48,120	-	48,120	48,120	-
Motor vehicles	159,060	33,131	125,929	229,922	188,799	41,124
	207,180	81,251	125,929	278,042	236,919	41,124
Total assets	3,872,083	2,561,912	1,310,171	3,104,990	2,774,539	330,451

SAHA
ARCHIVE FOR JUSTICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004 (continued)

11. FIXED ASSETS CONTINUED

	Book Value at	Additions	Disposals	Depreciation	Book Value at
	R	R	R	R	R
Parking bay	4,580	-	-	-	4,580
Computer hardware	85,612	289,434	-	117,096	257,950
Furniture and fittings	1,351	244,989	43,703	6,011	196,627
Motor vehicles	8,526	-	(1,122)	9,646	-
Office machines and laboratory equipment	77,006	153,324	-	59,074	171,256
Leasehold improvements	45,062	296,937	-	37,238	304,761
Software development and programs	43,669	237,301	-	50,471	230,499
Security systems	23,520	-	-	4,952	18,568
	289,326	**1,221,985**	**42,581**	**284,488**	**1,184,241**
Leased assets					
Switchboard	-	-	-	-	-
Motor vehicles	41,124	159,060	40,370	33,885	125,929
	41,124	159,060	40,370	33,885	125,929
Total assets	**330,450**	**1,381,045**	**82,951**	**318,373**	**1,310,171**

SAHA ARCHIVE FOR JUSTICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004 (continued)

	2003/04	2002/03	Total
12. THE APPLICATION OF GRANT RECEIVED FROM THE DEPARTMENT OF MINERALS AND ENERGY			
	R	R	R
Allocation of grant received	**3,051,415**	348,585	3,400,000
Cash applied as follows:			
Cost of plenary 1	**601,146**		601,146
Cost of plenary 2	**1,414,508**		1,414,508
Office expenses	**217,449**		217,449
Staff remuneration	**808,987**	348,585	1,157,572
Travel expenses	**189,076**		189,076
Marketing and advertising	**91,988**		91,988
Total expenditure	3,323,153	348,585	3,671,738
Excess expenditure to be carried by the SADB			271,738
Total Grant received from the Department of Minerals and Energy			3,400,000

SAHA
ARCHIVE FOR JUSTICE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004 (continued)

	Note	Budgeted 2003/04	Actual 2003/04	Budgeted 2002/03	Actual 2002/03
13. INCOME					
The following items are included in net income:		**R**	**R**	R	R
Total income		**15,868,485**	**25,587,564**	15,853,231	20,258,707
Levy income		**13,178,159**	**17,593,933**	15,371,079	18,516,880
Licenses fees		**918,518**	**1,688,629**	305,000	466,704
Other income		**1,569,308**	**2,531,091**	138,425	842,774
Interest received		**202,500**	**722,496**	38,727	83,764
Grant received from DME		-	**3,051,415**	-	348,585
Total expenditure includes		**15,868,485**	**16,860,058**	17,088,865	17,352,579
Audit fees		**281,500**	**281,500**	165,000	190,113
Board members remuneration	10	**431,468**	**422,504**	255,210	279,356
KP - Diamond certification office		**501,162**	**3,323,153**	-	348,585
Depreciation		**862,343**	**318,373**	526,478	855,910
Diamond valuation fees		**3,450,000**	**3,169,939**	9,900,000	8,898,327
Insurance		**57,951**	**39,826**	50,207	45,596
Other expenditure		**1,904,153**	**3,580,157**	1,754,155	1,693,561
Kimberley Office		**1,852,264**	**185,347**	500,000	360,169
Overseas travelling		**272,084**	**122,711**	-	29,351
Rent: offices and parking		**941,345**	**508,225**	727,129	825,536
Staff recruitment and related expenses			**48,378**	-	32,985
Salaries and contributions		**5,086,975**	**4,664,257**	3,177,834	3,590,958
Local travelling and subsistence		**227,240**	**195,688**	32,852	202,132
Net surplus / (Deficit)		-	8,727,506	(1,235,634)	2,906,128

14. CHANGES IN THE RETAINED INCOME OPENING BALANCE

The opening balance in the retained income has been restated because of changes which were effected as follows :

Arrear license fee renewals	372,831
Arrear penalties on J-registers	307,215
Overprovision for salaries	221,548
	901,594

SAHA ARCHIVE FOR JUSTICE

15.CASH FLOW INFORMATION

	2003/04	2002/03
	R	R
15.1 Cash flows from operating activities	7,147,613	3,621,213
Net surplus for the year	8,727,506	2,906,128
Adjustments for:		
Investment income	(722,496)	(81,531)
Depreciation	318,373	855,911
Finance charges	75,638	19,652
Prior year adjustment	901,593	(49,099)
Profit on disposal of fixed assets	(198,544)	(12,780)
Increase in provisions	216,519	-
Export duty paid	-	(285,378)
Operating surplus before changes in working capital	9,318,589	3,352,903
Changes in working capital	(2,170,976)	268,310
(Decrease) / Increase in creditors	(1,927,139)	249,706
(Decrease) / Increase in debtors	(243,837)	18,604
Cash generated by operations	7,147,613	3,621,213
15.2 Additions of fixed assets		
Leasehold improvements	(296,937)	-
Furniture and fittings	(244,989)	-
Office machines and laboratory equipment	(153,493)	(22,649)
Computer equipment	(289,434)	(30,539)
Motor vehicles	(159,050)	-
Software development and programs	(237,301)	(42,034)
Security systems	-	(24,758)
	(1,381,204)	(119,980)

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2004 (continued)

15.3 Sale of used assets	2003/04 R	2002/03 R
Motor vehicles	234,535	-
Office chairs	46,952	3,493
	281,487	3,493

15.4 Increase in interest bearing leases	01/04/03 Opening Balance	31/03/04 Closing Balance	Decrease	Decrease
Switchboard	-	-	-	(1,388)
Wesbank BMY69510E	(53,909)	(26,660)	(27,249)	(27,249)
Wesbank BMY69510E	(53,909)	(27,254)	(26,655)	(27,249)
Wesbank KSG1171B	-	(177,012)	177,012	-
			123,108	(55,886)

15.5 Cash and cash equivalents

Cash and cash equivalents consisting of cash on hand and balance with banks Cash and cash equivalents in the cash flow statement comprise the following balance sheet amounts:

Cash on call accounts	11,510,751	7,738,181
Cash on hand and at bank	27,841	33,795
	11,538,592	7,771,976

SAHA ARCHIVE FOR JUSTICE

ADMINISTRATIVE INFORMATION

The South African Diamond Board is a regulatory authority established in terms of the Diamond Act No 56 of 1986 for control over the possession, the purchase and sale, the processing and the export of diamonds, and for matters connected therewith.

The objectives of the Board are to ensure that the diamond resources of the Republic are exploited and developed in the best interest of the country and to promote the sound development of diamond undertakings in the Republic.

For further information please contact;

HEAD OFFICE - JOHANNESBURG

Suite 501, SA Diamond Centre
240 Commissioner Street
Johannesburg
2001

PO Box 16001
Doornfontein
2028

Telephone : +27 11 334 8980/6
Telefax : +27 11 334 8898

BRANCH - KIMBERLEY

3rd Floor Trust Centre
66 Jones Street
Kimberley
8301

PO Box 2990
Kimberley
8301

Telephone : +27 53 831 3121
Telefax : +27 53 831 3184

RP 194 / 2004

ISBN 0-6-621-35403-1

SAHA ARCHIVE FOR JUSTICE

CHAIRPERSON: We have another engagement immediately after this one. So the sooner we get going I think the better. Our hearing – or our meeting this morning is a continuation of an engagement that we've been having at least for two years and hopefully after today's engagement the Standing Committee of Public Accounts will be in a position to make a recommendation to Parliament and hopefully close this chapter of our life. So before we begin can we ask our visitors to just introduce themselves and thereafter we will get introductions from members of Parliament and we move on. So I am in possession of a piece of paper that says there are three in attendance from De Beers Consolidated Mines. I see more than three people here. So I'm not going to take the risk and even name them. So if we could start with this gentleman immediately alongside Ntombi. If you could just introduce yourself and we'll get on with the members of Parliament later on. Sorry, can you put your mic on for recording purposes Sir.

MR MONONELA: Martin Mononela from South African Diamond and Precious Metal Regulator, formerly Diamond Board.

MR CHIKANE: I'm Abe Chikane, former chairman of the South African Diamond Board.

MR NOGXINA: Sandile Nogxina, Director General, Minerals and Energy.

MR RAPHELE: Mr Joel Raphele (sic), Department of Minerals and Energy.

MR NOKO: David Noko, Managing Director, De Beers Consolidated Mines.

MR PETERSEN: Barend Petersen, Chairman of Audit Committee, De Beers Consolidated Mines.

MR CLEAVER: Bruce Cleaver, Commercial Director of De Beers.

CHAIRPERSON: Can we move over to the other side? Mr Gumede?

SAHA ARCHIVE FOR JUSTICE

MR GUMEDE: Don Gumede, member of SCOPA.

MR SCHMIDT: Hendrik Schmidt, member of the Minerals and Energy Committee.

MR TRENT: Eddie Trent, SCOPA.

MR PULE: Bafitlhile Pule, SCOPA.

MS HLANGWANA: Nomvula Hlangwana, SCOPA

MR MOFOKENG: Ronald Mofokeng, SCOPA.

MR GERBER: Pierre-Jeanne Gerber, SCOPA.

CHAIRPERSON: Thank you very much. AG's office?

MR VAN HEERDEN: Morning Chair. Wally van Heerden from the Auditor General's office.

Goole

MR GORDON: Mr Martin Gordon, National Treasury, Tax Specialist.

CHAIRPERSON: And to our friends from the media, you are welcome. Also the support staff about the Committee and the AG's office, you are all welcome to the meeting and we'll formally then start with the proceedings and also the chairman of the Committee is running late. I'm sure that during the proceedings he will – he will join us in the meeting. I trust all is in order. We, ladies and gentlemen have got an hour and a half to deliberate on the De Beers matter. By eleven o'clock we should be concluded with our meeting. So I'm going to be little bit ruthless in the event of members dragging on. We're going to ask pointed questions and we would expect pointed answers. So I'm going to ask members of Parliament not to unnecessarily give us a thesis before you put your question and similarly from the Department, that as far as is humanly possible, just give us an answer so that we can formulate a response to Parliament in terms of the

SAHA ARCHIVE FOR JUSTICE

evidence that is given to us before – I mean during the course of this meeting. So we want to start off, I assume Mr Gerber that you will be the first person to start with the proceedings or have you guys got somebody else that you want to start with the proceedings?

MR GERBER: Chair no, I suppose I could start. If I may Chair, now just to put in context because we have new members here and it might be to the benefit. I mean the reason we are sitting here today Chair, and I'm sorry if I might take a minute or two longer, but I think we need to put it in context. The reason is before – at the end of 1993 at the dawn of the new democracy in South Africa, De Beers took out about four tons according to calculations, which is about 20 million carats of uncut diamonds worth a value of about 900 million US dollars. The levy, tax levy on that had to be about 135 million US dollars, which works out about to R1 billion of tax, out of the country without paying the tax, saying that they had a permission from the Diamond Board, but the then Diamond Board. In terms of that permission where it comes from the 1986 Act and Chair, when that Act was passed in Parliament, I think it might be to the benefit of all the members to actually understand what the reason was for a new Act in 1986, because there has been Acts since 1916 on the whole issue of diamonds, and the reason for that is Chair, and if you'll allow me I would like to quote the then Minister Danie Steyn of Mineral and Energy Affairs, 1986. He says here:

> "The prime objectives of this Bill are to rationalise existing legislation relating to control of the diamond industry of the RSA and to establish a more effective control structure in the diamond industry. It is a fact that this is an industry that lends itself to suspicion and malpractices and it is

SAHA ARCHIVE FOR JUSTICE

for this reason that over the past 13 years the Government has found it necessary to order no fewer than three formal and informal investigations into one facet or another of the diamond industry."

Certain highlighted – areas were highlighted. One such problem area is divided control amongst the department institutions, uncoordinated government decision making and access in the three state departments being involved, etc, etc. Chair now, we're sitting here today, for 15 years we have raised this issue in Parliament, since 1999 SCOPA has raised its issue. It's been in the media, it's been raised in Parliament, it was raised by various ministers, various departments and nowhere has De Beers come to the party and say look, here is our permission for the export of these diamonds in 1992. Only when we asked them to come here, did they produce a document to the AG in August. Now I would like to ask a question on that document that De Beers produced which they say is their agreement that they have in terms of the 1998 permission to take diamonds out of the country without paying tax. Now I take it that De Beers – the gentlemen of De Beers have this agreement with them, the 1998 agreement.

CHAIRPERSON: Are we familiar with the document that Mr Gerber's is talking about, even if you don't – with us here, but are we familiar with the document?

MR CLEAVER: Yes, we are familiar with it through the Chair, and we're just collecting a copy of it.

CHAIRPERSON: Thanks, continue Mr Gerber.

MR GERBER: Chair, I would like to ask my question when they've got the document in the hand, because it's quite important.

SAHA ARCHIVE FOR JUSTICE

MR CLEAVER: May I just clarify, this is the document headed "In terms of the Diamond Act number 56/1986 between the South African Diamond Board and De Beers Consolidated Mines Limited" and it's – just for clarity it's the document that is signed on the back page, on the page 7 in 1998. Is that correct?

MR GERBER: Yes, that would be - ja it was signed in January - in Johannesburg I think in March, 19th of March 1998.

MR CLEAVER: Ja, that's correct.

MR GERBER: Am I correct, okay. Now this document and may I just say you know being a copy of a document it's not really very, very, in a good condition but I would like to ask you seeing that you've got the document, this is a 1998 agreement. Who signed on behalf of De Beers Consolidated Mines on this document? I can't make out the name there.

MR CLEAVER: I'm not sure; there are two signatures on my copy. I'm not sure who the second signature is, but the first one is clearly Gary Ralfe, who was the managing director of De Beers Consolidated Mines at the time.

MR GERBER: Right, so the Mr Gary Ralfe has signed this document plus another gentleman from yourselves, and then there was someone from the Diamond Board. Do you know who that person was, or maybe the Diamond Board can assist us?

MR CLEAVER: I'm afraid I'm not in a position to identify the Diamond Board's signature.

MR CHIKANE: I don't have a document with me. So I wouldn't be able to tell, but it would have been the Board before our time.

SAHA ARCHIVE FOR JUSTICE

MR GERBER: Chair, now if I may continue, that document that we're talking about now, this permission of 1998, consists of one, two, three, four, five, six, seven pages. All signed by – by the Diamond Board members and the members of De Beers. Every paragraph, every page has been signed, counter signed. So everything is there. Now the diamonds that were exported, were exported in 1993. Now you produced a document here, which is a permit that was signed and sealed in 1998. Now can I ask you a question on the – on the permission, the agreement that you had with the Board, which is the 1992 agreement. Do you have a copy of that document with you? It was signed; it was approved at a meeting of the S A Diamond Board, 3rd December 1992.

MR PETERSEN: Yes we do.

MR GERBER: Okay. Now can you tell me Sir, who signed on this agreement on behalf of De Beers?

MR PETERSEN: Chairperson, the document was submitted to De Beers under cover of a letter of the 13th of January 1993, address to Mr Lincoln from De Beers by the Chief Executive – or by the then Chief Executive of the Diamond Board and he enclosed a copy of the agreement which De Beers in a letter dated 12th February 1993 wrote back to the Chief Executive of the Diamond Board, accepting and confirming the new agreement that has been concluded between the Board, De Beers and its associated companies in terms of Section 59 of the Diamonds Act 1986 and the letter under reference and its enclosure set out correctly the terms and conditions of the new agreement which I hereby confirm on behalf of De Beers and its associated companies signed by Mr L A Lincoln, a director of De Beers.

SAHA ARCHIVE FOR JUSTICE

MR GERBER: Chair, I'll get back to this letter you're referring to now, but I still don't know, I still would like to know who has signed this document, this agreement. Remember the agreement of 1998 had four signatures, five signatures on every page. Now we're talking about here of the 1992 agreement. Can you show me where De Beers or the Diamond Board signed for this agreement and paraphrase this?

MR CLEAVER: Through the Chair, its De Beers' position that the 1992 arrangements constitute an agreement made up in three parts. One is as my colleague, Mr Petersen, has suggested the terms of the agreement contained in two or three pages. The second is a letter from the Diamond Board written by the Chief Executive to De Beers acknowledging that the 1992 agreement is a new agreement, acknowledging that the Diamond Board accepts the terms and conditions of the new agreement with the copy enclosed. When De Beers wrote back in the... [intervention]

CHAIRPERSON: Just give us a second. Pierre, what is the question, you seem to...[intervention]

MR GERBER: Chairman I'm not being answered, because you see you're talking about the 1998 agreement which was signed every page. Now you're referring to accompanying letters of the 1992 agreement. All I'm saying the agreement, the actual agreement; there is no signature on, either from you or the Diamond Board.

MR CLEAVER: Our position through the Chair is that the suite of three documents in 1992 constitute and agreement. They consist of as I say a letter from the Diamond Board offering the new terms signed by the Chief Executive,

SAHA ARCHIVE FOR JUSTICE

an attachment containing the conditions of the agreement not signed by any party, and the letter back from the Finance Director of De Beers at the time accepting the terms and conditions. So our position would be that that constitutes a written agreement, or be it that the annex being the terms is not signed by each party.

MR GERBER: Chair if I may continue – if I may continue Chair. Now you've referred to this letter that was addressed to your Mr Lincoln you see. Now this is a letter that – and a copy of the agreement that we've been waiting for and looking for 13 years, that you only produced in August. This is the letter. You're talking about this letter, with all the smudge marks; look like it fell off the back of a bus, but this is the letter.

MR CLEAVER: Is that letter dated 13 January 1993 in the top right-hand corner?

MR GERBER: That's correct, yes. Now you see I have a problem with this letter, because this was done in 1993 before we had fancy computers that you can change lettering or whatever. Now there are three different types of letters, lettering on this letter. Have you noticed that?

MR CLEAVER: Would you be kind enough to just enlighten me on that statement?

MR GERBER: If you look at "Your sincerely" at the bottom there, that's different lettering. It looks like there has been, maybe put in afterwards.

MR CLEAVER: Well through the Chair, De Beers has no knowledge of how the South African Diamond Board went about putting letters on its letterhead, but De Beers certainly regards the letter as a valid letter and there's certainly no suggestion I would assume that there's something invalid about the letter. De

SAHA ARCHIVE FOR JUSTICE

Beers as I say, has no knowledge of how the Diamond Board went about printing letters.

MR GERBER: Now if this was a legal agreement which you say it was, this document then hasn't been signed by anybody, but you're insisting the accompanying letters making it legal, but know if you're insisting this is a legal document and you have a permission to export the diamonds, which is – this is basically a blanket permission. Why did you go and get another – another permission in 1998, because you already had one in 1992?

MR CLEAVER: Through the Chair. Over the years the terms of the, what are called loosely the Section 59 agreements changed, they changed by virtue of circumstances, they changed by virtue of what was going on in the industry. So it's not correct to say that there was only one Section 59 agreement. There was a prior one prior to 1992. Then there was the 1992 agreement as we've just demonstrated and maybe for the record I can just point out that at the end of the attachment containing the terms in the 1992 letter, there is language that reads as follows:

> "Approved – the agreement will be subject to annual review."

So each year our understanding is the members of the Diamond Board reviewed the terms of the agreement. Our understanding is if you look through the minutes of the Diamond Board from 1992 onwards, there are confirmations that the 1992 agreement continues in the same terms until a new agreement was negotiated and there are slightly different terms in the 1998 agreement to the 1992 agreement, so that would explain why a need to change the agreement. As to why a formal agreement was signed in 1998 and the agreement in 1992 was

SAHA ARCHIVE FOR JUSTICE

done by exchange of letter, I'm afraid I can't shed any light on it, because I wasn't present at the time, but our submission would be that both of the agreement are perfectly valid legal documents, and that the 1998 one clearly refers to the existence of a prior agreement which is terminated by the 1998 agreement which then replaced it.

MR GERBER: That's like you say that is your submission that it might be a legal document, but may I ask just another question. Was the 1992 Board resolution that referred to the mutual consent by the relevant parties, that's yourself and the Board, in concluding this new Section 59 agreement, together with the decision to allow for blanket diamond export duty exemption for 20 million carats stockpile transhipment valued at about 822 million, was it preceded by lengthy negotiations, or did it just come by one board meeting?

MR CLEAVER: My understanding and Chair please bear with me, I obviously wasn't there, is that it was preceded by lengthy negations. The reason being the 1992 agreement changed the way in which diamonds were exported and then re-imported for local cutting into South Africa. In 1987 De Beers Consolidated Mines' diamonds were exported pursuant to a valid exemption and then re-imported. Those, which were economically manufacturable, were re-imported into South Africa. The industry asked De Beers in the 1990 and 1991 period to make available to them a more consistent mix of diamonds to allow them to cut them economically in South Africa and De Beers agreed in the 1992 agreement for the first time to then mix the South African production when the diamonds had been exported to London, together with all other De Beers diamonds from around the world, and re-import back into South Africa diamonds no longer only from the

SAHA ARCHIVE FOR JUSTICE

De Beers mines, but from the global mix of De Beers mines, that way giving the cutting industry what they'd requested from De Beers, which is more consistent mix of diamonds. So my understanding was there was negotiation behind the 1992 agreement. Mr Chair, I've just been handed if I may point out, the original of the letter from the South African Diamond Board of 13 January 1993, signed in original by the Chief Executive Officer, which I'm happy to hand up if that's helpful.

CHAIRPERSON: Continue Mr Gerber.

MR GERBER: Chair that will assist if we can get the original one. Now the discussions on this agreement do you have copies of – of the discussions that you had with the Board, or was it given to a sub-committee, because I see in terms of the Act a sub-committee can actually consist of one person as well, but are there any documentation regarding the discussions?

MR CLEAVER: Mr Chair, may I confer with a colleague of mine? Through the Chair, we don't have with us any of those documents. We, and as I say it's a long time ago, we know that there were lengthy discussions. We know that the Diamond Board sub-committee was involved, we know that there was more than one individual on the Diamond Board sub-committee. We could certainly investigate that, although we would suggest that if there are records, the Diamond Board may have then. Nonetheless we can confirm there were lengthy discussions in relations to the new 1992 agreement.

CHAIRPERSON: Can the Diamond Board enlighten us?

MR CHIKANE: Ja, at least the documents that – in the documents we have until I think 2002, most of these documents including the one that was referred to

SAHA ARCHIVE FOR JUSTICE

earlier on, was signed by the former Chief Executive Officer of the Diamond Board, Mr Bindeman, and in the case of whether or not there were detailed deliberations on this agreement, this is something that I'm not in a position to say so, because we were not part of the Board and we were not there. The only think that we are aware of is that there is some resolution that was passed at that meeting, which basically constituted that agreement.

CHAIRPERSON: I guess De Beers; you'd have to assist us in this regard. If you can't do it now, as I start – as I indicated when we started the meeting, we really want to conclude this business today. We really want to conclude this business today. So want to appeal to De Beers to go and do that investigation and bring it back to the Committee as soon as is possible.

MR CLEAVER: Through the Chair we will do that, but I'd like to just reiterate that De Beers' position is that we have a valid agreement which was preceded by substantial negotiation given the change in the agreement between 1992 and 1987. We will do our best to uncover whether there are any minutes, but we may not have all of the Diamond Board minutes, you would understand but we'll go and look for that now.

MR PETERSEN: In respect of De Beers not providing information before, we received a letter on the 22nd of February 2006 from the Diamond Board, requesting us to furnish the Diamond Board with copies of the agreement of 1992 and we've provided the same under cover of our letter the 24th of February 2006. We've provided this information in relation to the 1993 agreement.

CHAIRPERSON: Okay, before I allow Pierre to continue, I want the Diamond – I mean De Beers to understand and the Diamond Board that the questions that we

SAHA ARCHIVE FOR JUSTICE

are asking are to assist us formulate our question. Now it would be in your interest if there are in fact documents that can prove that there was substantial negotiations, not substantial, any negotiations in the lead up to the 1998 agreement that's going to assist us. Failure of providing that information leaves us to make our own mind up in terms of how and why that documents – or that agreement was reached at. So it is really in everybody's interest that we have those documents. Mr Gerber?

MR GERBER: Chair, I'd like to my colleagues chance as well, but maybe just one question before Ron comes in. I just like to know what motivated De Beers on the eve of the change of government into a new democratic South Africa, to ship 20 million carats of uncut diamonds to London, only to re-import some of it afterwards. I mean we've already mentioned the diamonds being about 900 million US dollars, the tax on that, 135 million US dollars, which is a billion Rand in tax in 1992 already. A company like that which is like an institution in this country, why – why that all of the sudden on the changes, I mean it really raised questions, serious questions and that's probably why we're sitting here today.

MR CLEAVER: Through the Chair, I'm grateful for the opportunity to answer that question. That is De Beers' strong view is a misconception. We have – and it's a misconception that we would very much like to lay to rest. We have comprehensive evidence of every single stone that was exported by De Beers from at least 1990 onwards, and we have comprehensive evidence that in the 1993 years broadly speaking no more than De Beers' normal production was exported in that year. Not substantially or even much out of line with the volumes and value that were exported the previous year in 1992, and not substantially different to what was exported in 1994. So we would very much like to state that De Beers' position is that De Beers does not agree with that allegation. One way of assisting the members of the Committee in this regard is, it was also stated earlier that the Section 59 agreements give rise to a blanket exemption. That's not quite correct of course, because in order to export the diamonds, even if you have a Section 59 agreement valid in terms of Section 63 of the Act, you still need for every single shipment of diamonds that is exported, have comprehensive records of valid certificates of exemption for all the diamonds exported over the period, and would be happy to substantiate that in the 1993 year in question. The amounts in questions were not – has been put to us but were broadly speaking in line with De Beers' production in that year, and there wasn't a material spike in the amount of diamonds exported prior to the 1994 election.

CHAIRPERSON: Now before you come in Pierre, let me just find out from De Beers, we have documentation from the auditors that says differently, and I'm not sure if you are aware, or in possession of that. You statement that the average amount of exports remained constant, or reasonably constant, is not the information that we have from the Auditor-General. Now I want to check from the Auditor-General's office the information that you supplied to the Committee, what was the source of that information? We're talking about your document that you gave us yesterday on page number 7 where there is a substantial difference between South African diamond sales in 1992 from any other year. Could you give us where that information was sourced from?

SAHA ARCHIVE FOR JUSTICE

Martin.

UNIDENTIFIED SPEAKER: It was received from the Department of Minerals and Energy in terms of their records that they kept in terms of the Diamond exports.

CHAIRPERSON: And so just before we allow – those diamond exports, can we presume the exports were all or mostly from De Beers. Could there be any other organisation that exported those diamonds or are they De Beers' diamonds?

Martin.

UNIDENTIFIED SPEAKER: Chair, in terms of our information that's the total production, but as you know De Beers was the majority, the biggest production of – the biggest production of diamonds at the time.

CHAIRPERSON: Thank you very much. Ja, we just wanted to set the record straight, that the information that we have is that exports in 1992 were 4.6, what is that, 4.6 billion as opposed to 1.7 billion the year before and 1.8 billion the year after. In other words 1993 was 1.8, 1991 was 1.7, 1992 – 4.7. So I'm highlighting this to De Beers, because you've just indicated to us that from your point of view there was no spike. We have evidence to the contrary in that regard.

MR TRENT: Chair, just on a point of clarity, can we just be sure that we understand the difference between exports and sales, because there – there could be a difference, and I think we just need to understand that, because this document speaks of sales, and maybe we should just get clarity on that at the same time that we are discussing this particular issue.

MR CLEAVER: Chair as a point of order, we are in the unfortunate position... [intervention]

SAHA ARCHIVE FOR JUSTICE

CHAIRPERSON: No hold on, hold on, I haven't allowed you to speak. Can we ask the Auditor-General's office, page 7 specifically, are we talking about sales, or are we talking about exports?

MR VAN HEERDEN: The column S A Diamond sales, pertains to domestic sales, plus exports. It's total sales.

CHAIRPERSON: All right. Now that you, you wanted to say something De Beers?

MR PETERSEN: Chairperson, it may actually be helpful if we – if we receive the report this information is in, because we are aware of an audit that was performed somewhere in the late 1999. We have not received a copy thereof. So we are today not in a position to respond, but clearly we can say the information does not, that is present here now, is not the information we have. So it may be useful for us to actually engage the information, and then be able to have a considered response.

CHAIRPERSON: We have a problem that I was hoping was not going to arise, disputing of figures and so on, because it doesn't take us anywhere. It doesn't take us anywhere. If De Beers are disputing figures given to Parliament by the Auditor-General and we operate from the basis that the Auditor-General is our source of information, it really takes us nowhere. It takes us nowhere and maybe – maybe – maybe the Department of Mineral and Energies where we got this documentation – or we got this information from, are you able to – to shed some light on the information that we are now using as a basis for our interrogation of this matter? Is there any – just on the point of was there a spike in terms of

SAHA ARCHIVE FOR JUSTICE

exports between 1991, 1992 and 1993? What did the graph look like from your point of view?

MR NOGXINA: Thank you Chair. Well, the information as far as we are concerned is as we gave it to the Auditor-General. So we can confirm what the Auditor-General is saying.

CHAIRPERSON: All right. As far as this Committee is concerned, we will take the information from the Auditor-General and De Beers in the event that you want to dispute it, will have to come with evidence to the contrary. Unfortunately our source is the Auditor-General and unless there is reason that the Auditor-General's information is inaccurate, it's the information we're going to use, but we will give you – we will give you the information that we have to allow you an opportunity to interrogate it later on, but we are going to move from the – from the position that there was indeed a spike in 1992. Mr Trent, is your question answered?

MR TRENT: Chair I – on that particular issue there is clarity there and I think that clearly we need to get absolute certainty on that particular issue in due course.

CHAIRPERSON: No, we will do so. You should put your mic off Mr Trent. Let's take the Auditor-General and then Pierre we'll allow you to conclude before we allow somebody else.

MR VAN HEERDEN: Chair, we have a copy of the South African Mineral Industry book, the SAMI, Directorate Minerals Economics, DME, and so we have there a table on page 24 for the 2005/2006 copy where they the indicate South Africa's rough diamond production 1987 to 1996, and I just will read to you the total production which is Kimberlite, Alluvia and Marine in carats, not in Rand

SAHA ARCHIVE FOR JUSTICE

values. In 1987 total production for South Africa was 10.2 million, 1988 it was 9 million, 1989 it was 8.5 million, 1990 – 9.1 million, 1991 – 8.7 million, 1992 – 8.4 million, 1993 – 10.1 million, 10.2 rounding it, 1994 – 10.8, 1995 it dropped back to 9.7 and in 1996 it was 9.9. So to say that a transhipment of 20 million carat is equal to annual production is not correct. It's doubly basically annual production.

CHAIRPERSON: Mr Gerber?

MR GERBER: Chair just for clarity, so – so based on the – the 1992 agreement which you insist are legal, you haven't paid any export duty right up till 2007, am I correct on any diamond that was exported?

MR PETERSEN: Chairperson, the numbers that we have before us starts in 1992 and…[intervention)

CHAIRPERSON: Sorry, are those numbers of exports?

MR VAN HEERDEN: Exports and production.

CHAIRPERSON: Exports and production, and are they different to the figures that the Auditor-General has given us? If they are, I don't want to open a debate here. Just give us that information; we'll interrogate it ourselves. If you're disputing the figures that we've received, please supply us with that information, but I don't want to open up a dialogue between the Auditor-General and De Beers now. The question before the – before you now was have you been paying duties on exports since 1992, what is it, was it 1992? Pierre, please repeat your question?

MR GERBER: Have you paid since 1992, since this agreement that we're discussing, have you paid any export duties on the exports of diamonds – uncut diamonds to London?

SAHA ARCHIVE FOR JUSTICE

MR CLEAVER: De Beers has complied entirely with the law from 1992 onwards. So the extent that it has exported diamonds it was done entirely with a valid certificate of exemption, and if I may through the Chair, it maybe worth reminding the Committee that it's not so simple as De Beers just exporting the diamonds and then never being used in South Africa. Of course the principal terms of the Section 59 agreement was those diamonds which the local industry believed it could economically cut in South Africa would as a condition of the exemption be re-imported from 1992 onwards out of a London mix back into South Africa for cutting.

CHAIRPERSON: Sir, so what you're saying to us that since 1992 you didn't pay duties because there was a legal exemption.

MR CLEAVER: Correct, De Beers has operated in accordance with the law with a valid exemption.

CHAIRPERSON: For the record you're saying that you had an exemption.

MR CLEAVER: Correct.

CHAIRPERSON: At some point if you ask you to prove, or to give us a copy of that exemption you will be in a position to do so?

MR CLEAVER: Yes, we would.

CHAIRPERSON: Thank you. Pierre, are you through?

MR GERBER: Now based on what you've just said previously now, is that you can – you can give recollection of every stone and the detail of every stone that you've exported?

MR CLEAVER: Yes, that's correct. We have a valid certificate of exemption for every parcel of stones that was exported. Clearly you don't get a certificate for

SAHA ARCHIVE FOR JUSTICE

each and every stone, but you get one through every shipment that is shipped. So yes, we would say we have a valid certificate of exemption for every diamond shipped.

CHAIRPERSON: Okay, let's... [intervention]

MR GERBER: Because Chair... [intervention]

CHAIRPERSON: No, no, before you continue, let's short circuit, can we have those exemptions?

MR CLEAVER: With pleasure, Chair.

CHAIRPERSON: Before you leave today?

MR CLEAVER: We can give you copies of the exemptions for the relevant year being the 1993-year; it's a large file. We're very happy to leave that with the Committee and we can produce any other documentation you would require for subsequent years.

CHAIRPERSON: Asking for exemption since 1993 to date.

MR CLEAVER: We can produce all of that, but we don't have all of that with us. That's a large amount of documentation, but what we do have with us is the 1993-year because that's obviously the year we came prepared to talk about, and we would be very happy to leave that with you and to assemble copies of all of the remaining documentation, which we do have, I can confirm.

CHAIRPERSON: Okay, we'll agree how we – how we examine those exemptions after this, but we certainly going to want to have a look at them whether it's on your premises or our premises we'll conclude that. Let's take the AG.

SAHA ARCHIVE FOR JUSTICE

MR VAN HEERDEN: Chair, I think we're talking about the 1992 records. So if that is possible to be submitted as well, thank you.

CHAIRPERSON: Possible?

MR CLEAVER: Hm.

CHAIRPERSON: Thank you.

MR GERBER: Chair, I'm nearly finished if you will allow me just a couple, a minute or two. The thing is in terms of your legal opinion that you got from your Advocate S C Lockston (sic), it says here 11.3:

> "With reference to chapter 6 to diamonds in the singular in particular that diamond is not in our view significant. Firstly in terms of Section 6(a) of the Interpretation of 1957, unless contrary intention appears, words in the singular include the plural. Secondly a reading of chapter 6 which requires that diamonds must be offered for sale stone by stone to diamonds cutters, or must be valued stone by stone would having regard to the quantities involved will lead to absurd results."

There is a presumption in our law that the legislator does not intend absurd to unreasonable results, and I've just wanted to mention this to you because you said that you have evidence of each and every stone, or parcels of stones. So just to bring that to you. Chair my last question, I would just like to ask if I may, the head office of De Beers, is that in Johannesburg or Kimberley or where is that, because I would like to just ask something about that.

MR CLEAVER: The head office of De Beers Consolidated Mines is in Kimberley.

MR GERBER: Kimberley. Okay now in terms of the 900 million U S dollars that was shipped out, on that consignment of diamonds, the REC levies on that which is calculated at 0.160512%, which amounts to 1.44 million U S dollars times R7.99 which is about R11.5 million. Although REC levies has been phased out, have you paid the REC levies on this shipment, because we can't find trace of that.

MR CLEAVER: Firstly I and I fully understand we're not here to debate the differences, but just for the record of course De Beers disputes that that was the figure in question. Secondly I'm not in a position right now to answer that question. I have little doubt that the REC levies were paid and if the Committee requires us to look into that and substantiate that, we'll gladly do so.

CHAIRPERSON: Please do. Pierre I have to move on. I recognise Ron and then Mr Trent and then Mr Godi.

MR MOFOKENG: Chair, I think I'm much covered, but I wanted to get it clear here. I didn't get it well. Is that how I had it, I mean Section 59 agreement do you say you can hand it over to – through the Chairperson but I just wanted to get it cleared. Thank you very much. I think that has been agreed and then the only question to cover, because Pierre has got much more than what I wanted, to the Board, I heard the Board – I mean the Diamond Board saying that was previous board so and so whatever, which it always happens, but now what sound funny to me Sir is that since this has been discussed I mean for many, many years, up to now it doesn't seem to have any follow up that you have made as a board member, because if DG decides I mean now when I take over the following year and then I have to go back and then come back to recap and see what were the problems two years back and all of those things. Then when you get a query, you will make a follow up. So we were with you two years ago and arguing on

SAHA ARCHIVE FOR JUSTICE

this, but up to now you seem not to say I don't have that note which we have got now. How far have you done, are you really taking the trouble, have you got any pile of basket of information that you can refer to our Chairperson now in your investigation for these past two years?

MR CHIKANE: I think first of all I should qualify what I'm going to say by confirming that the Diamond Board was established in terms of the Diamond Act number 56/1986 and as an institution that is created in terms of that piece of legislation, we had to comply with the legislation as is. On the other hand we had constraints. For instance Section 59 agreement seems to be, you know the main bone of contention if you may between different departments and the Diamond Board. Throughout we had to comply with the Act and with Section 59 as enshrined, and I think whatever constraints we may have had was as a result of that legislation and one is pleased that it has been abolished and been amended and now we have a completely new Act. The second thing is that we have instituted investigations on several occasions and there are documents that were not available at that particular time and they keep on coming up. For instance I can assure you that the file I have here has got all the documents that we have received from the Board, that is the previous administration and also from De Beers, but there may be one or documents that we still did not have in our files and as to what happened, first of all the Diamond Board itself did not have lots of records that we needed as the new board and we battled for several years to acquire that information. We even checked with DME. DME didn't have such information, and I think we tried our best within you know our constraints to provide as much information as possible.

SAHA ARCHIVE FOR JUSTICE

CHAIRPERSON: Mr Mofokeng, is that it? Mr Trent, Sir.

MR TRENT: Thank you Chair. Chair I think the main issues we have covered regarding the legality of the agreements, etc. that's a matter of law and I'm not an advocate or a lawyer and I don't think SCOPA's intention is to try and be that. There are just two issues that are sort of connected with each other. It just concerns me a little and perhaps we can get just some clarity. The first is the way I understand it that in terms of this Section 59 agreement the production for each year must be offered on an annual basis, and yet there is talk of stockpiling. Now to me if you offer each – each year your total production, stockpiling can then only apply to what you did not sell, because you would have to then carry that over. That amount of – the carats that you mined that you would have to be offered and it would be subject to this agreement, correct. So it is alleged that there was 20 million carats accumulated and then exported or sold in one single year, and I think that – we need to get clarity on that, because that clearly in my view would constitute not what the Act had intended. That's my first question.

CHAIRPERSON: Let's interrogate the first one. You'll answer the second one just now.

MR TRENT: Ja, the second one is connected to it Chair.

CHAIRPERSON: Okay.

MR TRENT: Because I think what we're talking about now as the Chair said earlier, we're talking about diamond export duty. That's really what we're interested in, because that's revenue to the state. Now what I find strange is in - in the document that we were supplied with by the AG it gives the diamond sales, which you are aware of for 1991, 1992, 1993, 1994, I think you've got those

SAHA ARCHIVE FOR JUSTICE

figures, which don't seem to be consistent, but then we've got a diamond export duty paid and this to me, it's totally incomprehensible. In 1990 the total amount of duty paid was R2 658 and then R1 160 and then in 1992 when it's – you alleged to have exported or sold R4.6 billion worth of diamonds, the tax was R399. Now you know I just don't understand how that can happen, when surely you pay no tax if you're exempted, but where this R399 come from? It just, to me it doesn't make sense.

MR CLEAVER: Through the Chair it's not – let me try and answer that. I don't have this information in front of me of course, but… [intervention]

MR TRENT: I accept that this is not only De Beers, it's… [intervention]

MR CLEAVER: And that's the answer that there were two producers with Section 59 agreements and there were other producers who had a different regime applying to them and therefore would have paid duty. So that, I can't answer the question unequivocally but that would probably explain why you see some duty on your figures.

MR TRENT: So therefore Chair just to follow up, so… [intervention]

CHAIRPERSON: No, no, before you follow up, we loose the first question about the stockpiling, when the Act indicates that you need to make it available annually. We are now understanding that there was a breach on that, because otherwise how do you – how do we get to the view that there was stockpiling. If you could explain that to us?

MR CLEAVER: I'll try through the Chair. In the first instance just to remind everybody, we don't agree with that number. Our figures show that there was stock of the order of 1.6 million carats and nothing like the numbers that you

SAHA ARCHIVE FOR JUSTICE

specify. The 1992 agreement very clearly at the end of the last paragraph says that and I quote:

> "The full production (other than certain diamonds) will be incorporated into the London selling mixture from which in turn diamonds will be allocated to S A site holders. This will apply to any accumulated stock held in S A at the time the new agreement becomes effective."

Now it's probably worthwhile just understanding what happened in practice. In practice there is what an annual – what's called a layout, which is one run of all, the entire De Beers production got laid out in Kimberley over five floors, took up the whole building and the Diamond Board and the members of the Committee would come along and discuss amongst themselves what of that production they would require in that year in order to cut and polish in South Africa. So essentially they would then agree that and come to De Beers and tell De Beers what was required. De Beers would then export the whole lot with a valid exemption certificate and re-import out of an aggregated mix, the quality of which was much better than just the De Beers mines, the amount that the local cutters had required. So the local cutters received in every single year what they required. The balance was of course exported and not re-imported. So the answer to the question is that the local cutters were offered the opportunity to take up what they wanted. They made the decision in the form of the Committee making a recommendation to the Board and thereafter the exports took place.

CHAIRPERSON: Sir let me ask you a question that I think the Committee wants to ask, we might as well ask it. Are you saying to Parliament that De Beers did not hold back for want of a better word, any of your productions with a deliberate

SAHA ARCHIVE FOR JUSTICE

attempt to have a stockpile to move out later? I think that's the question and maybe we should move away from being nice to each other and just be frank. Are you saying to us that prior to 1992 when there was this supposedly big stockpile that was shipped to London, you are disputing that? Is that what you're saying to us, because what you're saying to us now is that nothing seems to have been untoward and I mean we are suggesting to you quite frankly that there was something untoward, because there was stockpile and that stockpile was shipped out just before the election. That's our contention, and we'd like you to dispute that.

MR CLEAVER: Thank you Chair. De Beers would dispute that allegation. Clearly De Beers maintained stockpiles around the world and De Beers would not like to suggest anything to the contrary. What we are saying is that our records shows that the amount of stock on hand at the time was substantially less than what has been put to us today, and that it was certainly not withheld in order to avoid any kind of duty. It was ultimately shipped in 1992 so that it could form part of the London mix and so that all those diamonds could now be mixed with other diamonds in London, as I tried to explain earlier. So De Beers would refute any suggestion that there was stockpiling in order to ship a large volume, an abnormally large volume of diamonds prior to the 1994 election.

CHAIRPERSON: Okay, now it's getting hot. We're going to ask you hard questions Sir and we expect honest answers from you, but Mr Trent before I move on to Mr Godi, are you through with your questions?

MR TRENT: I just wanted to conclude on the question of the export duty, because that had been explained and we understand that surely you were not the

SAHA ARCHIVE FOR JUSTICE

only exporters, but are you saying that you were not liable to pay any export duty whatsoever during that period in terms of your exemption have any requirement to pay any export duty.

MR CLEAVER: Once we had a requirement of course to comply with the law and once we had a valid exemption which was all in terms of Section 59 and all premised on us re-importing back into South Africa the volumes of diamonds required, yes.

CHAIRPERSON: Thanks, let's move on to Mr Gerber, you indicated you wanted to follow up and then we'll move to Mr Godi.

MR GERBER: Chair just maybe on the issue of the 20 million carats, or the alleged 20 million carats and you are saying, you mentioned a figure of 1.7 million carats, 1.6 million, maybe because the people from the Auditor-General's office who are here went to London to inspect this and maybe they can give us also their side of the story in terms of the volume of carats that were taken out in that shipment. Thanks.

CHAIRPERSON: We also, before you answer Auditor-General, we want the Department to give us it's view. Was there a stockpile or was there no stockpile. We want the Board to give us its view, because we seem to be now disputing whether there was a stockpile or not. So the AG, you'll give us what you're understanding is. We're going to ask the DG to give us his understanding and we can ask the Board to give us their understanding and then before you do that Mr – okay let's allow Mr Godi and then we will move in that fashion.

MR GODI: Ja, thank you comrade. I think for me that will probably the crux of the matter, because if indeed there was an abnormal quantity that was sent out in

SAHA ARCHIVE FOR JUSTICE

relation to what we know, that becomes the basis you know of the concerns that have led to this process coming up to where it is. So clarity and confirmation in terms of whether or not there was an abnormal quantity that was, you know that was shipped out, we will be very critical in determining how we move forward before I come with other points.

CHAIRPERSON: Please if we could ask the AG to give us your sense of what happened in 1992?

MR VAN HEERDEN: Thank you Chair. Our – our stats that we've – that we've provided is derived from two audit reports by PKF which was appointed by the Diamond Board evaluator at the time to look into the stockpile and the figures that were quoted and that was recorded for SCOPA is the figures that came from the two reports of the PKF auditors.

CHAIRPERSON: And PKF are …?

MR VAN HEERDEN: PKF is the – as I said the auditors that were appointed in London by the Diamond Board evaluator at the time and there are two reports of 10th March and April 1999 reflects those figures as such.

CHAIRPERSON: Can we ask for comment from the DG?

MR CHIKANE: Thank you very much Chair. According to our understanding there was a stockpile.

CHAIRPERSON: Can we ask for comment from the Diamond Board?

UNIDENTIFIED SPEAKER: Yes, there was a stockpile.

CHAIRPERSON: Thank you very much. Mr Godi, can you continue?

MR GODI: Thank you Chair. I want to firstly make an observation that as you will be well aware that this issue has been with us for quite some times and the

SAHA ARCHIVE FOR JUSTICE

reason for it being a protected matter was principally and primarily because there appeared to be no availability of information that could assist the various role players to reach a conclusive position and in our last engagement with the Department and the Diamond Board, you'll recall that we felt that maybe it will be proper if we have De Beers here as well so that in terms of the role players involved, we could have some element of completeness, and what is of concern to me, is the fact that the De Beers appears to be much more than willing to provide information that they have, as I listened to their inputs here and the question that I have is if – if De Beers is so willing to provide information, why has it not happened all along? Is it because the Department or the Diamond Board did not contact De Beers, or De Beers was reluctant to – you know to play along all along, which – which raises I think some of the questions that Comrade Pierre raised earlier on in terms of you know not being too happy, or be taken up by documentation that we have before us, when all along these have not been – have not been available and I would imagine that the gentlemen from De Beers would, if they were in our shoes, be as probably as sceptical as we are. So I'm not sure really whether it is the Board that should come in, or it is De Beers, why has it taken so long to provide any documentation that has been sought by the Auditor-General that – that we have sought up to – up to now?

CHAIRPERSON: Can we ask for a response on that matter, either De Beers or the Board, what was the reason for the difficulty of getting documentation for us to make an opinion? It seems now that this documentation is readily available, but it has taken us a long time and lots of pain to get these documents. Does

SAHA ARCHIVE FOR JUSTICE

somebody want to explain or give us a rationale? Let's start with the Board and then we'll go to De Beers.

MR CHIKANE: Well, the simplest answer is that we have instituted investigations on this matter and on the Board we had members of De Beers that represented on the Board in terms of legislation and they – we have always assumed that those were individuals that were our contact point and at any given time every information we needed that would come from them. However, that didn't happen and subsequently we – I then had to write a letter to the Chief Executive Officer or Managing Director of De Beers requesting the same information and we got part of it and if there is any other information that is not available, it's simply because it hasn't been presented to us, but there is information that was provided to us only after I had written a letter to the Managing Director of De Beers.

CHAIRPERSON: Could we get De Beers' comment? Thank you Sir. De Beers?

MR PETERSEN: Chairperson, in so far as the formal request from the Diamond Board dated the 22nd of February 2006, the request was very specific for information and we supplied all the information required in this request under cover of our letter to days later on the 24th of February. So in so far as that – 2006 within two days we supplied to the information requested. In so far as the 1999 PKF audit is concerned, I would like my colleague to address that matter.

MR CLEAVER: Thank you. Mr Chair, I think it's worth making this observation. We obviously have no knowledge of the 1999 audit, although we've asked on a number of occasions to see a copy of it. Our understanding has been confirmed by the AG, which is that it was done in 1999. Now clearly 1999 was a very different time to 1992 when the allegation of a large stockpile is being made

SAHA ARCHIVE FOR JUSTICE

against us. We're quite happy to check our records, but it's more likely than not that in 1999 a stockpile of diamonds that had not been sold although they had been offered for sale in South Africa, of that order may have been built up over the ten years preceding 1999, and I offer that as an explanation as to perhaps why that number seems so large. It's instructive to us that that audit was done in 1999 and it may explain the discrepancy in our figures. Obviously we're not going to have an argument here about whose figures are correct, but I would like to point out for the record that that audit seems to be dated 1999 which is some seven years later than we're talking about.

MR GODI: Thank you Chair. Going back to the supposed agreement, I – I suppose you're very careful when you say as far as you're concerned the board resolution constitute an agreement. I suppose the word "constitute" implies the recognition that it is actually a deviation from the norm, and I - I'm looking at, I hope the Auditor-General's office will assist. The 1988 Transhex Group Limited Section 59 agreement and the 1998 De Beers S A Diamond Board Section 59 agreements, they appear to be in the same format, in the same context, but there is a deviation in relation to the – to the 1992 agreement and I think that is where our – our bone of contention comes that the agreement or the supposed agreement of 1992 was a deviation and creates doubts on our part and I would imagine that if you were in our shoes you'll certainly be quite suspicious. Do you necessarily regard it as valid simply because there is a resolution of – by the Board, or do you acknowledge that indeed it was a deviation from – from standard practice in term of – in terms of the way agreements were constituted from De Beers' point of view?

MR CLEAVER: Just a point of clarity, we – we don't suggest that it's an agreement merely by virtue of an extract from the Board minutes. As I tried to explain earlier, we suggest it's an agreement by virtue of a letter from the Chief Executive of the Diamond Board explaining very clearly that it's a new agreement with the terms and conditions attached. The terms and conditions attached are headed by the words "agreement with De Beers Consolidated Mines Limited" and then that was accepted by De Beers by virtue of a letter of the 13th of February. So our position is there is a valid written agreement. I'd like to point out and I don't wish this to be a legalistic debate and this is De Beers' position, but I'd like to point out that there is even no requirement in the statute that the agreement is in writing. Our position is it's a valid agreement in writing. I'm not in a position to speculate as to what was a norm and what was not a norm in 1993. I wasn't there, nor any of my colleagues unfortunately, but our position is as I've explained earlier is we have a valid written agreement.

CHAIRPERSON: Okay, just for the record so that legal illiterates like ourselves understand this when we write our report, you are saying that the Board who was the regulator wrote a letter to you. You as the operator or whatever wrote another letter back and those two letters in your mind constitutes an agreement and secondly that as far as you understand there was no law compelling an agreement in writing. That's what you want us to understand, am I paraphrasing it accurately enough so that we could go away and write our recommendation on that understanding?

MR CLEAVER: Not quite through the Chair. Our position is there is a written agreement, because the letter from the Chief Executive offers the new terms

SAHA ARCHIVE FOR JUSTICE

which are attached in an annexure that are headed with the words "agreement", which offer is accepted by De Beers in a subsequent letter. So our position is there is a written agreement.

CHAIRPERSON: No, no, I'm hearing you're saying there is a written agreement but you're saying it was not necessary because it didn't have to be in writing. I thought I heard you're saying something to that effect.

MR CLEAVER: No, no, just to be clear, our position is it's a written agreement. It so happens even if there wasn't a written agreement, which is not our position, that the statute doesn't require a written agreement. I prefer us not to have that legalistic debate and our position simply is there is a written agreement, a valid written agreement.

CHAIRPERSON: That's fine, no that's... [intervention]

MR CLEAVER: And we have the originals as we've indicated earlier.

CHAIRPERSON: That's fine, we're not lawyers here, we're mere mortals, but we're going to take that agreement and apply our mind. Please submit it to us so that we can in our own mind make up our mind what it is and you're saying – can you tell us who was the chair, or the CEO of the Board at the time, was... [intervention]

MR CLEAVER: The letter appears to be signed by a Mr C J Hambley (sic) on a letterhead under his, as the then Chief Executive Officer as far as we can tell of the Board.

CHAIRPERSON: The CEO of the Board. So just for SCOPA's purposes, the CEO of the Diamond Board wrote a letter in 1993 to De Beers to a Mr L A Lincoln (sic) saying, headed "new agreement with De Beers Consolidated Mines." A

SAHA ARCHIVE FOR JUSTICE

month later Mr L A Lincoln (sic) responds to that letter saying that they accept – or confirm that the Diamond Board – ja basically writing saying that they accept. Those two pieces of paper De Beers are saying to us constitutes an agreement and it's on that basis that they moved on. We're not going to dispute whether that's right or wrong now. We just want to understand that this is what you are saying so that we take that and do our own homework. So that is the position and we're not going to debate whether it's an agreement, whether it is legal, whether it's binding, not in this meeting. We'll do that somewhere else. So that is an agreement, but I see you're violently pointing your hand up AG. Please help us; we want to just get to a point where when we take a decision, our decision is well informed. AG?

MR VAN HEERDEN: Thank you Chair. I just like to – to point out as well that the other agreements at the time that was concluded between the Diamond Board and the other operators were done in a similar way as the former agreements, as well as the later agreements. This was the only agreement that differed in terms of – of the way in which the agreement was drawn up, signed on each page and eventually noted as a Section 59 agreement, but by saying that I would just like confirmation through the – through the Chair, that the previous agreements that has been referred to in this agreement of 1992, being the ones 1987 to 1992, do we perhaps have a copy of those agreements available and in what way does the 1992 agreement differ from the format of the previous agreements that has been referred to.

CHAIRPERSON: Before you – before you move on, could we request everybody with cell phones please to put them off. It really affects our quality of

SAHA ARCHIVE FOR JUSTICE

transcription. Everybody, not on silent, if you could put your phone off. De Beers, if you could respond to that question?

MR CLEAVER: My understanding through the Chair is that there was a one-page letter in 1987 constituting an agreement written by an executive officer of the Diamond Board to De Beers for the period 1987 to 1992. So there wasn't a formal agreement signed and initialled on every page.

CHAIRPERSON: Can we move on to Mr Trent, then Mr Gerber?

MR TRENT: Chair yes, I'm going to deviate slightly from what we've been talking about. In respect of the Diamond Board, the way it was constituted at the time, it was completely different to what it is now, and you understandable have said you were not there at the time and it will be difficult for you to answer questions. This Mr Hambley (sic) was the Chair at that time, is he available as other member of the Board at that time, are they available? Could they be called, could we have access to them as a Committee, because I think we need to close the circle, because that's the one, to me the one part of the puzzle that's missing, to hear what is it that they have to say? So do you have contact numbers for them, etc, that we could get hold of them?

MR CHIKANE: Interestingly enough they are still available, most of them and some of them actually still serve on some of the Boards, but I just want to make a comment at some point, and I hope this will be in order Mr Chair.

CHAIRPERSON: Go ahead.

MR CHIKANE: That this – I so wish this matter could be brought to its logical conclusion. In my view having participated in this discussions for so long without reaching any conclusion, is that there are basically two issues. (a) Being the

SAHA ARCHIVE FOR JUSTICE

legality of this issue, and the legality of the very Section 59 and secondly the – the levies. So there is a financial issue and there is a legal issue. It does look like if De Beers and the Auditor-General of course and the National Treasurer could sit down and – and reach some understanding on the exact figures and determine whether or not there is anything that is owed to the state. I think that would partly resolve the matter and such a report could be presented to yourselves, and secondly the – the other part of it which is the legality of the matter, is that it tends to be a little bit more complicated, because I can only imagine and I wouldn't like to predict what De Beers is going to say, whatever agreements or resolutions or anything that were approved by the Board at that particular time, I can only guess that De Beers would regard that as constituting an agreement, irrespective of the format in which they were presented to De Beers. So there are two issues. The legal side of it I think it can be dealt with, without necessarily going to any court, but basically by reaching some understanding of what happened and close it, but the second one which is most important is the financial, and if you did that, you wouldn't have to come back here again, because you have the opportunity to even interview Mr Bindeman (sic) who was the Chief Executive at that time who is still around. You also have other people, but I think this matter will drag even you know for a much longer period, when in fact all the parties involved are here, and I think you could actually bring it to it's logical conclusion without taking it any further.

CHAIRPERSON: No, thank you Sir, we were going to do exactly that. One way or the other, SCOPA today was going to pronounce on this matter and that is why I continued to say that we want to understand what you saying, because once

SAHA ARCHIVE FOR JUSTICE

we've pronounced on it, we will defend it and if it means damage to the AG's reputation, or it means damage to De Beers, so be it, we will defend it as SCOPA and that's why we are very careful today that we understand what it is that you are saying. What we are not going to do is going to have another hearing on De Beers. We're just not going to have another hearing on De Beers. One way or the other we'll pronounce and we'll persuade Parliament to adopt whatever it is, and it will be for the record in future. So thank you very much. That's exactly what it is that we wanted to do. So – and that I was – I was very persistent in not getting into a legalistic argument. Let us repeat, SCOPA's view is does De Beers have an obligation to pay the state for any taxes that it did not pay, and if he did, how do we go about doing that. If they don't we close the chapter and we move on. That is our interest in this matter. So is the end game that we want to play. So Mr Trent and I think Mr Gerber, let's stick away from the legalistic part. If there is anything else you want in terms of information gathering to assist us with our resolution from a financial point of view, I'm going to allow you to ask the question and then Mr Gerber and then we'll try and wrap up in terms of what is it that we have, what is it that we might require and by when can you expect a pronouncement at least from our side. Mr Trent?

MR TRENT: Chair yes, I'm happy that there's nothing further that we can glean from the parties present here today. I did suggest that it might be useful to talk to people that are not here, but the Committee will decide upon that in its own constituted way. So I don't think it's necessary for any further questions from our side.

CHAIRPERSON: Mr Trent. Mr Gerber?

SAHA ARCHIVE FOR JUSTICE

MR GERBER: Chair just two short questions. The one maybe has in a way been touched on by the AG's office and that is the letter of De Beers acknowledging the 1992 agreement, and also the letter from the Diamond Board. You know it starts off, the one from the Diamond Board to De Beers starting off with "new agreement" and later on in the letter it refers to "new agreement", where as the one from De Beers actually refers to this "new agreement" three or four times in the letter, which makes it a bit funny, but now the only questions that I – that I think for myself that I need clarity on is, I've read through this unsigned document, this agreement which you insist is legal, the 1992 one. Now nowhere in this agreement is there a date, which says it will – you've got permission to sê nou maar 1996 or whatever. It's an open ended agreement, the 1992 one. Now why if you have an open ended without a cut off date agreement like this, why would you then go and have another agreement, insist on another one in 1998? This it the one question I would like to ask. Then... [intervention]

CHAIRPERSON: No, no, let's – because we want to move to closure, let's ask that question, get an answer on it, agree to or disagree on your answer and move to the next one. De Beers?

MR CLEAVER: Thank you through the Chair. The answer to that is that in the very last paragraph of the two page attachment, paragraph X it's very clearly stated that in so far as the 1992 agreement is concerned the agreement will be subject to annual review. So it was not an evergreen agreement that just continued. It was reviewed by the Board and its members every year, and by the time 1998 came along, there had been changes of circumstances, which required a new agreement. So it's not – it's not – it's not correct to say that it was an

SAHA ARCHIVE FOR JUSTICE

evergreen agreement. It was an agreement, which was subject to annual review and therefore did change in accordance with changing circumstances in the country.

CHAIRPERSON: Mr Gerber?

MR GERBER: If that is the case then – then – then the annual reviews, do you have copies of the annual reviews that you can supply to this Committee?

MR PETERSEN: No, we have letter dated the 28th of March 1995 and the 22nd of January 1996 in terms of which the Board reviewed the agreement and confirm that it continues for another year.

MR GERBER: So in seven years the Board only reviewed it twice, that's what you're saying?

MR PETERSEN: Chairperson I – I'm responding to a question. This is what I have with me now. I will go and have to go and dig whether there is more, but for the purpose of this we just want to make sure that we have the information, that indeed the annual review was performed.

CHAIRPERSON: Let me put the question differently to you so that we don't get technical. During that period are you aware as you sit here, are you aware that there was an annual review of the agreement, not what you've brought with you. Are you aware that there was any annual review as – as you are suggesting your last paragraph was intimating.

MR CLEAVER: Our understanding is that the Section 59 Committee did review the agreement annually.

CHAIRPERSON: Thank you that help us answer that question. Any other questions from members of Parliament besides Mr Gerber, I'll give you last; I just

SAHA ARCHIVE FOR JUSTICE

don't want it to be a Gerber versus De Beers thing. Any other member of SCOPA that wants to ask a question? No? Okay, then Mr Gerber you… [intervention]

MR GERBER: Chair – Chair no I mean – you know the - the tax – the 15% tax which was applicable at that stage, was raised in 1996 from, with 50%, from 10% tax to 15% tax, which was also the year that there was the assassination of the then Prime Minister which makes it funny. It's all these kind of theories. But anyway the question I would like to ask Chair is… [intervention]

CHAIRPERSON: Don't consider this last comment.

MR GERBER: There is all these theories, but Chair what I would like to ask is in the Hansard of – when this Act, the 1986 Act was debated on Friday, the 30th of May, the Minister mentions here, the then Minister, the Committee of inquiry into exchange control and tax malpractices, the Brown Committee, to an effect that and I quote:

> "Millions of Rands in the form and tax and foreign currency are involved. The Committee in question made this finding with specific reference to practices such as transfer pricing, and artificial pricing in the exporting of diamonds."

Now I would just like to know, was De Beers audited by SARS at any stage in terms of anti transfer tax legislations and any regulations?

MR CLEAVER: As a general observation but I can't answer the question without digging into the records in the year in question. De Beers has been subject to a large number of audits by SARS over the years. I can't answer it more specifically than that unless you give me more specific dates, which I will happily, go and look into.

SAHA ARCHIVE FOR JUSTICE

CHAIRPERSON: Thanks; I'm going to bring these proceedings to an end by just contextualising for everybody so that nobody walks out of here with different understandings. The first thing is that we're asking De Beers to give us a copy of your export duty exemptions for the years 1992 and 1993. We'd ask you go give us that. We'd also want De Beers to go and investigate whether you paid REC levies. We also want to indicate here that in terms of the agreement or otherwise of a stockpile, the Auditor-General, the Departments of Mineral and Energy, and the Diamond Board confirm that in their understanding there was a stockpile in 1992. De Beers has a different view. We're asking you to give us that information, because that is critical to our decision. So those are the requirements that we would want as soon as possible so that we can conclude this matter. Also just to make everybody understand that we are politicians. We get a report from the Auditor-General that indicates that the – a large corporate citizen of this country had a stockpile, took it out of the country just before elections, didn't pay duty, and for – a question that I want to ask later on, but I'll ask it afterwards. So that's the one side. The second side is that the regulator, the Board who is supposed to be the regulator is skewed in favour of businesses opposed to government. So they're regulating themselves, and that fact that there is a change of regime eminent. So those are the things that pricked our minds. We, there is no ways as Parliament that we cannot ask questions on this matter. I think we also want to send a signal that no corporate however big he is, is untouchable. Nobody is untouchable. You break the law; we will come after you certainly from our point of view as Parliament that is mandated by the Constitution to have oversight. So there must not be a perception that – that –

SAHA ARCHIVE FOR JUSTICE

that there is anybody whether it's a department or an individual that is beyond accountability. The Constitution is very clear that this Committee can call anybody to account that we have called De Beers. It's in that context that we want to conclude and send a message that all of us are accountable. So you are going to assist us and I also want to reiterate I don't think that we're going to have another engagement like this. We will make a ruling, we will live by it as SCOPA and defend whatever rulings we make and the Auditor-General will live by it in terms of your reputation or otherwise, and De Beers you'd live with it and the Board, the future Board would live by it. We will pronounce on all these matters, whether we think the Board has a role to play in future in terms of how it's constituted, and exactly what it should be doing. We are able to change from the experiences that we've learnt here. So thank you very much to De Beers for having come here. Our appeal can only be that you give us that documentation as soon as possible. We would like to put this matter to rest. Auditor-General and De Beers and the Board, you know you are going to – you will help us if somehow or the other and that's not going to be – we are not going to wait for that to make our decision, but it would help us if you guys can just agree on this whole matter of whether there was or wasn't, the matter that the Board is talking about. Not the legal part but the financial part of it, because that is core in terms of what the levy was. Even if it was exempt, I want to be able to go back and say that in 1992 if there was no exemption, we would have been in a position to collect X amount of Rand, but because of exemption we didn't collect that X amount of Rand. Currently we can't say that as Parliament, and we want to say that, so we put this thing to bed and in future be able to ask the question about

SAHA ARCHIVE FOR JUSTICE

whether this exemption helps the country or does it help capital, and if it helps capital, how does capital come back to the party. If it helps the country, how does the country ensure that capital is helped? That's the bottom line from our point of view. So we would like the Board and the Auditor-General just to get that finality for us. Thank you very much. SCOPA has – has received whatever it wants to receive. We will go away and we will do our resolution to Parliament and you'll hear no more from SCOPA, but you'll hear from Parliament, because it will be a report of Parliament. Mr Gerber, close it for us.

MR GERBER: Chair no just the one thing I think that we must just ask for again is the REC levies, that's the one thing and then also if we get the transcript of the hearings you know, if there might be other question we would like to clarity. Thank you.

CHAIRPERSON: Ja, what we will do is as we indicated. The process from here forward is that we'll get the transcripts, we'll get all this information, we will craft and design our resolution. If there is need to ask a question or two, we will certainly do it, but it's going to be telephonic, or it's going to be in writing. We are not going to meet in this fashion again. Ons mors mekaar se tyd. Ons mors mekaar se tyd. De Beers?

MR PETERSEN: Chairperson, can we just from our side thank you for the opportunity. Thank you for the engagement and we remain committed to play our part and ensure what is right is done. Thank you.

SAHA ARCHIVE FOR JUSTICE

CHAIRPERSON: Thank you everybody. We'll have a five-minute break. Our next guests are here. So if we could go outside, have a five-minute body break and resume immediately. Thank you very much.

MEETING ADJOURNED

SAHA ARCHIVE FOR JUSTICE

(13) Bloem Water Board's Proposed increase in Water Tariffs for 2008-09, tabled in terms of section 42 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).

(14) Albany Coast Water Board's Proposed increase in Water Tariffs for 2008-09, tabled in terms of section 42 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003).

National Assembly

1. The Speaker

Letter received from the Minister for Public Enterprises, dated 13 March 2008, to the Speaker of the National Assembly, informing Parliament that Eskom's Pricing Structure for 2008-09 would not be tabled on 15 March 2008 as required by section 42 of the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), but will be tabled on 15 April 2008.

COMMITTEE REPORTS

National Assembly

1. Report of the Portfolio Committee on Environmental Affairs and Tourism on the *National Environmental Management: Waste Bill* [B 39—2007] (National Assembly—sec 76), dated 13 March 2008:

   The Portfolio Committee on Environmental Affairs and Tourism, having considered the subject of the *National Environmental Management: Waste Bill* [B 39—2007] (National Assembly—sec 76), referred to it, and classified by the Joint Tagging Mechanism (JTM) as a section 76 Bill, reports the Bill with amendments [B 39A—2007].

2. First Report of the Standing Committee on Public Accounts on the Investigation Relating to the Export and Sale of Diamonds in terms of the *Diamonds Act*, 1986, dated 29 January 2008:

   The Standing Committee on Public Accounts (SCOPA), having considered the following:

   a) the Report of the Auditor-General on the financial statements of the South African Diamond Board for the year ended 31 March 2004;

   b) progress reports on the validity and legality of the exemption of diamond exports from export levies;

   c) information made available by De Beers Consolidated Mines Pty (Ltd);

   d) legal inputs from certain state institutions, and

   e) responses from the Auditor-General.

   Reports as follows and recommends that:

   1. Legal opinion

   National Treasury obtain an independent, constitutional expert legal opinion from Senior Counsel to determine:

SAHA ARCHIVE FOR JUSTICE

we are

a

better future

on the

of the past

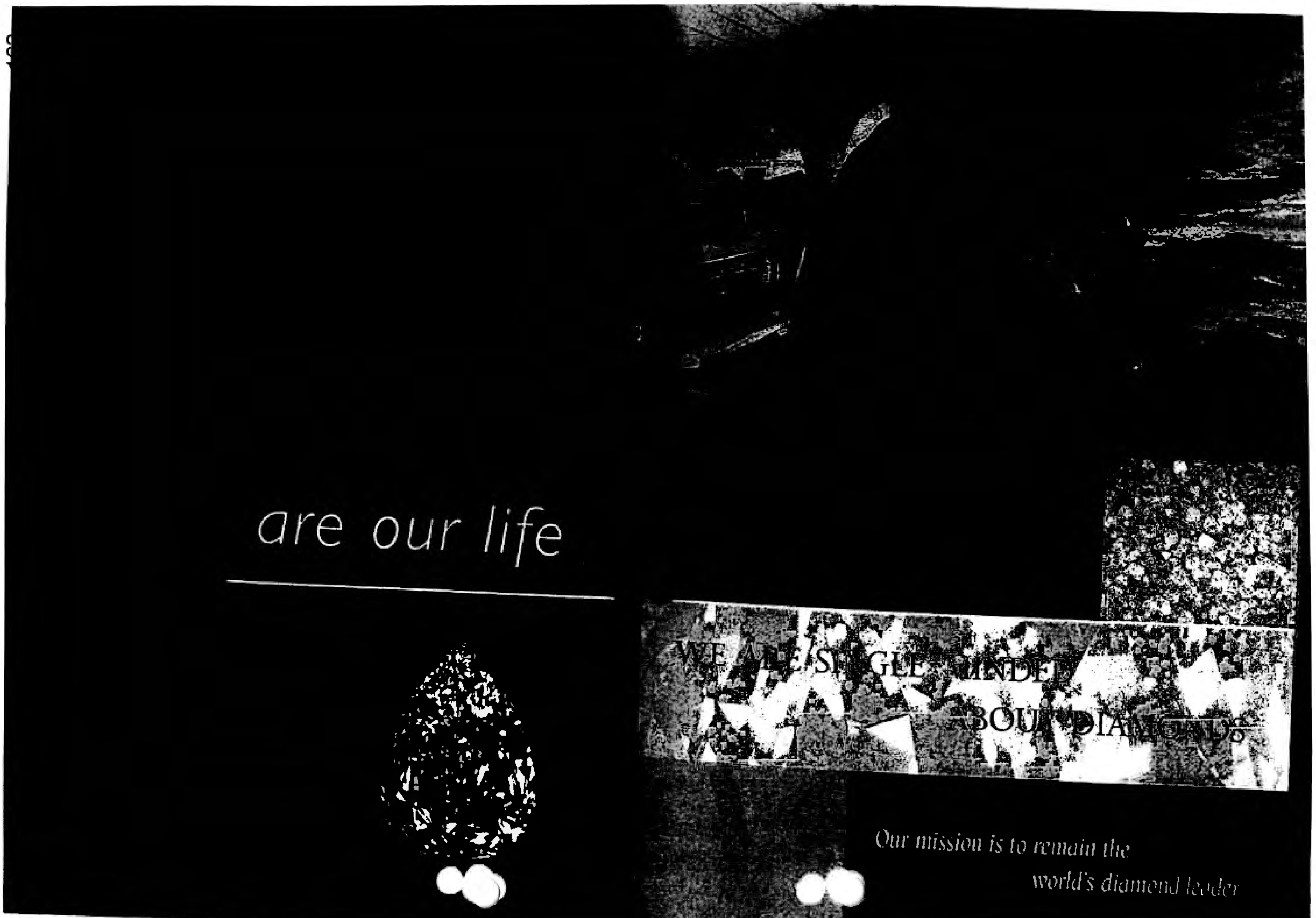
DE BEERS

SAHA
ARCHIVE FOR JUSTICE

table of contents

This publication covers the activities of both De Beers Consolidated Mines Limited and De Beers Centenary AG. While De Beers Consolidated Mines Limited is referred to as "DBCM" and De Beers Centenary AG as "DBCAG", where appropriate both companies together are referred to as "De Beers".

SAHA
ARCHIVE FOR JUSTICE



SAHA
ARCHIVE FOR JUSTICE

SAHA ARCHIVE FOR JUSTICE

we're forging
a team
to deliver

WE ARE RESPONSIVE,
INNOVATIVE AND OPEN TO
NEW OPPORTUNITIES

The new leadership team is focusing on customer satisfaction, employee motivation and cash flow

SAHA
ARCHIVE FOR JUSTICE

we're

our

disclosure

THERE IS NOW MORE MEANING IN THE DETAIL

In these reports you will now find our mineral resources and reserves statement, planning dollar per carat, combined cash flow and segenta[illegible]is

166

and that's not all...

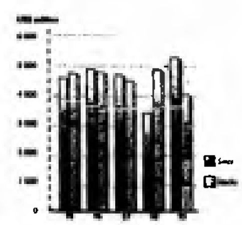
we've had
one of our most
years on record

financial
highlights

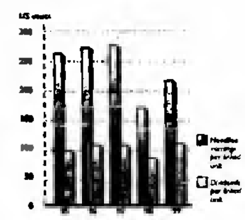
Financial performance highlights

- Own earnings up **83%** to US$686 million
- Headline earnings up **31%** to US$838 million
- Dividends increase **31%** to 105 US cents
- Strong operating cash flow for the year of **US$1 977 million**
- Return on linked unit holders' equity increased from 7,2% to **9,6%**
- Return on capital employed increased from 7,5% to **10,0%**

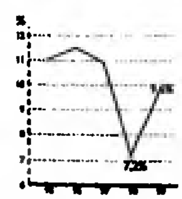
Diamond sales and ***stocks***



Headline earnings and dividends per linked unit

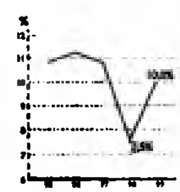


Return on linked *unit holders' equity**



* Based on headline earnings in US dollars

Return on capital employed*



** Based on headline earnings in US dollars adjusted for minority interests and financing costs. Capital employed is exclusive of all interest bearing debt.

SAHA ARCHIVE FOR JUSTICE

De Beers enters the 21st century stronger than ever, and more open to change

Secure in our past, confident of our future

As we enter the new millennium, rapid changes in the global economy, together with major innovations in technology and communications, are sweeping away many, once seemingly indestructible, icons in the world's commercial and industrial landscape.

Against this background it is a matter of considerable pride that De Beers, founded in the 19th century, is able to enter the 21st in better financial shape than for many years; its name recognised internationally as a guarantee of the value and integrity of its product, its future as the leading diamond company in the world secure.

On the back of record 1999 diamond sales of US$ 5,24 billion, we were able to announce an 83 per cent increase in our own earnings of $686 million and an operating cash flow of nearly $2 billion compared with $70 million in 1998. These results enabled De Beers to pay a substantially higher dividend for the year of 105,1 US cents per linked unit. Coming in the wake of an international recession and a dismal trading year in 1998, this success was obviously due in large measure to the continued buoyancy of the US economy. But it owed almost as much to the expertise and energy of our Sales and Consumer Marketing departments which were able to seize the opportunities offered by US economic well-being and the need to commemorate the millennium, and skilfully convert both into an increased demand for diamonds.

Meeting the challenge of change

De Beers, however, has not honed its ability to manage recession and capitalise on opportunities, nor indeed to maintain its leadership position this long, by standing still and resting on its laurels, but through constantly adapting to the changing demands of time and circumstance. Institutions that fail to do this soon show the unmistakable signs of age: goals tend to be confused with the means devised to achieve them; aims become encrusted with habit and the fundamental purpose of the business is diluted.

Renewal, which is as essential to survival in business as in any other form of life, demands a willingness to return to first principles and the courage and determination to shed or adapt tools which no longer serve those ends. For much of the last century De Beers, a company which to all intents and purposes invented the modern diamond industry, was so dominant in the mining and marketing of rough diamonds that it and the industry itself were often seen as synonymous. It was largely because of this identity of interest that De Beers was able and willing to act as custodian of the market, managing supply in such a way as to iron out volatility of demand. By protecting the market it was securing the interests, first and foremost, of its own stakeholders. The interests of its shareholders and partners and the profitability of its mines and the employees and communities which depend on them coincided with the interests of everyone involved in the diamond industry – from dealer to cutter and ultimately the consumer.

Rethinking the concept of diamond stockpiles

In recent years, however, as other diamond producers have emerged, the "custodian" role has changed until, in today's far more competitive world, De Beers has at times become instead the buyer of last resort. The buffer stocks which it held against market volatility became instead the burden of swollen inventories. Those inventories are now shrinking in response to rising demand; but this welcome development cannot blind us to the fact that a measure which De Beers devised to protect its own interests and the interests of its own stakeholders must be adapted and refined if it is to continue to serve that goal in a changed and competitive world. This does not mean that De Beers is about to abandon the market to its own devices. To do so would be as self-defeating, as contrary to our own interests, as excessive supply-side intervention. It does mean abandoning a broad-brush approach to matching supply and demand for a more finely calibrated instrument designed primarily to serve the interests of De Beers and its main clients. And it means working together and in a close relationship with those clients to build both market position and an expanding demand for all diamonds.

Our new strategy starts to pay off

Much has already been said and written about the review recently undertaken by De Beers as it has sought to renew, refresh and position itself for continued survival and success in the 21st century. It has done so not from a position of weakness, but of strength and buttressed by a set of outstanding financial results.

It enters the 21st century as the world's leading diamond mining and marketing company; its mines and those of its associate companies – some of which remain among the lowest cost and most productive in the world – produce nearly half the current global output of gem diamonds. It has in the governments of Botswana and Namibia valued partners who understand the benefits of stable and sustained growth in the world diamond market. It has an outstanding client list of the world's top diamantaires. It has a knowledge of the diamond market built up and constantly refined over more than a century; scientists and technicians at the cutting edge of diamond science and exploitation and a brand name and image which is recognised around the world as standing for excellence, authority and integrity. It has also – as was proved once again by the success of its millennium diamond campaign, which increased diamond demand by between $300 to $400 million at the end of 1999 and generated nearly $50 million worth of publicity around the world – an outstanding record in building demand through consumer advertising. These are all invaluable assets unequalled elsewhere in the diamond industry – and they will all be deployed vigorously as essential and inter-locking elements of De Beers' strategy for the next century. I believe they combine into a winning recipe for the company, its shareholders and partners, for its clients and – ultimately – for the diamond consumer.

To prepare for the challenges inherent in its new strategy and to maximise its benefits, De Beers has continued on the path it adopted when it separated its management from Anglo American to create a team totally and exclusively focused on the diamond industry. It has bought out the remaining minorities in the diamond trading companies, which are now fully owned by De Beers, and it has agreed to buy out AVMIN's interest in Saturn, the recipient of a bi-annual royalty in the Venetia mine. It has also concentrated its non-diamond investments – an essential bulwark against downswings in the diamond industry – in one company, Anglo American plc, of which it holds 35,4 per cent. During 1999 Anglo American moved its primary listing from Johannesburg to London whereupon it immediately joined the FTSE 100. In the year under review the value of this holding increased by 140 per cent and it goes without saying that we are very happy with the performance of this core investment.

Even as it prepares for the future, however, De Beers is not a company to forget its past, nor the people of the place of its birth. It was, therefore, particularly pleased to give the go-ahead to a new combined treatment plant in Kimberley that will extend diamond mining and employment in the region well into the 21st century.

Tackling tough issues

At the same time De Beers looks forward to a formal resolution of the difficulties with the South African government Valuator and the Diamond Board. The company shares the conviction of the South African government that these disputes have not served the interests of the government, the Treasury, the country, or indeed the South African diamond industry and the many thousands of people to whom it gives employment.

SAHA ARCHIVE FOR JUSTICE

Finally, by becoming more cost efficient and re-structuring its management team and internal organisation to create focused and accountable business units and in striving for ever greater transparency, we believe that De Beers is entering the new century, fitter, leaner and streamlined for success. The re-structuring of its organisation and its holdings has also led De Beers into re-visiting with an open mind the question of whether in a newly competitive diamond world the company might be able to operate in its largest and most important market, the United States of America. This exploration has only just begun and requires fresh and creative thinking from both sides if we are to reach an outcome that would be of benefit, not only to De Beers, but also to the American diamond industry and the American consumer.

No diamonds from war-torn countries

At the heart of De Beers' strategy for success – for its shareholders, its clients and the industry as a whole – is the diamond consumer on whose sustained and increasing demand for this most beautiful and enduring of products the future of this unique industry rests. That demand can only be assured if the consumer retains his or her belief in the diamond as a symbol of love, purity, and natural and enduring beauty. These are the properties inherent in the diamond dream. De Beers is therefore resolute and unbending in its insistence that diamonds remain pure and natural, unaltered by man and untainted by conflict. This is why, since the imposition of UN diamond sanctions against Unita, De Beers has – at some considerable cost to itself – gone much further than the legal requirements to ensure that the diamonds it sells are from conflict-free regions.

From the outset it adhered rigidly to both the letter and the spirit of the sanctions against Unita diamonds, buying only those Angolan diamonds with an official certificate of provenance. When, however, because of the turbulence of war, doubts were raised over the reliability of some of those certificates, the company decided that – until Angola was itself conflict-free – it would cease the purchases of all Angolan goods anywhere in the world. It has since gone even further, closed down all its outside buying offices in Africa and announced that it would issue a guarantee with all its sight boxes that their diamonds came from conflict-free areas. It has also exhorted the major cutting centres to be equally vigilant on this issue and has urged its own clients not to handle conflict diamonds.

At the same time De Beers shares the growing concern of the governments of Botswana, Namibia and South Africa that this issue presents a serious risk to the well regulated diamond industry which is so central to economic growth, employment and prosperity in these, the three most successful economies in Africa. It needs to be borne constantly in mind that estimates, based on reliable industry figures rather than hearsay, put the value of diamonds from all conflict areas at no more than 3,75 per cent of world production, whereas Botswana, Namibia and South Africa produce nearly half of world production by value. Responsible Western governments realise also that the orderly mining of diamonds under transparent and accountable democratic regimes must play an important role in the reconstruction of those African countries, such as Sierra Leone, so recently torn by conflict. The perpetual outlawing of their production, no matter how small, could deny them an important source of revenue. De Beers, which has worked closely with both the United Nations and the US State Department in finding ways to resolve the "conflict diamonds" issue, is also advising these institutions on how diamonds can play a role in that vital process of reconstruction. This would ensure that – as in Botswana, Namibia and South Africa – the diamond can continue to be a source of good for everyone, from the people who mine it, to the governments who tax it and to the consumer who can own and wear it with pride.

In protecting the image of the diamond, De Beers will continue both to protect its own name and its own product, and remain a custodian of the best values of the international diamond industry in the 21st century.

chairman's **statement**

continued

Our thanks to a superb team

At the end of the last century, De Beers said goodbye to three members of its executive team with a combined service to the Group of more than 100 years. George Burne ended a long and distinguished career with De Beers as Resident Director, Canada, and Jeremy Pudney, who as Director of the Consumer Marketing Division played such a key and creative role in expanding the universal demand for diamonds, has also retired from the board. Brian Ainsley retired as Director of Operations with effect from 31 March 2000. Although his leadership qualities will be much missed, I am pleased that he will remain on the board as a non-executive director. Gavin Beevers has been appointed Director of Operations in his stead. We also welcome Peter Sonner to the board of De Beers Consolidated Mines as Director of Producer Relations. At board level and throughout the company the key to De Beers' strength and longevity continues to lie in the skill, the innovation and the dedication of all who work for it.

Nicky Oppenheimer

NICKY OPPENHEIMER
31 March 2000

SAHA
ARCHIVE FOR JUSTICE

directorate
executive directors

directorate
non-executive directors

From left (top): Nicky Oppenheimer, Gary Ralfe, Brian Ainsley, George Burne, Tim Capon.
(bottom): Paddy Kell, Louis Nchindo, Anthony Oppenheimer, Peter Sonner, Nigel Wisden.

From left (top): Julian Ogilvie Thompson, James Campbell, Robin Crawford, Chips Keswick.
(bottom): Bertie Lincoln, Blackie Marole, Serwalo Tumelo.

NICKY F OPPENHEIMER MA (Oxon) (54)
Executive Chairman of De Beers since 1 January 1998, he was formerly deputy chairman since 1985 and has been a director of DBCM since 1978. He was appointed a director (and deputy chairman) of DBCAG on that company's formation in May 1990. He is also a non-executive deputy chairman of Anglo American plc.

GARY M RALFE BA Hons (Cantab), BProc (Unisa) (55)
Managing Director of De Beers since 1 January 1998 and has been a director of DBCM since March 1990 and DBCAG since that company's formation in May 1990.

BRIAN AINSLEY BSc Hons (Dunelm), MI Mech E (60) (British)
A director of DBCM since March 1997 and DBCAG since May 1997, he is responsible for the mining operations and exploration (and technical support) activities of the group.

GEORGE F H BURNE FCISA (64) (British)
A director of DBCM since November 1993, and DBCAG since May 1994. He was President of De Beers Canada Corporation until his retirement in February 2000.

TIM W H CAPON BA, LLB (Cantab) (59) (British)
A director of DBCM since March 1990 and DBCAG since that company's formation in May 1990, he is responsible for the legal and administrative functions of the Central Selling Organisation.

G P L "Paddy" KELL BCom (Rand), CA (S.A.) (51)
A director of DBCM since August 1997 and DBCAG since May 1998, he is responsible for group finance.

LOUIS G NCHINDO BA Hons (Oxon) (58) (Motswana)
A director of DBCM since November 1998 and DBCAG since May 1999. He has been involved in the diamond industry in Botswana for many years and is currently managing director of Debswana Diamond Company (Proprietary) Limited. He is also chairman of the Botswana Stock Exchange and BCL Limited.

ANTHONY E OPPENHEIMER (62) (British)
A director of DBCM since August 1980 and DBCAG since that company's formation in May 1990. President of the Central Selling Organisation since 1994. His responsibilities include representing the CSO internationally, particularly the relationship between the CSO and international diamond trade bodies.

PETER A SONNER (50) (British) ⊗
A director of DBCM since November 1999, he is responsible for producer relations and contracts, for outside buying and for world-wide diamond sorting and valuation.

NIGEL P WISDEN (60) (British)
A director of DBCM since November 1996 and DBCAG since May 1997. He joined the executive committee of the Central Selling Organisation in 1993. He is the executive director of the Sales and Marketing unit, being CSO director of sales from 1986 to 1992. His current responsibilities include the polishing factories in Botswana and Namibia.

⊗ Following Mr Sonner's appointment as a director of DBCM, the directors have proposed that he be elected as an additional member of the board of directors of DBCAG by shareholders at that company's annual general meeting to be held in Luzern on 9 May 2000.

JULIAN OGILVIE THOMPSON MA (Oxon), HonLLD (Rhodes) (66)
Deputy Chairman of De Beers since 1 January 1998, he was formerly chairman since 1985 and has been a director of DBCM since 1966. He was appointed a director (and chairman) of DBCAG on that company's formation in May 1990. He is also chairman and chief executive of Anglo American plc.

DR JAMES W CAMPBELL BSc, BA (Cantab) (50)
A director of both DBCM and DBCAG since May 1996, he is also non-executive deputy chairman of Debid. He is an executive director of Anglo American plc.

ROBIN M CRAWFORD BA Hons (Oxon) (58)
A director of DBCM since March 1990 and DBCAG since that company's formation in May 1990. He was formerly an alternate director and a manager of Anglo American Corporation of South Africa Limited from 1985 to 1997.

SIR CHIPS KESWICK (60) (British)
A director of DBCM since August 1993 and DBCAG since May 1994. He is a director of the Bank of England, Persimmon PLC, IMI plc and The Edinburgh Investment Trust PLC. He is also a non-executive director of Anglo American plc and Investec Bank (UK) Limited.

L A "Bertie" LINCOLN CA (S.A.), F.C.A. (70)
A director of DBCM since November 1986 and DBCAG since that company's formation in May 1990, he is currently the Swiss resident director of DBCAG. Finance manager of De Beers since the late 1970s, he became an executive director responsible for finance in 1986 until March 1994.

BLACKIE MAROLE BA Econ., MA Econ. (Williams College) (45) (Motswana)
A director of DBCM since February 1993 and DBCAG since May 1993. He is Permanent Secretary, Ministry of Mineral Resources and Water Affairs, Botswana and a director of Debswana Diamond Company (Proprietary) Limited. He is also a director of Botswana Ash Limited, BCL Limited and BRST Limited.

SERWALO S G TUMELO BA Econ., Advanced Dip. (Econ. DEV.) (Manchester) (49) (Motswana)
A director of DBCM since March 1999 and DBCAG since May 1999. He is Permanent Secretary, Ministry of Finance and Development Planning, Botswana and a director of Debswana Diamond Company (Proprietary) Limited. He is also a director of the Bank of Botswana and the Botswana Development Corporation.

combined

INCOME STATEMENT
attributable to De Beers linked units
for the year 1999

R millions 1998	R millions 1999		US$ millions 1999	US$ millions 1998
		Diamond account		
19 891	33 360	Natural diamond and Industrial Division sales	5 512	3 597
1 763	2 750	Trade investment income	484	318
1 883	1 881	Other income	311	340
23 537	37 991		6 277	4 255
21 076	33 199	*Deduct:*	5 486	3 810
16 284	28 799	Purchases	3 436	2 944
2 805	3 409	Production costs	564	514
(1 639)	5 177	Decrease (increase) in stocks	855	(303)
363	348	Stay-in-business capital expenditure	57	66
300	388	Royalty payable	64	54
646	725	Sorting and valuation costs	120	120
1 122	1 127	Marketing expenditure	187	203
776	695	Prospecting and research	118	140
399	531	Overhead costs	88	72
2 461	4 792	**Net diamond account**	791	445
		Add:		
1 267	881	Investment income	146	229
158	218	Interest income	36	29
583	499	Surplus on realisation of fixed assets and investments	82	105
4 469	6 390		1 085	808
1 138	579	*Deduct:*	95	206
516	426	Interest payable	70	93
138	131	General charges	22	25
484	22	Provisions against investments and loans	3	88
3 331	5 811	**Net income before taxation**	960	602
1 005	1 420	Taxation	235	182
2 326	4 391	**Net income after taxation**	725	420
256	238	*Deduct:*	39	46
254	236	Attributable to outside shareholders in subsidiaries	[illegible]	46
2	2	Dividends on preference shares		
2 070	4 153	**Own earnings**	686	374
		Add:		
		Retained earnings of associated companies		
1 526	1 393	Current trading	231	276
(183)	215	Exceptional and non-trading	35	(33)
3 413	5 761	**Total net earnings**	952	617
		Adjusted for:		
(67)	(474)	Net after tax surplus on realisation of fixed assets and investments less provisions	(79)	(11)
183	(215)	Exceptional and non-trading items of associated companies	(35)	33
3 529	5 072	**Headline earnings**	838	639
384	393	*Weighted average number of linked units in issue (millions)*	393	384
		Earnings per linked unit		
536c	1 057c	Own	175c	97c
889c	1 466c	Total net	242c	161c
919c	1 291c	Headline	213c	166c

combined

BALANCE SHEET
attributable to De Beers linked units
31 December 1999

R millions 1998	R millions 1999		US$ millions 1999	US$ millions 1998
		Capital employed:		
51 914	53 752	Linked unit holders' interests	8 738	8 856
541	479	Preferred and outside shareholders interests	78	92
8 009	3 781	Long- and medium-term liabilities	615	1 366
60 464	58 012		9 431	10 314
		Represented by:		
6 010	3 944	Fixed assets	641	1 026
25 420	27 663	Investments	4 497	4 336
28 231	24 342	Diamond stocks	3 957	4 816
2 300	2 313	Mining	376	393
25 931	22 029	Trading	3 581	4 423
372	434	Stores and materials	71	64
423	1 629	Net current asset	265	72
[illegible]	[illegible]	Current assets	[illegible]	[illegible]
4 143	2 380	Debtors	419	707
1 169	5 475	Cash	890	199
[illegible]	[illegible]	Current liabilities	[illegible]	[illegible]
497	887	Taxation	144	85
1 183	1 908	Dividends	311	202
2 930	3 602	Creditors	586	500
276	19	Bank borrowings	3	47
60 464	58 012		9 431	10 314
386	400	*Total number of linked units in issue (millions)*	400	386
24 923	62 059	**Market value of listed investments**	10 088	4 253
15 083	13 542	**Directors' valuation of unlisted investments**	2 202	2 569
2 435	1 475	**Commitments and contingent liabilities**	240	415
62 894	100 236	**Net asset value**	16 295	10 729
16 309c	25 070c	Net asset value per linked unit	4 077c	2 782c

combined

CASH FLOW STATEMENT
attributable to De Beers linked units
for the year 1999

R millions 1998	R millions 1999		US$ millions 1999	US$ millions 1998
		Operating activities		
3 331	5 811	Net income before taxation	960	602
457	146	Non cash items	12	57
(2 672)	(3 423)	Dividends and interest	(566)	(483)
(1 685)	5 112	Decrease (increase) in diamond stocks	831	(287)
23	(63)	(Increase) decrease in stores and materials	(10)	4
(143)	1 900	Decrease (increase) in working capital	305	(25)
(689)	9 483	**Cash generated (utilised) by operations**	1 532	(132)
2 670	3 924	Dividends received	648	482
(328)	(175)	Net interest (paid)	(29)	(59)
(1 223)	(1 055)	Taxation (paid)	(174)	(221)
430	12 177	**Cash available from operating activities**	1 977	70
		Investing activities		
411	212	Property, plant and equipment	34	70
216	718	Investments	117	37
627	930	**Cash utilised in investing activities**	151	107
		Financing activities		
	6	Share capital raised	1	
2 808	(4 607)	(Decrease) increase in long- and medium-term liabilities	(749)	479
(2 368)	(2 108)	Dividends (paid)	(342)	(402)
440	(6 709)	**Cash (utilised in) derived from financing activities**	(1 090)	77
243	4 538	**Increase in cash**	736	40
112c	3 101c	**Operating cash flow per linked unit**	504c	18c

Note The flow of funds between the DBCM group and the DBCAG group is restricted by South African exchange control regulations.

combined

DIVIDENDS
attributable to De Beers linked units
for the year 1999

R millions 1998	R millions 1999		US$ millions 1999	US$ millions 1998
630	643	Interim	105	107
1 182	1 917	Final	312	202
1 812	2 560	Total	417	309
163,5c	166,7c	Interim	27,1c	27,9c
306,5c	479,6c	Final	78,0c	52,3c
470,0c	646,3c	Per linked unit	105,1c	80,2c
280,0c	431,0c	Per linked deferred share *[Interim: 96,0 SA cents (96,0); Final 335,0 SA cents (184,0)]*	70,1c	47,8c
190,0c	215,3c	Per depositary receipt *[Interim: 11,5 US cents (11,5); Final 23,5 US cents (20,9)]*	35,0c	32,4c
470,0c	646,3c	Per linked unit	105,1c	80,2c

combined

STATEMENT OF CHANGES IN LINKED UNIT HOLDERS' INTERESTS
for the year 1999

R millions 1999 Total		US$ millions 1999 Total	Ordinary share capital and premium	Non-distributable reserves	Distributable reserves
51 914	Balance at beginning of the year	8 856	782	3 323	4 751
1 251	Adjustments thereto arising from changes in currency exchange rates	(238)	(7)	(135)	(96)
(176)	Adjustments in respect of changes in the groups' shareholdings in subsidiaries and associated companies	(29)		(42)	13
6	Linked units issued in terms of the DBCM Incentive Scheme	1	1		
447	Linked units issued in part payment for the remaining minority interests in the CSO companies	73	73		
254	Unrealised gains arising from changes in currency exchange rates	41		41	
(3 152)	Excess of the cost of shares in subsidiary and associated companies over the attributable value of net assets at acquisition	(512)			(512)
7	Increase in stores reserve	1			1
4 153	Own earnings	686			686
1 608	Retained earnings of associated companies	266		266	
	Transfers			31	(31)
(2 560)	Dividends on linked units	(417)			(417)
53 752	**Balance at end of the year**	8 738	849	3 484	4 405

combined

SEGMENTAL ANALYSIS

31 December 1999

US$ millions 1998					US$ millions 1999			
Investments	Industrial Division	Natural	Total		Total	Natural	Industrial Division	Investments
				Income Statement				
	249	3 348	3 597	Sales	5 512	5 240	272	
	50	395	445	Diamond account	791	736	55	
227	32	115	374	Own earnings	686	431	32	223
470	32	115	617	Total net earnings	952	431	32	489
505	28	106	639	Headline earnings	838	430	32	376
				Balance Sheet				
–	126	900	1 026	Fixed assets	641	532	109	
	55	4 761	4 816	Diamond stocks	3 957	3 897	60	
4 403	385	6 360	11 148	Total assets	10 475	5 619	340	4 516
	150	380	580	Trade creditors	586	450	136	
				Cash flow				
217	80	(227)	70	Operating cash flow	1 977	1 756	23	198

notes to the combined financial statements

1. The combined financial statements have been compiled by adding the relevant figures for the DBCM group to those for the DBCAG group.

   The following eliminations have been made:
   - the DBCM group's investment in the DBCAG group
   - that portion of the DBCAG group's earnings and dividends attributable to the DBCM group
   - inter-group current assets and liabilities.

2. The conversions from US Dollars to Rand and vice versa have been effected as follows:
   - combined results and operating cash flows for the year at the average rate ruling during the year
   - all other amounts at the year end rate.

3. A De Beers linked unit comprises one deferred share in DBCM and one depositary receipt issued by Centenary Depositary AG. There were 399 687 695 linked units in issue at 31 December 1999 compared with 385 634 829 at 31 December 1998. The difference comprises 13 993 966 linked units issued in part payment for the remaining minority interests in the CSO companies and 58 900 linked units issued in terms of the DBCM Incentive Scheme.

4. Net asset values have been calculated using market values for all listed investments and directors' valuations for all unlisted investments. The excess of these values over the carrying values which is attributable to outside shareholders in subsidiaries, has been excluded.

approval of combined financial statements

The combined financial statements, which appear on pages 18 to 22 have been approved by the respective boards of directors and are signed on their behalf by:

Nicky Oppenheimer

N F OPPENHEIMER
Director

7 March 2000

G M RALFE
Director

7 March 2000

report of the independent auditors

To the holders of
De Beers linked units

We have examined the combined financial statements for the year ended 31 December 1999 set out on pages 18 to 22.

These statements are an aggregation of the audited consolidated annual financial statements of the De Beers Consolidated Mines Limited group and the De Beers Centenary AG group and have been prepared on the basis set out in the notes above.

In our opinion these statements fairly present the combined results for the year ended 31 December 1999 and the combined financial position at that date of the two groups in accordance with the accounting policies disclosed in their respective annual financial statements and as set out in the notes on page 22.

Deloitte Pim Goldby

Deloitte Pim Goldby
Johannesburg

7 March 2000

Deloitte Pim Goldby GmbH
Zug

7 March 2000

SAHA ARCHIVE FOR JUSTICE

combined

FINANCIAL STATISTICS*

	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Diamond stocks										
$ millions	3 987	4 816	4 439	4 703	4 673	4 439	4 124	3 765	3 034	2 684
R millions	24 342	28 231	21 599	22 002	17 058	15 753	14 020	11 502	8 324	6 879
Investments outside the diamond industry										
Listed at market value										
$ millions	10 088	4 253	5 644	7 491	8 768	8 170	6 863	2 615	4 984	3 845
R millions	62 089	24 933	27 468	35 041	32 005	33 210	29 458	12 944	15 973	13 034
Unlisted at directors' valuation										
$ millions	40	481	716	874	830	793	529	741	910	755
R millions	243	2 821	3 486	4 088	3 030	3 224	2 271	3 669	2 917	2 560
Net current assets (liabilities)										
$ millions	265	72	(3)	(285)	46	262	71	179	557	800
R millions	1 629	423	(14)	(1 332)	168	931	243	546	1 527	2 050
Net asset value †										
Amount										
$ millions	16 295	10 729	13 759	15 029	16 240	15 323	13 270	8 759	11 791	10 427
R millions	100 235	62 894	66 968	70 298	59 275	60 320	53 725	37 023	36 218	32 502
Per linked unit										
US cents	[illegible]	2 782	3 619	3 963	[illegible]	[illegible]	2 440	[illegible]	2 102	2 744
RSA cents	[illegible]	16 309	17 614	18 499	[illegible]	[illegible]	14 131	[illegible]	[illegible]	[illegible]
Earnings										
Own										
$ millions	686	374	619	828	624	560	595	491	759	950
R millions	4 153	2 070	2 819	3 508	2 256	1 975	1 955	1 413	2 120	2 436
Per linked unit										
US cents	[illegible]	97	163	218	[illegible]	[illegible]	158	[illegible]	[illegible]	280
RSA cents	[illegible]	539	742	923	[illegible]	[illegible]	514	[illegible]	[illegible]	[illegible]
Total net										
$ millions	982	617	1 229	1 344	986	833	873	757	1 068	1 317
R millions	5 761	3 413	5 607	5 696	3 564	2 939	2 867	2 178	2 983	3 376
Per linked unit										
US cents	[illegible]	161	325	354	[illegible]	219	230	[illegible]	[illegible]	[illegible]
RSA cents	[illegible]	[illegible]	1 476	1 499	[illegible]	779	754	[illegible]	[illegible]	[illegible]
Headline										
$ millions	[illegible]	639	1 044	1 029						
R millions	5 072	3 529	4 758	4 360						
Per linked unit										
US cents	[illegible]	166	273	271						
RSA cents	[illegible]	912	1 252	1 147						
Operating cash flow										
Amount										
$ millions	1 977	70								
R millions	12 177	430								
Per linked unit										
US cents	[illegible]	18								
RSA cents	2 101	112								
Dividends										
Amount										
$ millions	417	309	391	390	353	321	321	304	426	423
R millions	2 500	1 812	1 901	1 827	1 289	1 139	1 080	918	1 169	1 084
Per linked unit										
US cents	105	80	103	103	93	84	84	79	112	[illegible]
RSA cents	646	490	500	481	332	300	307	242	308	285
Exchange rates $1 = R										
Year end	6,15	5,86	4,87	4,68	3,65	[illegible]	3,40	3,06	2,74	2,56
Average	6,05	5,53	4,56	4,24	3,62	[illegible]	3,28	2,88	2,79	

* Statistics from 1994 reflect the change by DBCM to the "first in first out" method of valuing diamond stocks.
† Net asset values have been calculated as detailed in note 4 on page 22.
The conversions from US Dollars to Rand and vice versa have been effected as detailed in note 2 on page 22.

All references are to the combined financial statements.

Earnings

After allowing for income attributable to outside shareholders in subsidiaries, own earnings for the year ended 31 December 1999 for De Beers Consolidated Mines Limited (DBCM) and De Beers Centenary AG (DBCAG) at US$ 686 million or 175 US cents per linked unit were 83 per cent higher than that for the previous year of $374 million or 97 US cents per linked unit.

Total net earnings, which includes retained earnings of associates, were 54 per cent higher at $952 million, or 242 US cents per linked unit (1998: $617 million or 161 US cents per linked unit).

Retained earnings of associated companies comprise earnings from current trading of $231 million (1998: $276 million) and exceptional and non-trading earnings of $35 million (1998: losses of $33 million).

After adjusting for our share of the after tax net surplus on the realisation of fixed assets and investments, provisions made against investments and loans and the exceptional and non-trading items of associated companies, headline earnings amounted to $838 million, or 213 US cents per linked unit (1998: $639 million or 166 US cents per linked).

Dividends

Combined final dividends declared by DBCM and DBCAG increased to 78 US cents per linked unit, resulting in increased full year's dividends of 105,1 US cents per linked unit.

The year's dividends from DBCM have been increased to 431 SA cents per linked deferred share from 280 SA cents last year, and DBCAG dividends for the year have been increased to 35,0 US cents per depositary receipt (1998: 32,4 US cents).

In Rand terms, at the exchange rate prevailing on 31 December 1999, combined dividends for the year increased by 38 per cent to 646,3 SA cents per linked unit (1998: 470,0 SA cents per linked unit).

Diamond account

The combined diamond account shows a 78 per cent increase to $791 million. In Rand terms the combined diamond account increased by 95 per cent to R4 792 million.

The difficulties relating to the export of diamonds experienced by De Beers in South Africa during the first half of the year were resolved and regular exports resumed in the second six months.

Investment income

Investment income decreased by $83 million mainly as a result of a drop in dividend income from Anglo American in the first half of 1999 due to the change to December of that company's year end, and also to the impact of re-organisations within both De Beers and Anglo American. The timing changes will affect 1999 only, with a normal dividend accrual pattern being re-established from 2000 onwards. While interest income increased by $7 million to $36 million, interest paid decreased by $23 million to $70 million.

Expenditure

Prospecting and research expenditure, which is included in the diamond account, at $115 million was $25 million lower than last year.

Income before taxation

Net income before taxation was 59 per cent higher at $960 million (1998: $602 million). The overall tax charge increased from $182 million in 1998 to $235 million in 1999, so income after tax amounted to $725 million compared with $420 million in 1996.

Diamond stocks

Diamond stocks at 31 December 1999 decreased by 18 per cent to $3 957 million compared with $4 816 million at 31 December 1998.

Liabilities and current assets

Long- and medium-term liabilities decreased by $751 million to $615 million, and net current assets increased by $193 million to $265 million, resulting in an overall favourable change of $944 million.

Investments

The market value of listed investments increased to $10 088 million from $4 253 million last year reflecting the increase in the share price of Anglo American. The directors' valuation of unlisted investments including unlisted trade investments decreased to $2 202 million from $2 569 million. Net asset value per linked unit at 31 December increased to $40,77 (1998: $27,82).

DIAMOND INVESTMENTS

With effect from 1 July 1999, DBCM acquired the remaining minority interests in the diamond trading companies in consideration for the issue of 13 993 966 De Beers linked units and R101 million in cash. DBCM, in turn, disposed of its interests in the offshore diamond trading companies to DBCAG in exchange for the issue by that group of 179 761 Centenary units, equivalent to 17 976 100 depositary receipts.

The net result of the above is that DBCM's holding in the DBCAG group increased to 11,3 per cent and the diamond trading companies became wholly-owned subsidiaries of De Beers.

In May 1999, DBCM acquired, as a block trade through the market, a 21,3 per cent stake in Anglovaal Mining Limited (AVMIN) at a price of R35,00 per share for a cash consideration of approximately R745 million with a view to eventually acquiring control of the Saturn Partnership (Saturn), complementing the existing ownership of the Venetia mine. Saturn is entitled to 50 per cent of the pre-tax profits of the Venetia mine through a royalty payment made by DBCM every six months.

Following this acquisition, in January 2000, DBCM acquired, subject to certain conditions, AVMIN's 87,5 per cent interest in Saturn for R3,7 billion in cash. DBCM also acquired AVMIN's 20 per cent interest in Finsch Diamonds (Proprietary) Limited (which effectively equates to an eight per cent profit participation in the Finsch mine) for a cash consideration of R20 million.

DBCM simultaneously announced the conditional placing of its holding of 23 378 955 AVMIN ordinary shares at a price of R48,00 per share, being R1,122 billion in total, to portfolio investors not related to DBCM or the current controlling shareholders of AVMIN.

DBCM has also made an offer to Industrial and Commercial Holdings Limited to acquire its 12,5 per cent interest in Saturn at an equivalent price to that payable for AVMIN's 87,5 per cent interest.

Further details of the above transactions can be found in the section entitled Investments beginning on page 67.

NON-DIAMOND INVESTMENTS

De Beers announced in 1998 that further rationalisation of its non-core non-diamond portfolio was being considered. During 1999, a number of holdings in non-core, non-diamond assets were disposed of realising a surplus of $81 million.

Cash flow

The operating cash flow per linked unit for the year ended 31 December 1999 was 504 US cents, compared with 18 US cents for the year ended 31 December 1998.

Year 2000 compliance

In 1997, both the DBCM and DBCAG groups embarked on programmes to minimise the potential impact of the Year 2000 issue which may have arisen from both internal and external sources; these programmes accorded with international best practice, and were closely monitored for progress against an agreed set of deadline dates.

No disruption to the groups' operations was encountered as a result of the year 2000 transition and there is as yet no indication that any of the outside parties with whom we have dealings has been adversely affected.

All reasonable steps are being, and will continue to be taken to ensure that no significant disruption occurs from any source related to non-compliancy of equipment and systems into the foreseeable future.

Investment by the two groups on the various programmes amounted to approximately $9,3 million (R56 million).

SAHA
ARCHIVE FOR JUSTICE

the diamond pipeline

understanding each division's role, from **exploration...**

PROSPECTING

We employ some 250 skilled geologists and use state-of-the-art technology in the search for diamond deposits

MINING & RECOVERY

We are the world leader in diamond mining and recovery techniques, operating 20 mines that together produce about half the world's gem diamonds by value

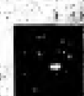
SORTING, VALUATION & SIGHTS

Our diamond sorting operations based in Kimberley, London, Gaborone and Windhoek sort and value rough gem diamonds from worldwide sources. They are sold at 10 "sights" a year to more than 120 clients, mostly from the main cutting centres

CUTTING & POLISHING

Our R&D division carries out continuous research into diamond technology

...to finished **diamonds...**



POLISHED MARKET

De Beers maintains close contact with major polished dealers and wholesalers in the main diamond centres

JEWELLERY MANUFACTURE

We encourage diamond jewellery design and work closely with our partners in the jewellery trade to create effective marketing campaigns

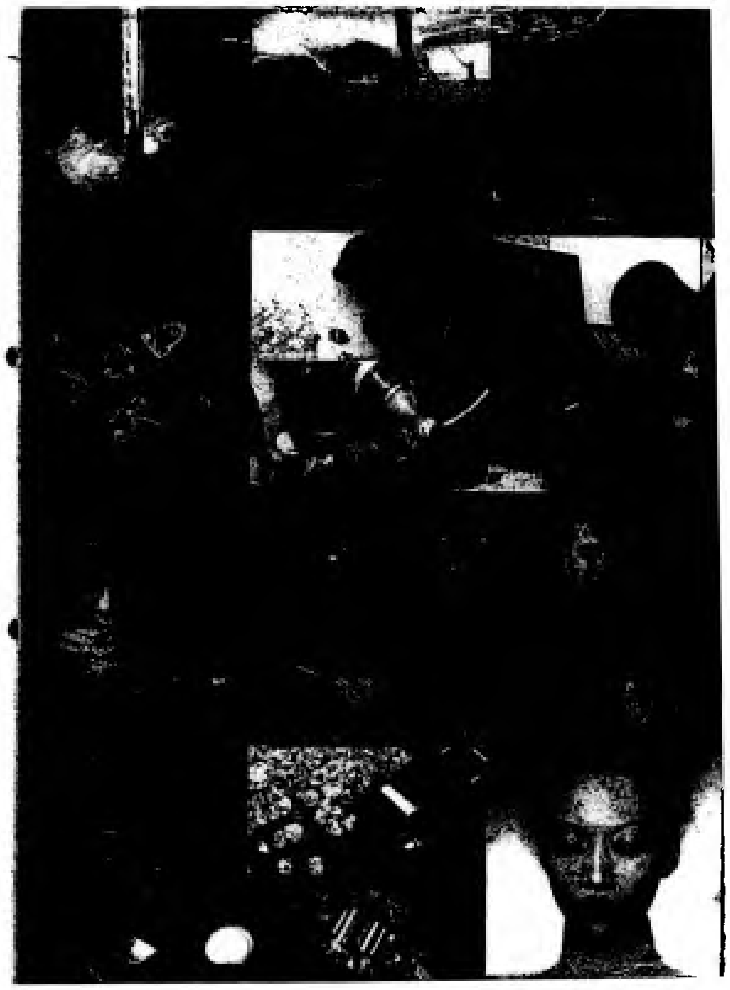
RETAIL

We support leading jewellers by increasing their knowledge of diamonds

...to the **consumer**

CONSUMERS

We promote diamond jewellery on behalf of the diamond industry through campaigns in 26 countries



group structure

SOUTH AFRICA		
De Beers Mines	Kimberley mines	Premier
[illegible]	[illegible]	[illegible]
Kimberley	Namaqualand mines	[illegible]

BOTSWANA	NAMIBIA	TANZANIA
Debswana (50%)	Namdeb (50%)	Williamson
Jwaneng, Orapa &	Mining Area No 1,	Diamonds
Letlhakane	[illegible]	Williamson
	[illegible]	

Companies comprising the South African elements of the Central Selling Organisation (100%)	Companies which manufacture synthetic diamond and abrasive products in South Africa (50%)	AA plc (38,7%) DBCAG (11,3%) AVMIN (2?,8%)# FIRSTRAND (3,1%) ANGLOGOLD (1,7%)
Companies comprising the non South African elements of the Central Selling Organisation (100%) Companies which contract to purchase diamonds from other producers (100%)	Companies which manufacture synthetic diamond and abrasive products outside South Africa (5?%)	AA plc (6,7%)

Refer to section entitled Investments beginning on page 67

"The year 1999 was significant for De Beers. The operating and financial results of our core diamond business improved considerably. We undertook a Strategic Review of our diamond business which should have positive results in the future"

Under-performance prompts strategic review

The Strategic Review was motivated by under-performance of our business, as measured by financial returns and investment ratios and by De Beers' share price. Supply-demand imbalance was reflected in the inexorable growth of our diamond stockpile. At the beginning of the decade, the stockpile was US$2,5 billion; by the end of 1998 it had grown to well over $5 billion including the stockpiles held by our affiliates Debswana and Namdeb.

The mission statement of our Strategic Review was defined as: *"The need to focus on creating and enhancing stakeholder value and, especially, shareholder value"*.

The initial objectives of the Strategic Review were:

- to analyse the financial performance of De Beers' diamond operations over the past decade;
- to gain a deeper insight into the diamond industry pipeline and to consider how to respond to increasing competition;
- to look for insights in parallel industries;
- to determine a set of strategic options;
- to identify actions immediately to improve shareholder value.

The Strategic Review generated enthusiasm and creative thinking in all branches of our company. Bain & Company, our consultants, added value. We are grateful to those who contributed to this positive and constructive exercise.

From the Review, we distilled a Strategic Plan which was approved by the De Beers board last August and then communicated to our main stakeholders: our producing partners, the governments of Botswana and Namibia; our clients, the sightholders of the Diamond Trading Company; and our employees. The Strategic Plan merely crystallises the direction in which our business has been moving and is not revolutionary.

The four legs of the review

◆ Doing what we do even better ("as is plus")

We aim to run our business more efficiently and more economically. We have a target to make real savings of 15 per cent on our expenses which totalled nearly $1 billion in 1999 but at the same time to enhance our business. We have achieved a reduction in exploration costs of $42 million from $104 million in 1998 to a budget of $62 million for the Year 2000. Advertising costs have reduced from $186 million in 1998 to a budget for 2000 of $162,5 million. Despite these economies, we believe that we are achieving better results in exploration and advertising.

◆ Becoming the preferred supplier for our clients

We aim to move away from being the seller of last resort to being the supplier of choice to our clients. We intend to ally ourselves more closely with our clients who can be effective marketing channels to help in expanding demand downstream. In order better to harness our own expertise and efforts, we have integrated the Sales and Marketing Departments of the CSO and established within the new business unit a Trade Development Department to co-ordinate activities.

◆ Growing demand by at least five per cent a year

The conclusion of the Strategic Review was that the creation of shareholder and stakeholder value lies more in expanding consumer demand for diamond jewellery than in the business economies of "As is Plus". We estimate that in order for world production and our stocks to be absorbed by the consumer, the diamond industry must generate real incremental demand of five per cent a year for the next few years. This is a challenge following the indifferent performance of real diamond jewellery demand in the 1990s. De Beers must work with its clients and the whole diamond industry to increase the promotion and advertising of diamond jewellery. Analysis has revealed that the advertising to sales ratio of our business is well below those of competing luxury products.

We achieved well in 1999 and reduced our diamond stockpile. To continue that thrust we have set ourselves the target of selling in 2000 no less than the $5,24 billion that we sold in 1999.

◆ Exploiting the value of the De Beers brand

Recent experiments, notably the *Millennium Diamond Collection* in 1999, excite us about the potential value of the De Beers brand. A team, helped by Bain, has been given the challenge to come up with a business plan. Although the core business of De Beers will remain the mining, sorting and selling of rough gem diamonds, additional value could be generated by the De Beers brand. Importantly, we believe that alongside other brands in diamond jewellery the De Beers brand could increase marketing spend and generate incremental demand for diamond jewellery.

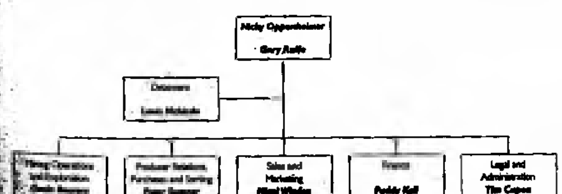
A clearer organisation structure

Together with our new Strategic Plan, we are in the process of refining our organisational structure. The purpose is firstly to clarify division of responsibility; secondly, to define accountability and to be able to measure performance. The executive structure is summarised in this organigram below.

Finally, under the Strategic Review we continue with two other important tasks. The first is a legal audit to ensure that we are fully in compliance with current competition legislation in all the jurisdictions in which we operate. The second is a structural review of the De Beers Group of companies which is being carried out with the help of our merchant bankers, Rothschilds.

Mining and exploration highlights

- De Beers' mines enjoyed an exceptional safety record in 1999.



managing director's **review**

continued

- A milestone in excellent industrial relations was the signature of a two-year agreement with our important partner and stakeholder, the National Union of Mineworkers of South Africa.
- Production by De Beers and its affiliates Debswana and Namdeb increased by one million carats to 32 million carats.
- Two important projects were completed in Debswana: Orapa 2000, which at a cost of $300 million doubles the capacity of Orapa mine from six million carats to 12 million carats; and at a cost of $50 million the new high-tech, high-security recovery and sort-house facility at Jwaneng mine.
- Our Exploration division has rationalised and focused its operations on highly prospective targets.

Major corporate developments

We have pursued our ongoing strategy to focus on our core business:

- the outstanding minorities in the Diamond Trading companies were purchased;
- agreement was reached to acquire AVMIN's 87,5 per cent interest in the Saturn partnership which has the right to a 50 per cent royalty of pre-tax profits earned by our Venetia mine;
- certain non-core investments outside the diamond business have been sold.

The diamond pipeline

- Of an estimated world production of rough diamonds of $6,8 billion, De Beers' share from its operations in Botswana, South Africa and Namibia was $3 billion or 44 per cent.
- In addition, our purchases from our Russian partners Almazy Rossii-Sakha have continued in Moscow and since the beginning of the year, we have been buying 35 per cent of the production from the Ekati mine in Canada, the joint venture between BHP and Diamet.
- Of an estimated world supply of rough diamonds of $8,4 billion, De Beers' share was approximately two-thirds in 1999.
- Global consumption of diamond jewellery grew by some 10 per cent. The US market was particularly strong, accounting for nearly half of global consumption.

- Returning confidence in the market led to a replenishment of stocks in the cutting centres. The market for both rough and polished diamonds has continued to be strong in the first quarter of 2000.

Significant financial achievements

- There is an increased level of disclosure in our accounts.
- Own earnings increased by 83 per cent to $686 million and headline earnings by 31 per cent to $838 million.
- The operating cashflow of 1999 was just under $2 billion and net cash turned round from a negative $1,2 billion to a positive $272 million.
- Stocks on the balance sheet reduced by $859 million to under $4 billion. In addition, the CSO depleted the stockpiles of Debswana and Namdeb which, at the beginning of the year together measured nearly $0,5 billion.
- The value of our core investment of 35,4 per cent in Anglo American plc increased by 140 per cent.
- Headline returns on equity, as detailed in the table below, showed improvement, particularly in our core natural diamond business.

	Natural	Industrial Division	Investments	Total
1998	2,5%	19,3%	11,5%	7,2%
1999	10,5%	26,9%	8,3%	9,6%

Improved competitive position in 2000

In addition to our Sales target, we intend to work further towards implementing our Strategic Plan with the aim of improving De Beers' competitive position and its financial returns into the future. We also intend to develop the potential of all of our employees who have contributed so well to the turn-round in the company's fortunes.

GARY RALFE
31 March 2000

review of

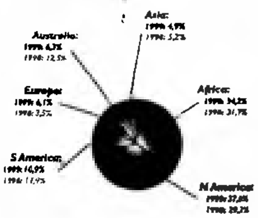
Strategic refocus combined with progress on several key projects on four continents

Strategic developments

Review prompts rationalisation

Project portfolios were critically examined following the strategic review resulting in rationalisation of activities and overhead support services. Headcount in various parts of the world was reduced by 150. We will, however, be increasing our laboratory capacity to address delays in reporting of in-house and joint venture project diamond results.

EXPLORATION EXPENDITURE PER CONTINENT



Advanced projects

CANADA

Kennady Lake: resource estimates due out in 2000

Through our subsidiary Monopros, we operate the Gahcho Kué (Kennady Lake) project in the Northwest Territories of Canada as a joint venture with Mountain Province Mining Inc. Bulk sampling was conducted on the 5034, Hearne, Tuzo and Tesla kimberlite pipes from January through to April, with final mineral resource estimates due to be reported during the first quarter of 2000. New kimberlite intersections made during 1999 are being followed up.

Northern Ontario: encouraging sampling results

In northern Ontario, west of the settlement of Attawapiskat, Monopros holds mineral claims over kimberlites discovered in the late 1980s. Micro-diamond sampling results at that time proved inconclusive, but results from sampling of the Victor kimberlite carried out during the first quarter of 1999 are sufficiently encouraging to justify bulk sampling in 2000. A custom-built treatment and recovery plant erected on site will allow sample treatment during the summer to recover 3 000 carats of diamonds and will generate sufficient information for decision on whether to proceed to a feasibility study.

Saskatchewan: low grades reported

In Saskatchewan, Monopros, operator of the Forte à la Corne project, a joint venture with Cameco Corporation and Kensington Resources, reported very low grades from sampling on the U127 and U220 kimberlites. The joint venture parties will decide to proceed further following a review of earlier sampling programmes.

RUSSIA

Northwestern region: conceptual economic study almost complete

In northwestern Russia, a due diligence study comprising desktop assessment of previous work supplemented by further drilling and bulk-sampling was carried out during 1999 on two of the six pipes in the Lomonosov licence area held by the Russian company Severalmaz. Geological and grade models proved consistent with previous models and conceptual economic assessment will be completed in 2000.

BOTSWANA

Central Kalahari: discussions continue

The Gope Exploration Company, a 50/50 joint venture between Falconbridge Exploration and ourselves, submitted a mining lease application covering the GO25 kimberlite in the Central Kalahari District of Botswana. Discussions between De Beers, Falconbridge and the government of Botswana continue.

The determination of a mineral resource at Tswapong mine continued during 1999.

Preliminary assessment projects

AFRICA

Angola: 37 new kimberlites already identified

In Angola, prospecting continued in association with Endiama in the provinces of Lunda Norte and Lunda Sul. Thirty-seven kimberlites have been identified to date and further discoveries are expected in 2000. Micro-diamond sampling confirms that most of the kimberlites are diamondiferous and more quantitative sampling will commence in 2000. The ongoing civil war prevented work from being carried out in the Quela and Mavinga licence areas.

Botswana: certain joint venture agreements terminated

In Botswana, joint venture agreements with AfriOre covering the Kokong kimberlite, and with TNK Resources (now Opus Minerals) covering kimberlites west of Gope were terminated. Agreements continue with Opus and AfriOre for other areas.

South Africa: new extensions to kimberlite dykes

In South Africa, new extensions to kimberlite dykes were delineated on Marsfontein and adjacent properties. The possibility of farming out small projects and exploration data to smaller operators and empowerment groups is being investigated.

NORTH AMERICA

Micro-diamond sampling was carried out on kimberlites on Victoria Island on properties held by Monopros and in joint venture with Major General Resources and Ascot Resources. In Kalaallit Nunaat (Greenland), mini-bulk sampling of kimberlites in the Diamet Dunbar joint venture was completed.

AUSTRALIA

Results available to date from preliminary bulk sampling over an eight-kilometre-long section of the 20-kilometre-long Brockman Creek kimberlite dykes suggest that they are poorly diamondiferous. Definition of other targets on the joint venture tenements continues.

Early stage prospecting

Work continues in 10 countries

Reconnaissance and early stage follow-up continued in Canada, South Africa, Botswana, Zimbabwe, Gabon, Guinea, Brazil, Venezuela, Western Australia and the Peoples' Republic of China. Work in Tanzania was concluded.

SAHA
ARCHIVE FOR JUSTICE

Mines face new millennium with focus and purpose

Total carat production up by one million carats

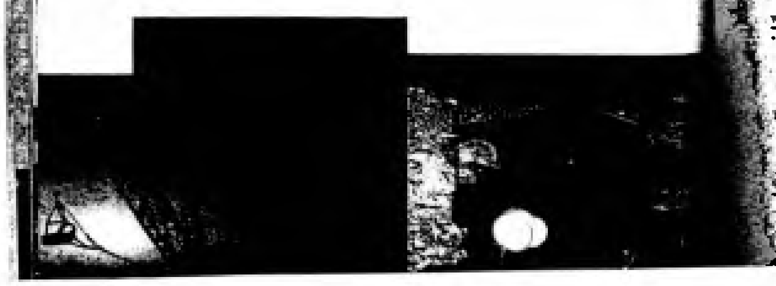
Total production for DBCM, Debswana, Namdeb and Williamson, in 1999 amounted to 32,3 million carats, approximately one million carats up on 1998. This increase came mainly from Orapa but the small mines also made a contribution. The Oaks, for example, broke the 100 000 carat barrier while Marsfontein (a joint venture with SouthernEra) surged to over 800 000 carats. Williamson mine performed well with carat production almost 95 per cent ahead of target.

Continuous improvements in safety

Whilst making strides in production, safety has remained a high priority. We strive to maintain our leading safety standing in the mining industry. This was demonstrated by DBCM (except small mines), Debswana and Namdeb operations achieving five star NOSA safety gradings during 1999.

Exciting new projects in the pipeline

A number of exciting new projects still lie on the horizon. Among these are the Kimberley Combined Treatment Plant or CTP and the Premier mine C-Cut. The completely automated recovery plant and fully integrated sorthouse project at Jwaneng mine employs technology which comfortably moves diamond winning techniques into the 21st century and commissioning is scheduled for completion mid-year



Production statistics

	Metric tons treated (thousands)		Carats recovered		Carats per 100 metric tons (cpht)	
	1999	1998	1999	1998	1999	1998
SOUTH AFRICA						
Finsch	3 630	2 969	1 726 684	2 165 060	47,6	54,5
Kimberley	3 311	4 170	563 390	682 924	17,0	16,4
Koffiefontein	1 766	2 302	127 414	150 392	7,2	6,9
Marsfontein	429	116	882 412	532 337	205,7	457,2
Namaqualand	5 835	6 069	736 473	760 480	12,6	12,5
The Oaks	186	27	106 721	7 419	57,5	27,0
Premier	2 493	3 058	1 574 409	1 391 670	63,2	45,5
Venetia	3 370	3 326	3 730 614	4 495 400	110,7	135,2
TOTAL	21 043	23 037	9 466 071	10 204 771		
BOTSWANA						
Orapa	9 546	8 389	9 078 418	6 299 647	95,0	75,1
Letlhakane	3 430	3 419	877 973	785 038	25,6	23,0
Jwaneng	9 060	9 266	11 399 640	12 600 038	125,8	136,9
TOTAL	[illegible]	[illegible]	[illegible]	[illegible]		
NAMIBIA						
Diamond Area No. 1*	24 486	25 862	716 100	705 502	2,9	2,7
Beach and marine contractors			59 364	72 598		
Atlantic 1			514 300	497 120		
TOTAL	24 486	25 862	1 289 776	1 275 220		
TANZANIA						
Williamson	2 269	1 304	232 386	93 205	10,2	6,7
GRAND TOTAL	[illegible]	[illegible]	[illegible]	[illegible]		

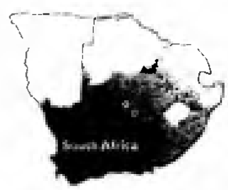
* Diamond Area No. 1 includes Mining Area No. 1, Auchas and Elizabeth Bay.

SAHA
ARCHIVE FOR JUSTICE

mining and recovery

continued

SOUTH AFRICA



FINSCH: *a year marked by several initiatives to improve efficiency and cost-effectiveness*

KIMBERLEY: *1999 production targets exceeded despite ageing infrastructure and a mine depth nearing 1 km*

Location: *165 km west of Kimberley, Northern Cape*
Established: *1961*
Current life of mine: *28 years at current production levels with Block 4 commencing during 2003*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Probable reserves	29	44	13
Indicated resources	28	52	15
Inferred resources	53	36	19
Total reserves and resources*	110	43	47

* At a bottom cut-off size of 1,5 mm, a planning revenue of US$95 per carat and to a depth of 830 m.

Production during 1999

Tons treated	3,65 million
Carats recovered	1,74 million
Recovered grade	47,6 cpht

Development projects on track

The Block 4 block cave project progressed as planned: production is scheduled to start in 2003 and will continue until 2016. The drop-down to Block 5 will start in 2014. A Block 5 team has already been established to conduct the pre-feasibility study.

Several cost-saving initiatives

We are introducing an enhanced maintenance strategy which will result in more cost-effective maintenance of equipment. We also purchased a new technology x-ray diamond sorting machine that will lead to improved process control and efficiency in the final diamond recovery process.

Location: *Kimberley, Northern Cape*
Established: *1871*
Current life of mine: *About four years underground at current production levels, but this could rise to 15 years underground following implementation of the CTP project which would include production from dumps and underground mining*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Probable reserves	9	19	2
Indicated resources	89	18	16
Inferred resources	189	8	14
Total reserves and resources*	287	11	32

* At a bottom cut-off size of 0,5 mm, a planning revenue of US$85 per carat and to a depth of 995 m.

Production during 1999

Tons treated	3,31 million
Carats recovered	0,56 million
Recovered grade	17,0 cpht

Good production despite age of mine

Despite ageing underground infrastructure nearing one kilometre deep and a treatment plant which has exceeded its design life, throughput and production were nine per cent above target.

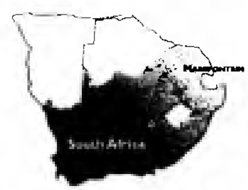
Construction of new treatment plant to start

The feasibility study for the construction of a new combined treatment plant was successfully concluded and the go-ahead was announced in March 2000. The new plant, at a cost of R610 million, will improve recovery efficiencies and profitability of the Kimberley mines and generate long-term economic benefits. New technology will turn previously uneconomic resources both on the surface and underground into viable mining options. An added environmental benefit is that retreatment of the mine tailings dumps will go hand in hand with dump rehabilitation.

mining and recovery

continued

SOUTH AFRICA
continued



KOFFIEFONTEIN: *an exciting year during which the front cave mining project was completed – a world first for the diamond mining industry*

MARSFONTEIN: *production surges at DBCM's highest grade small mine*

Location: *Koffiefontein, southern Free State*
Established: *1870*
Current life of mine: *Until 2014 based on current resources*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Probable reserves	23	10	2
Indicated resources	10	6	1
Inferred resources	64	2	1
Total reserves and resources*	97	5	4

* At a bottom cut-off size of 2 mm, a planning revenue of US$200 per carat and to a depth of 490 m.

Production during 1999

Tons treated	1,76 million
Carats recovered	0,13 million
Recovered grade	7,2 cpht

Front cave mining project completed

A first for De Beers and the diamond mining industry was the introduction of the new front cave mining method. The advantage of this method is that the overall draw level infrastructure is considerably less expensive than a similar sized block cave layout since the complete drawpoint support is not required to last the life of the cave. Lower initial capital requirements, together with the benefit of concurrent production from the upper levels, will ensure that early revenue will offset upfront capital expenditure.

By the end of 1999, the remaining development tunnelling of 1 065 metres had been achieved, completing the infrastructure requirements for the front cave. Full production is due to start in early 2000.

Location: *35 km east of Potgietersrus, Northern Province*
Established: *1998*
Current life of mine: *Open pit mining will be complete by mid-2000. Treatment of ore, including lower grade stockpiles, will continue into 2001. Underground resources may extend mine life*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Inferred resources*	1	85	0,5

* At bottom cut-off size up to 1,5 mm, a planning revenue of US$100 per carat and to a depth of 150 m.

Production during 1999

Tons treated	0,43 million
Carats recovered	0,88 million
Recovered grade	205,7 cpht

Production surges

Carat production rose 66 per cent in the first full calendar year of operation.

Prospecting yields new kimberlite fissure

Prospecting operations on the farm resulted in the discovery of a kimberlite fissure running east-west across the northern portion and which appears to be a continuation of the Leopard fissure that is being mined at the nearby Klipspringer diamond mine. This and other anomalies on the farm are being investigated.

SAHA
ARCHIVE FOR JUSTICE

review of operations
mining and recovery
continued

SOUTH AFRICA
continued

***Namaqualand:** a successful year in terms of both production and prospecting targets*

***The Oaks:** this new mine, commissioned in 1998, produced mixed results in its first full year of production*

Location: *Atlantic seaboard of South Africa*
Established: *1928*
Current life of mine: *11 years at current production levels*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Probable reserves	54	13	7
Inferred and indicated resources	63	6	4
Total reserves and resources*	117	9	11

* At a bottom cut-off size of 2 mm and a planning revenue of US$120 per carat.

Production during 1999

Tons treated	5,84 million
Carats recovered	0,74 million
Recovered grade	12,6 cpht

Successful prospecting discoveries

The highlight of the year was the commissioning of the imported, large-diameter bucket-auger sampling drill to evaluate the newly discovered paleochannel deposits along the Buffels river east of Kleinzee. This rig will access samples at depths of up to 115 metres, hitherto not possible on the alluvial diamond fields of the west coast of southern Africa. If these deposits prove viable, they will help extend operations well into the 21st century. In addition, we delineated reserves totaling 0,3 million carats at a grade of five carats per 100 tons through prospecting in the current mining licence areas.

Location. *20 km from Swartwater, Northern Province*
Established: 1998
Current life of mine: *Seven years down to 100 metres. Another cut to 200 metres should add six to eight years*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Inferred resources*	4	54	2

* At a bottom cut-off size of 1 mm, a planning revenue of US$105 per carat and to a depth of 200 m.

Production during 1999

Tons treated	0,19 million
Carats recovered	0,11 million
Recovered grade	57,5 cpht

Geological variations in ore body affect results

This was our first full production year after commissioning in 1998. Throughput at the plant was less than half of that targeted owing to complex ore characteristics and water supply limitations, but this was more than off-set by a doubling of the grades achieved in 1998. The higher grade northern lobe was developed to 30 metres below surface and investigations are underway to assess the feasibility of extending the pit depth to 200 metres. Upgrading the primary mineral sizer to a jaw crusher appears to have alleviated problems caused by ore hardness.

review of operations
mining and recovery
continued

SOUTH AFRICA
continued

***Premier:** Exploration to a depth of 1 000 m going well*

***Venetia:** new crushers and reconcentration plant address production problems*

Location: *40 km east of Pretoria, Gauteng Province*
Established: *1902*
Current life of mine: *At current production levels, the BA5 mining block should be depleted in 2006. Production from the BB1E mining block will increase to 2,3 million tons in the year 2003. The C-Cut project should extend life to 2027*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Probable reserves	61	53	33
Indicated resources	21	48	10
Inferred resources	239	34	82
Total reserves and resources*	321	[illegible]	125

* At a bottom cut-off size of 1,6 mm, a planning revenue of US$40 per carat and to a depth of 1 000 m.

Production during 1999

Tons treated	2,49 million
Carats recovered	1,57 million
Recovered grade	63,2 cpht

Exploration to 1 000 m going well

Exploration and sampling of the ore body beneath current workings to a depth of 1 000 metres proceeded satisfactorily. Although some parts proved difficult to penetrate, drilling results to date are encouragingly in line with expectations. We are examining the economics of mining the so-called C-Cut and these studies should be complete in early 2001.

Location: *80 km west of Messina, Northern Province*
Established: *1992*
Current life of mine: *20 years as an open pit at current production levels, after which an underground mining operation is planned*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Probable reserves	45	127	57
Indicated resources	10	135	13
Inferred resources	65	77	50
Total reserves and resources*	120	[illegible]	120

* At a bottom cut-off size of 1 mm, a planning revenue of US$80 per carat and to a depth of 420 m.

Production during 1999

Tons treated	3,38 million
Carats recovered	3,74 million
Recovered grade	110,7 cpht

New crushers boost reliability

Improved throughput in the latter half of the year was primarily due to the installation of new secondary crushers and the commissioning of a reconcentration plant. This plant is designed to alleviate headfeed delays caused by harder ore and bottlenecks in the recovery circuit owing to excessive heavy mineral concentrates. The recovered grade decreased from 135,2 to 110,7 carats per 100 tons in accordance with the life-of-mine depletion plan, which includes the mining of lower grade satellite pipes within the expanding shell of the pit.

mining and recovery

continued

BOTSWANA

ORAPA: *"Project 2000", aimed at doubling production, nears completion*

LETLHAKANE: *production lifted with improved grades*

Location: *240 km west of Francistown, Botswana*
Established: *1971*
Current life of mine: *30 years at current production levels as an open pit*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Probable reserves	206	59	169
Indicated resources	64	49	32
Inferred resources	252	48	121
Total reserves and resources*	[illegible]	53	322

* At a bottom cut-off size of 1,65 mm, a planning revenue of US$40 per carat and to a depth of 660 m.

Production during 1999

Tons treated	9,55 million
Carats recovered	9,07 million
Recovered grade	95,0 cpht

Record 9 million carats produced

Orapa lifted production by over one million tons and diamond output rose 40 per cent to about nine million carats with the mining of higher grades and the benefit of improved treatment and recovery efficiencies.

New plant commissioned

The No.2 plant was commissioned in December. The plant will process an additional 8,9 million tons and will raise diamond production to 12 million carats at a cost of roughly P1,6 billion (including P0,3 billion for existing plant). Full production was targeted for January 2000, however bottlenecks emerged, notably in the slurry and crushing circuits. Action plans are in place to eliminate them. Full throughput will be achieved by mid 2000.

Location: *190 km west of Francistown, Botswana*
Established: *1977*
Current life of mine: *14 years at current production levels with a small satellite pipe starting in 2009*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Probable reserves	12	23	3
Indicated resources	6	31	2
Inferred resources	47	26	12
Total reserves and resources*	65	26	17

* At a bottom cut-off size of 1,65 mm, a planning revenue of US$170 per carat and to a depth of 480 m.

Production during 1999

Tons treated	3,43 million
Carats recovered	0,88 million
Recovered grade	25,6 cpht

Carat production up 11%

Carat production rose by 11 per cent, mainly due to slightly higher grades.

New primary crusher fully commissioned

The new primary gyratory crusher was fully commissioned during the year and the original jaw crusher and infrastructure removed. This enabled Cut 4 waste to be stripped in the northern area of the pit close to the crushing and screening building.

mining and recovery

continued

BOTSWANA
continued

JWANENG: *a busy year marked by completion of new recovery plant and sorthouse*

Location: *160 km west of Gaborone, Botswana*
Established: *1982*
Current life of mine: *To 2029 at current production levels as an open pit*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Probable reserves	51	96	49
Indicated resources	14	29	4
Inferred resources	232	163	375
Total reserves and resources*	297	144	428

* At a bottom cut-off size of 1,65 mm, a planning revenue of US$100 per carat and to a depth of 720 m.

Production during 1999

Tons treated	9,06 million
Carats recovered	11,4 million
Recovered grade	125,8 cpht

Automated recovery plant completed

The construction of the automated recovery plant and the fully integrated sorthouse was completed on schedule and commissioning was well advanced at year end. Limited processing of concentrates started during 1999 and will be stepped up in 2000. Full throughput is anticipated by mid 2000.

Deferred waste stripping to improve financial return

Revision of the long-term mine plan permitted the deferral of nearly seven million tons of waste stripping in 1999. This indicated that the expected increase in waste stripping over the next four years could be deferred by some 12 years without affecting production and will improve financial return. Carat production in 1999 fell by eight per cent because of a variety of technical problems and bottlenecks in the main treatment plant and recrush plant, as well as the treatment of resources which had a lower than expected grade.

TANZANIA

WILLIAMSON: *record monthly tonnages, and dump retreatment almost doubles grade*

Location: *Mwadui, Tanzania*
Established: *1940*
Current life of mine: *Seven years at current production levels*

	Metric tons (millions)	Grade (cpht)	Carats (millions)
Inferred resources*	117	6	7

* At a bottom cut-off size of 1,5 mm, a planning revenue of US$100 per carat and to a depth of 70 m.

Production during 1999

Tons treated	2,27 million
Carats recovered	0,23 million
Recovered grade	10,2 cpht

Record production year for Williamson

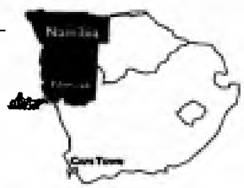
After a very disappointing year in 1998, caused by heavy rain flooding the pit, sampling of the old treatment plant tailings dumps started in May and mineable grades were discovered. The production plan was changed in July to include ore from both the pit and the dumps. Plant throughput steadily increased to a monthly record of 0,23 million tons in December. Recovered grades of seven carats per 100 tons at the beginning of the year rose to 15 carats per 100 tons by Christmas.

SAHA
ARCHIVE FOR JUSTICE

mining and recovery

continued

NAMIBIA



***NAMDEB:** good recoveries on land and record production at sea*

***Location:** southwest coast of Namibia*

***Established:** 1920*

***Current life of operations:** 10 year business plan horizon*

Production during 1999

	Tons	m²	Grade		Carats
	(millions)		(cpht)	(ct/m²)	(millions)
Land	24,4		2,9		0,72
Marine	–	2,14	–	0,24	0,51
Inshore	–		–	–	0,06
Total	24,4	2,14	2,9	0,24	1,29

Excellent recoveries on land

There were good grades and recovery factors at all three main treatment plants in Mining Area No. 1, notably No. 3 plant. The satellite mines at Auchas and Elizabeth Bay also did well. The dredge and floating treatment plant once again achieved only half of its design throughput, and major modifications were made to increase trommel screening capacity and cutter-wheel performance. Significant improvement is expected in 2000.

Record production year for De Beers Marine in Atlantic I

Namdeb's off-shore contractor, De Beers Marine, increased the area of sea floor mined by 13 per cent and carats delivered to Namdeb by four per cent, exceeding production of half-a-million carats for the first time. The *Kariep*, a new mining vessel which uses a crawler to mine horizontally on the seabed, was commissioned and will continue sea trials and crawler development in 2000.

New mine for 2000

During 2000, a new small mine at Daberas on the Orange river will be commissioned. It will have a life of about 10 years and replaces Auchas mine which draws to the end of its life.

	Tons	m²	Grade		Carats	
	(millions)		(cpht)	(ct/m²)	(millions)	
Probable reserves (land, marine)	190	5	1	0,20	2	1
Indicated and inferred resources (land, marine)	401	37	1	0,16	4	6
Total reserves and resources* (land, marine)	551	42	1	0,17	6	7

* At bottom cut-off sizes of up to 3 mm for Diamond Area No. 1 (2 mm for Atlantic 1) and planning revenue of US$[illegible] per carat for Diamond Area No. 1 (US$[illegible] for Atlantic 1). Marine resources and reserves are based on a cut-off size of 0,1 ct/m².

mineral resources and reserves

Mineral resources and reserves under the management of De Beers and its affiliates

	Tons	m²	Grade		Carats	
	(millions)		(cpht)	(ct/m²)	(millions)	
Probable reserves (land, marine)	728	5	46	0,20	334	1
Indicated resources (land, marine)	272	11	35	0,18	94	2
Inferred resources (land, marine)	1 [illegible]	26	41	0,17	682	4
Total reserves and resources* (land, marine)	2 [illegible]	42	[illegible]	0,17	1 120	7

* At bottom cut-off sizes and to depths (where appropriate) as stated for each mine.

These are classified according to rules for public reporting in each country where we operate

SA rules defined by SAMREC code

Our resources and reserves have been classified according to the rules for public reporting in South Africa, as defined by the South African Mineral Resource Committee (SAMREC). This code is to be incorporated into the proposed new Johannesburg Stock Exchange Listings Requirements.

The SAMREC code has been compiled along the lines of the Australian JORC code, which is being used as a guideline for codes drafted in the United Kingdom, Canada, the USA and possibly also other countries.

Classification applies as of 1 January 2000

The SAMREC code requires that a competent person be responsible for the declaration of the resources and reserves in its defined sub-categories in all public reporting, which includes the company annual report. Dr W J Kleingeld, Manager, Mineral Resources, has been appointed as the responsible person.

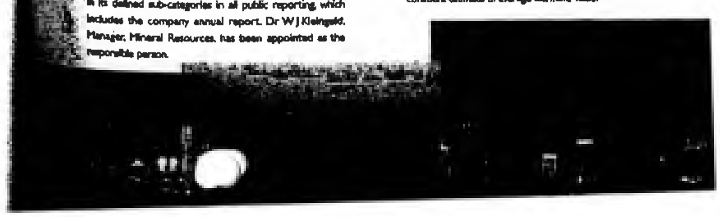
Definitions of key terms used

Inferred resource

That part of a resource for which tonnage, grade and diamond value can be estimated with a low level of confidence. It is inferred from geological evidence, and assumed but not verified by geological and/or grade continuity. A sufficiently large diamond parcel is not available to ensure a reasonable representation of the diamond assortment. It is based on information that may be limited or of uncertain quality and reliability.

Indicated resource

That part of a resource for which tonnage, densities, shape, physical characteristics, grade and diamond value can be estimated with a reasonable level of confidence. It is based on information at locations that are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. Enough diamonds have been recovered to allow a confident estimate of average diamond value.



mineral resources and reserves

continued

probable reserve

The economically mineable material derived from a measured or indicated resource. It is inclusive of diluting materials and allows for losses that may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, including consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction is reasonably justified.

planning revenue

Planning revenue per carat is an estimate derived from the mix of diamond categories recovered and projected to be recovered from the material included in the mining plan. The parameter is not applicable to the entire resource and, among other things, is sensitive to changes in depletion and recovery factors.

Assessment criteria used

The assessment criteria used for the categorisation of resources and reserves are data availability, sampling technique, geological interpretation and estimation technique. We generally seek to generate resources in the indicated category, which corresponds to reserves in the probable category. Only in cases where a minimised risk profile is required is sampling done with the aim of achieving a measured resource, and thereby a reserve in the proved category. It is also important to note that the reserves presented are exclusive of the resources.

health and safety

South Africa

SAFETY ACHIEVEMENTS AND STATISTICS

Continuing to improve mine health and safety

1999 saw the lowest lost-time injury frequency rate in DBCM's recorded history, with Namaqualand mines achieving 10 fatality-free years in February 2000

New initiatives spur safety

Initiatives implemented to reduce risk on our mines, coupled with the advent of regulations imposing specific duties on managers and employees, helped us record an average rate of 0,34 accidents per 200 000 man-hours worked during 1999 – the lowest lost-time-injury frequency rate (LTIFR) in our recorded history.

We tackle safety on many fronts

All DBCM mines have instituted those procedures required by the Mine Health and Safety Act to limit exposure to health and safety risks. Each mine has a Safety, Health and Environmental department which continuously monitors compliance with the legislation. Health and Safety agreements, in terms of the Act, have been concluded on all the mines, and full-time health and safety representatives play a major role in accident prevention. Health and Safety committees function well at all the operations. Risk assessments are done continuously and reviewed regularly. Programmes ensure that health and safety awareness is communicated to all employees, including contractors, and employees undergo health and safety training. In addition, we use outside consultants to measure compliance with international best practice.

High safety ratings are the norm

All our mines participate in the National Occupational Safety Association (NOSA) safety grading system. They all received the top rating of five stars during 1999 with the exception of The Oaks mine, which has four stars, and the Marsfontein joint venture, which has yet to be audited. Venetia mine retained its ISO 9002 certification and achieved NOSCAR status (NOSA's top health and safety award) for the fourth successive year. The Namaqualand mines, which won the Chairman's safety shield, will be audited by NOSA from January 2000; currently it has five stars awarded by the Chamber of Mines. De Beers Marine is graded according to the NOSA Sea Safe System, with the vessels of the fleet being individually graded. Six of the operating vessels achieved five stars; one was awarded four stars.

LTIFR improves by 31%

The group's LTIFR showed an improvement of 31 per cent in 1999, when compared to 1998. Targets for 2000 have been set to further reduce the number of lost-time accidents. Premier mine, Kimberley mines and Venetia mine have worked in excess of one million fatality-free man-shifts, while De Beers Marine accumulated in excess of two million and Namaqualand mines more that six million fatality-free man-shifts. Namaqualand mines achieved 10 fatality-free years on 11 February 2000.

LOST-TIME-INJURY FREQUENCY RATES

	1999	1998	1997	1996	1995	1994
Finsch	0,34	0,64	0,28	0,33	0,58	0,91
Kimberley	0,40	0,67	0,59	0,56	0,70	0,42
Koffiefontein	0,35	0,35	0,28	0,49	0,32	0,24
Marsfontein	0,71	–	–	–	–	–
Namaqualand	0,14	0,47	0,38	0,19	0,19	0,26
Premier	0,47	0,62	0,47	0,46	0,61	0,53
The Oaks	1,64	–	–	–	–	[illegible]
Venetia	0,03	0,37	0,23	0,08	0,23	0,23
De Beers Marine	0,19	0,28	0,24	0,41	0,44	1,27
Average	0,34	0,49	0,37	0,36	0,45	0,54

SAHA
ARCHIVE FOR JUSTICE

OCCUPATIONAL HEALTH

Surveillance at all mines

Medical surveillance is undertaken at all our underground and opencast mines and operations to ensure the health of employees exposed to certain risks inherent in the mining industry. This surveillance, conducted by health practitioners at health clinics and centres near the operations, complies with the requirements of the Mine Health and Safety Act.

We pay special attention to areas of health concerns normally associated with the mining industry. These include dust and noise levels, toxic fumes, chemicals, asbestos fibres and radiation.

Health education, training and counselling of individuals and groups of employees, as well as the monitoring and rehabilitation of any sick or injured employee, are considered key responsibilities of the medical staff at all our mines and operations.

During the past year more than 95 per cent of all DBCM employees received occupational health examinations.

Chemical monitoring reduces risk

Although the recovery of diamonds involves very few chemical substances, thorough surveillance and biological monitoring takes place at the geology laboratories in Kimberley as well as the research centres in Johannesburg. Engineering controls isolating the process, adequate airflow and efficient air monitoring, along with education, information and strict adherence to handling procedures of chemicals are an integral part of the programme.

Managing HIV/Aids becomes a strategic issue

After a slow and uncertain start in the 1980s, Aids has now assumed epidemic proportions in sub-Saharan Africa, where 80 per cent of the world's Aids deaths are occurring.

In South Africa, which is three to five years behind Botswana, Zimbabwe and Zambia, 1 700 people are infected every day and Aids-related deaths are now common. This scale of incidence is expected to impact heavily on all concerned, from individuals and families to the business world.

Incidence of HIV/Aids rising steadily

Although DBCM, Debswana and Namdeb have had active and extensive HIV/Aids prevention and awareness programmes in place since the mid-80s, these programmes have not been as successful as we had hoped because there has been no significant behavioural change and the incidence of HIV/Aids has been rising steadily.

It has become increasingly clear that HIV/Aids is a strategic issue for De Beers. Numerous surveys indicate that the major business concerns will be increased health-related costs and reduced productivity.

Impact study leads to a more holistic approach

In order to plan a national strategy to manage the impact of the Aids epidemic, our first priority was to assess the magnitude of the problem by embarking on an anonymous sero-prevalence study at Debswana and at Premier mine, Finsch mine and De Beers Marine.

The results have prompted a more holistic approach to managing the impact of Aids. Strategies include enhancing data collection about absenteeism, sick-leave, medical retirements and employee benefits; regular updates on productivity levels; enhancing our awareness programmes to include the wider community in which our mines operate and regularly benchmarking our medical interventions and programmes with those of government and industry.

Botswana

"Mophane" analogy helps boost safety

Orapa and Letlhakane mines' safety performance during 1999 showed a significant improvement over the previous year due mainly to an innovative safety initiative based on the allegory of the life cycle of the mophane worm.

Both mines get high NOSA ratings

Orapa and Letlhakane mines' safety programme was audited by NOSA in February 1999 and was awarded a four-star grading. In October, a second audit proved more successful with a five-star grading being achieved. At year end the mines, inclusive of the Orapa Project 2000, had experienced 33 lost-time injuries (64 in 1998) and a lost-time-injury frequency rate of 0,50 (0,91 in 1998). The continued focus on safety, health and the environment resulted in a significant improvement in good housekeeping throughout the mines and also enhanced safety awareness among employees.

Revised safety programme yields results

Jwaneng mine recorded one of the best annual safety performances to date as a result of concerted efforts to improve upon the unsatisfactory performance of the previous year. The annual lost-time-injury frequency rate at 0,18 was one of the lowest ever and represented a 63 per cent improvement over 1998. The main reasons were the increased safety drive by senior staff, the introduction of formal recognition for safety achievements and cross-departmental safety inspections, and improved training.

LOST-TIME-INJURY FREQUENCY RATES

	1999	1998	1997	1996	1995	1994
Orapa/Letlhakane	0,50	0,91	0,73	0,34	0,10	0,13
Jwaneng	0,18	0,48	0,39	0,28	0,40	0,29
Average	0,30	0,76	0,59	0,36	0,25	0,22

NOSA SAFETY GRADINGS

	1999	1998
Orapa/Letlhakane	★★★★★	★★★★
Jwaneng	★★★★★	★★★★★

Namibia

Zero tolerance policy pays dividends

There was a concerted effort, under the banner of 'Zero Tolerance', to decrease lost-time injuries at Namdeb. In 1999 there were nine of these injuries compared to 14 in 1998.

Namdeb has a decentralised safety grading system whereby mining, treatment and engineering areas are graded separately in terms of the NOSA grading system. Although Mining Area No. 1 suffered one fatality during the year, all areas were awarded five stars towards the end of the year. Elizabeth Bay mine retained its NOSCAR status and Auchas mine, after winning the NOSA Best Small Mines Award, went on to achieve NOSCAR status at year end.

LOST-TIME-INJURY FREQUENCY RATES

	1999	1998	1997	1996	1995	1994
Namdeb	0,23	0,32	0,58	0,36	0,55	0,64

NOSA SAFETY GRADINGS

	[illegible]	[illegible]
Namdeb	★★★★★	★★★★★

Setting high environmental standards

We minimise the impact of our mining activities on nature

South Africa

ISO 14001 certification for all divisions

We are requiring that all our mining operations be certified compliant with the international ISO14001 environmental management system standard. This is the foundation from which we seek to improve performance, and in the long term ensure a safe and healthy environment for the communities in which we operate.

We made progress at all operating divisions with the implementation of ISO 14001 and readiness audits were carried out at a number of mines. De Beers Marine, first certified in 1998, retained this status at all its operations including the newly established facilities at Port Nolloth. The ISO programme has contributed significantly to achieving environmental awareness and to integrating environmental management at all levels of company business.

Rehabilitating areas disturbed by mining

We have given special attention to the environment in Namaqualand, and at Koingnaas impressive results have been achieved despite the desert climate. At Finsch mine, landscaping and top-dressing of waste rock dumps and borrow pits have been completed, and at Kimberley mines, further work on the profiling and vegetating of the slimes dam was undertaken. The use of waste rock paddocks at The Oaks into which kimberlite spoil is deposited has proved particularly successful. The first paddock has already been topsoiled and the natural vegetation is returning.

Monitoring the undersea environment

At De Beers Marine, the Jago submersible has proved invaluable in acquiring environmental baseline data and for studying the impacts of deep-sea mining. This has led to a better understanding of seabed habitats and improved management and operational strategies to reduce environmental disturbance. The environmental management programme for the South African Sea Areas (concessions belonging to De Beers Marine off the west coast) has been amended to include updated baseline information.

Nature reserves established

At all mining operations, we set aside areas as nature reserves to protect indigenous wildlife, conduct environmental education and provide outdoor recreation for local communities. After several years of discussion, an agreement was signed during 1999 by Chairman Nicky Oppenheimer for the incorporation of the De Beers Venetia Limpopo Nature Reserve into the proposed Vhembe Dongola National Park, a joint venture between South African National Parks and landowners in the Limpopo Valley.

In August, the Namaqua National Park was born. This, South Africa's newest national park, was established on carefully protected company-owned properties acquired by the World Wildlife Fund for Nature to extend the famous Skilpad Wildflower Reserve.

Botswana

Working towards ISO 14001 certification

Work continued at Jwaneng, Orapa and Letlhakane mines during the year on the development of environmental management programmes that meet ISO 14001 standards. The aim is to attain certification during 2000.

The Botswana Bureau of Standards has adopted the ISO 14000 series as the Botswana standard, vindicating the decision made by Debswana several years ago to base its environmental management programmes on these standards.

Improved water recovery

At Jwaneng mine, total water consumption was within specified targets. Nonetheless, the completion of the co-thickening project (combining the fines and grit fractions) is expected to lead to further water recoveries. At Orapa and Letlhakane mines the water management structure was reviewed and changes implemented, the most significant being the appointment of a full-time Water Manager to co-ordinate all issues related to this scarce resource.

Continued contact with government and NGOs

At the corporate level, interaction continued with both government and non-governmental organisations on issues related to waste management, water conservation, climate change and management of ozone-depleting substances. Two significant pieces of legislation came into effect during the year: the Waste Management Act and the revised Mines and Minerals Act. Debswana mines have been monitoring and contributing to the development of these Acts over a number of years and are able to comply fully with them.

Support for environmental projects

Debswana continued to support environmental causes in 1999 and assistance was provided for education programmes of the Kalahari Conservation Society and other projects. The relaxation of government restrictions on the movement of cloven-hoofed animals has allowed the re-location of excess antelope from the mines' game reserves to re-stock other reserves, further enhancing the already meaningful contribution Debswana makes to wildlife conservation in Botswana.

Namibia

Mines on track for ISO 14001 certification

Environmental management plans for six mining licence areas have been incorporated into the ISO 14001 environmental management system rollout for Namdeb. The six areas cover Mining Area No. 1, Elizabeth Bay alluvial mining along the Orange river and contractor operations including deep-sea mining by De Beers Marine, which were approved by the Namibian Ministry of Mines in 1998. An ISO 14001 pre-assessment audit of Mining Area No. 1 was successfully completed in November, with a certification audit scheduled for mid-2000. Certification audits of Orange river and Elizabeth Bay operations are scheduled for the last quarter of 2000.

Canada and Russia

Focus on collection of baseline data

In Canada, environmental work continued with the collection of baseline data at Gahcho Kué (Kennady Lake) in the Northwest Territories and near Attawapiskat in northern Ontario. In Russia, the review of environmental baseline data and identification of potentially sensitive social and environmental issues for the Lomonosov kimberlites in Arkhangelsk were completed.

Several key initiatives underway

Customer excellence and best practice the main focus areas

Together with our partners, Debswana and Namdeb, De Beers has embarked on a process of transformation in the area of human resources in response to our group-wide corporate and operational strategic review. Customer excellence, best practice and change management are key features of this initiative. At the Central Selling Organisation (CSO) in London, we integrated human resources issues so that they conform to legal requirements, best practice and business strategy. Namdeb reviewed its operations and held a 'shake up' workshop to improve standards and quality management. Organisational restructuring and people development strategies were initiated at Debswana.

Our plan for attracting and retaining high-quality people

Attracting and retaining high-quality people is a core aspect of our new strategic plan and contains several components:

- performance-based remuneration and rewards
- leadership development programmes
- integrated succession planning
- skills development
- employment equity initiatives.

More performance-orientated remuneration and rewards

Performance-based remuneration and rewards form a fundamental part of policy in De Beers. In South Africa, we are continuing to develop and enhance our performance management systems. We extended the executive share incentive scheme to qualifying employees at middle and senior management levels to provide incentives to more closely identify with the fortunes of De Beers. Namdeb continued with a strategic initiative focusing on the implementation of a performance management and broadbanding pay model study. At the CSO, we refined our performance review scheme, and introduced revised performance review systems in our overseas offices. These schemes and systems are generally competency-based, and form an integral part of assessing performance against agreed targets and objectives.

More training and development

In South Africa, and at Namdeb and Debswana, leadership development programmes were identified to enhance leadership competence at executive, senior management and middle management levels. The needs of employment equity initiatives in South Africa, affirmative action legislation in Namibia, and localisation policy in Botswana are addressed through training and development interventions. Investment in training totalled R81,1 million in South Africa, N$16,6 million at Namdeb and P33,9 million at Debswana. At the CSO, we determined appropriate investments in training through a training needs analysis driven by the performance review. Training activity in the information technology areas received a significant share of this investment.

Integrated succession planning

We aim to put in place integrated De Beers group succession planning and development mechanisms to enhance strategic, operational and technical leadership competencies, to identify and fill talent gaps, to identify and develop high potential individuals, and to provide individual career paths. Transfers, secondments and reciprocal exchange programs within and across the regions and countries where De Beers operates is an important component of succession planning and career development.

Increased skills development

We are actively involved in South Africa in the design of training structures which accord with the Skills Development Act and the South African Qualifications Authority Act. Together with our partners we trained 116 apprentices via the apprenticeship schemes in South Africa, 117 apprentices and 30 technicians at Debswana and 38 at Namdeb at a cost of R13,8 million, P5,6 million and N$2,8 million respectively. A total of 34 apprentices qualified as artisans in South Africa, 22 at Debswana and 17 at Namdeb.

More bursary schemes

We continue to attract young talent in South Africa, at Namdeb and Debswana to participate in appropriate technikon and university bursary schemes. This is an important source of feedstock to meet high level technical and commercial staffing requirements in the future. Schemes are managed so that they respectively contribute to meeting employment equity, affirmative action and localisation objectives in South Africa, Namibia and Botswana. In Botswana, where Aids is a serious problem, Debswana is actively managing its bursary schemes to cater for excessive staff turnover arising from Aids-related deaths.

Equal opportunities drive launched

In South Africa, we launched our group employment equity policy. Good progress is being made with the orientation, analysis and planning processes required to implement the policy, and to comply with the Employment Equity Act. Much work is required to change our employment profile to more reasonably reflect the demographics of South Africa and to reap the rewards which flow from recruiting from a deeper and broader talent pool. Namdeb aligned recruitment and selection processes with affirmative action legislation. At Debswana, efforts in localisation initiatives over the past two decades are reflected in a situation where over 95 per cent of the total workforce now comprise citizen employees. At the CSO, we developed and introduced an equal opportunities policy during the year following the promulgation of equal opportunities legislation in the United Kingdom.

Programmes to combat threat of Aids

Countries in southern Africa have been severely affected by the prevalence and rapid spread of HIV/Aids. At the South African operations, and at Debswana and Namdeb, active Aids awareness and prevention policies and strategies have existed for many years. Debswana initiated an anonymous prevalence survey in 1999 which revealed an HIV prevalence across its operations similar to the national average. This highlights the need for proactive strategies for managing Aids in the workplace. Plans will be developed to address the healthcare of infected employees and the HIV/Aids impact on costs, employee benefits, productivity and succession.

SAHA
ARCHIVE FOR JUSTICE

Sales up 57 per cent to a record US$5,24 billion

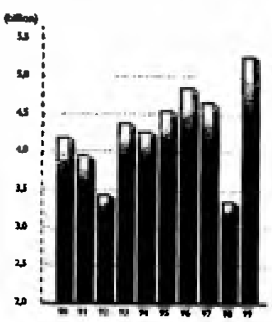
Sales

Diamond sales sharply up after fall in 1998

Sales of rough diamonds by The Diamond Trading Company (DTC), the company responsible for sales within the Central Selling Organisation (CSO), reached a record US$5,24 billion in 1999, a 57 per cent increase on the previous year. The CSO has set a similar sales target in terms of value for 2000.

This dramatic increase in sales followed the difficult conditions experienced in 1998 when sales of diamonds had fallen to their lowest level for more than 10 years as a result of the economic difficulties in South East Asia and Japan. At the end of that year, rough prices were depressed, Asian markets showed little sign of recovery and lengthening credits to American buyers had deprived the industry of profitability and liquidity.

CSO ROUGH DIAMOND SALES (US Dollars)



Rough diamond market

Action on excess supply pays off

The CSO had taken decisive and successful action in 1998 to reduce supplies to the market in order to allow the pipeline to de-stock and adjust to market conditions. Inventories in the cutting centres had been run down to minimum levels, and better-than-expected Christmas sales in the United States, and the continued strength of the US economy and stock market, quickly led to a resurgence in rough demand and restocking by the industry. Renewed confidence in CSO rough was consolidated by sightholders' acknowledgement that we had addressed their concerns over profitability. The scarcity of outside rough also provided an additional platform for sales of our diamonds.

Strong US market and Asian recovery also help

As confidence within the industry continued to improve, the CSO was able to increase its sales to the market in 1999. The strength of the US market, combined with some recovery in Asia and Japan and continuing growth in Europe – greatly helped by the successful marketing of diamond jewellery as the perfect gift for the Millennium – contributed to strong sales of rough diamonds.

The price rebalance by the DTC in September 1999 was perceived as having little impact on the demand for our rough diamonds, and had no effect on the rough market's bullish sentiment. The year finished positively, and sales in the second half of the year were up 70 per cent over the same period of the previous year.

Successful Christmas sales in the United States and continued consumer confidence have supported good demand for rough diamonds in the early months of 2000. The DTC readjusted its prices in February to reflect strong demand for lower quality goods; the overall effect was to increase prices marginally. Trade bank borrowing was higher than in recent years, reflecting the increasing turnover in the industry, but was at a level acceptable to the banks.

Supply

Diamonds sourced from around the world

Diamonds from the DBCM mines in South Africa and from the mines we own with the governments of Botswana and Namibia are first sorted locally in Kimberley, Gaborone and Windhoek. We also buy diamonds from Alrosa in Russia, from the Ekati mine in Canada, and SDM (the joint venture between Endiama, Ashton and Odebrecht) in Angola. In Luanda, De Beers and Endiama, the Angolan State diamond entity, are constructing a high-security building which will offer the legitimate diamond industry a specialist diamond sorting complex. Purchases on the open market have fallen to negligible levels in recent months.

Sorted, valued and mixed for sale

The diamonds are shipped to the CSO in London and sorted and valued – in some 14 000 categories – by skilled experts, backed by our own proprietary systems and technology. They are then mixed together for sale to the world's leading diamantaires, known as sightholders, at 'sights' or sales, held ten times a year in London, Luzern and Johannesburg.

Agreement with Russia helps stabilise market

The current trade agreement between De Beers and the Russian producer, Alrosa, which runs to the end of 2001, has operated to the mutual satisfaction of both parties. Russia maintains a domestic cutting and polishing industry that buys most of the diamonds that do not come to De Beers. Our long-standing relationship with this leading producer has contributed to the stability of the international diamond market. To commemorate the 40th anniversary of our first trade agreement, a joint celebration, attended by past and current leaders of the Russian diamond industry and of De Beers, was held in Moscow in October.

Canada – a new source of supply

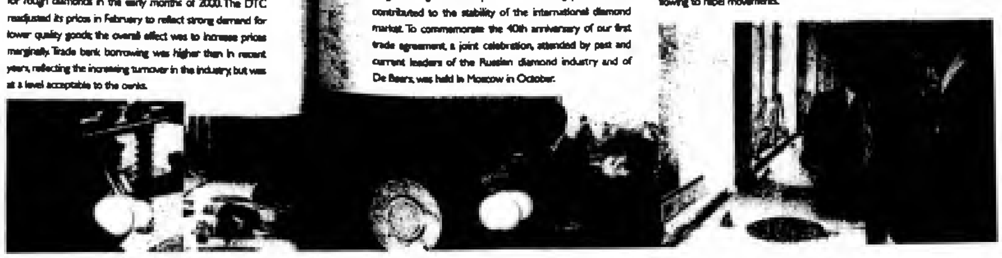
In July 1999 we signed an agreement with BHP to buy 35 per cent of the $350 million run-of-mine production from the Ekati mine in Canada. Now that the mine has come on stream these diamonds are arriving regularly at the CSO's offices in London.

No diamonds from war-torn African countries

In October 1999, De Beers announced an embargo on the purchase of all diamonds from Angola, other than the contractual purchases from SDM, and that we would close our buying operations there and in other west and central African countries. This was motivated by concern for the suffering of the people of these countries, where conflict is in part sustained by the proceeds of illicitly obtained diamonds. De Beers now has no buying offices in Angola, the Democratic Republic of Congo or Guinea. Operations in Liberia and Sierra Leone ceased many years ago. Other buying offices, including those in Antwerp and Tel Aviv, have been instructed not to buy any diamonds whose origin is uncertain.

The result of these measures has been that the CSO has purchased no diamonds in breach of UN Resolution 1173 (passed in June 1998), and no diamonds are being purchased from areas in Africa currently controlled by rebel forces. Invoices attached to DTC boxes have, with effect from the March 2000 sight, carried a De Beers guarantee to this effect.

De Beers has urged the international diamond industry to adopt similar policies. We have also expressed our strong concern that the legitimate diamond industry, which accounts for the overwhelming majority of world production, should not be damaged by laudable attempts to reduce the income flowing to rebel movements.



Millennium marketing campaign

A successful, industry-wide marketing exercise that capitalised on the year 2000

Millennium campaign a great success

The millennium presented us with a great marketing opportunity and 1999 will be remembered as the year that saw De Beers implement its most ambitious marketing campaign ever. The campaign reached every layer of the industry and was an exercise demanding a high degree of skill in strategic planning and management. It encouraged the diamond industry to capitalise on the occasion and create additional activities of its own.

Seed planted back in 1996

The seed was first sown back in 1996 when the new millennium seemed a far-off and irrelevant moment in time. However, there was an undeniable synergy with this momentous event to which only 'the diamond' could rightfully lay claim.

United States and Europe the main focus

As expected, the United States and European markets presented the greatest opportunity. Although millennium interest in Asia was weaker and the markets were depressed, there was sufficient interest to encourage us to invest in a very targeted way. The campaign began by building the natural association between diamonds and the millennium in the minds of consumers through two major publicity events: *Diamonds Are Forever – The Millennium Celebration*, and *The De Beers Millennium Jewels Launch*. The combined events achieved $48 million worth of publicity worldwide.

Supported by a well thought-out ad campaign

The link was further reinforced through advertising: both the timing and the message had to be right. Consumers were preoccupied with the build-up to the night itself: 31 December 1999 rather than the year 2000 as the arrival of a new age. Accordingly the advertising had to reflect a sense of urgency so that consumers would want to do something special at that moment. We chose an unusual gifting occasion for the core television commercial which showed a gift of a solitaire diamond on New Years eve. This was the culmination of a year-long campaign which initially directed both subtle and direct messages to women and later during the fourth quarter, to men as well.

Campaign spawns new products

The millennium opportunity was further expanded with the development of new and exciting products to mark the moment. We created a '2000' hallmark that was inscribed into ring shanks with each '0' as a diamond. This was launched in Asia but also became a key driver of sales in the United States and Europe. The De Beers Millennium Limited Edition, a range of one to two carat high-quality branded diamonds also drove incremental sales worldwide.

Sharp rise in retail sales

1999 saw a strong bounce-back in world retail sales for diamond jewellery, after the falls in 1997 and 1998. Improving economic conditions, coupled with the millennium effect in the last quarter of 1999, were the chief reasons for the growth in most major markets.

US, Europe and India particularly buoyant

Overall sales were up 11 per cent in US Dollar retail value and 10 per cent in diamond value. In particular, the longest economic boom in US history helped increase sales for the eighth consecutive year, with the millennium effect driving sales up by 12 per cent. Europe also showed sharp rises in 1999, with some markets growing by over 20 per cent during the Christmas period. The emerging Indian market grew by over 21 per cent.

Modest growth in Asia

In Eastern Asia, after the dramatic falls in sales of the 12 months from mid-1997, the modest signs of growth seen towards the end of 1998 continued in 1999. China emerged as the dominant market in the region and offers significant long-term potential. Only Japan was disappointing, with sales still declining (although at a much reduced rate than in 1998) in both Yen retail value and US Dollar diamond value.

Many new products for 2000

The millennium opportunity did not end on 1 January 2000. Our marketing strategy in 2000 will continue to exploit the interest in diamonds created by the millennium with an array of new product initiatives. In the United States, we have targeted the anniversary segment with a new 'three-stone ring' product concept, the three diamonds symbolising 'the past, the present, and the future'. This provides strong support for the anniversary segment, which is the single most important diamond buying occasion in the United States.

Other new product initiatives to stimulate additional desire to acquire diamond jewellery will particularly target people who own many pieces of diamond jewellery, and will focus on the bracelet, earring and necklace categories.

Stepping up marketing activity

Throughout 2000, we will be pursuing opportunities with our sightholders and other downstream marketing partners, including new industry entrants, in order to compete effectively alongside other luxury goods. Lastly, to supplement our own marketing efforts, we will support the diamond industry in improving the effectiveness and competitiveness of its own individual marketing programmes in order to encourage more innovation, more focus and more investment in the fast-growing diamond jewellery category.

SAHA
ARCHIVE FOR JUSTICE

Sales of industrial diamonds remain constant, but product innovations promise more

Diamonds play key role in industrial applications

Diamond, the hardest known material, continues to play a significant role in industrial applications, where it is used mainly as a superabrasive. Thanks to recent technical advances, however, science and industry have been able to harness diamond's extreme properties even more creatively.

Sales up in polycrystalline products

Turnover of the De Beers industrial diamonds group of companies (Debid) remained constant at 1998 levels. Volumes continued to increase in many product areas, but the overall revenue growth was affected by product mix. Growth was particularly strong in the polycrystalline products area where successful sales of the new SYNDITE 74 millimetre diameter disc for cutting-tool blanks added to continuing growth in the smaller 57 millimetre disc product range, where there is much competition.

Continued growth in synthetics

Synthetic diamond grits used in sawing applications, a key source of revenue for us, saw continued growth in the high and medium quality sectors, though demand weakened slightly at the lower end. There were also strong volume sales in finer-sized grits used in grinding wheels.

Further product innovations

Following the successful introduction of a variety of new products toward the end of 1998, particularly in polycrystalline diamond and cubic boron nitride, the first half of 1999 saw a number of further new product introductions. They include chemical vapour deposition (CVD) diamond film materials, and new and enhanced CVD diamond film products for use in thermal, optical and precision edge applications. Commercial demand for these new products is already exceeding expectations, and several further new applications are under development in-house or through joint projects with third parties.

Increased capital expenditure for new technologies

Significant capital expenditure took place in 1999, particularly to increase capacity and to provide for newer production technologies. Investment in technology forms the base both for improvements in diamond synthesis and processing and for new product developments, which have long been the driving force behind the use of diamond in industry.

Global research network impacts on all facets of the value chain

At De Beers we have a network of research laboratories that work together to support all aspects of the value chain, from prospecting and recovery through to sales of rough diamonds, cutting, polishing and branding.

These laboratories have substantial expertise, and are poised to develop and exploit technologies to benefit from downstream opportunities.

We have sponsored research programmes at universities and institutions worldwide for over 50 years. All our laboratories benefit from this considerable depth of fundamental diamond research knowledge.

DebTech, Johannesburg

Provides De Beers with technology, research and development

Exploits latest scientific and engineering advances in mining and recovery

The DebTech complex, based in Johannesburg, provides the mining and exploration operations with technology research, development and manufacturing. It exploits the latest scientific and engineering advances to ensure that we maintain our leadership in diamond exploration, mining and extraction technology.

World-first in automation

Two major new technologies were launched during 1999 after more than ten years of research and development. The delivery and installation of state-of-the-art diamond recovery and sorting systems at Debswana's Jwaneng and Orapa mines set a new standard for automation, sorting efficiency and diamond security. At Jwaneng the new fully integrated sort-house will produce packaged and weighed diamond parcels without the need for human involvement – a first in the diamond business.

New, low-cost X-ray recovery machine commissioned

The latest generation X-ray-based diamond recovery machine was delivered and commissioned at Koffiefontein mine. It will undergo field trials before being incorporated into the DebTech product range. This advanced machine offers leading edge performance with significantly reduced complexity and capital costs.

New plants for Northern Ontario and Orapa

A containerised recovery plant for geological sampling was manufactured for use in Canada, and two high-density dense-medium separation units were supplied to Orapa mine for the new No.2 treatment plant.

Research into extraction and sorting efficiencies

Research continued into still more efficient methods for the recovery and sorting of diamonds from kimberlite ore. The focus was on more selective and cost-effective electronic recovery systems, and on ferro hydrostatic separator technology. The latter was also in advanced stages of engineering for selected recovery applications.

Audits, evaluations and studies performed

Mineral processing audits were performed throughout the year, with an increased focus on small mines and joint venture operations. The results from these led to an improvement in diamond recovery at The Oaks and Marsfontein mines among others. Equipment evaluations provided information that resulted in the selection of the most appropriate and cost-effective technologies for diamond extraction and recovery. Ore dressing studies on a number of ore bodies led to improved design and operation of process plants and provided input to various projects.

X-ray scanner for Groote Schuur hospital

The advanced prototype of the low dose full body X-ray scanner for medical applications – a spin-off from our personnel screening technology developed for security purposes – started operating at Cape Town's Groote Schuur Hospital trauma unit during the second half of 1999 and was favourably received by the medical staff.

DebTech retains ISO 9001 certification

During 1999, Debtech completed an organisational restructuring aimed at better implementing our technology development strategy. DebTech's commitment to world-class research, development and manufacturing processes was rewarded by the retention of its ISO 9001 certification and by the inclusion of the company in the National Technology Top 100 rankings. The National Occupational Safety Association five star grading was retained for the fourteenth consecutive year, and no lost-time injuries occurred.

DTC Research Centre, Maidenhead

Focus on integrity of diamonds

The integrity of natural, untreated diamonds and consumer confidence in our product is of paramount importance to De Beers. Our most important activities at the centre are therefore:

- research into the discrimination characteristics of synthetic diamonds and diamond treatments
- the development of synthetic detection techniques and instruments
- ensuring that the diamond trade and gem grading laboratories worldwide are briefed on any issue that might affect consumer confidence in natural diamonds.

New generation of sorting machines

The first of a new generation of rough diamond sorting machines, capable of high-speed sorting of small diamonds for quality and colour, has been successfully evaluated. Production machines are now being manufactured. We are also developing technologies that will sort and value larger diamonds more accurately.

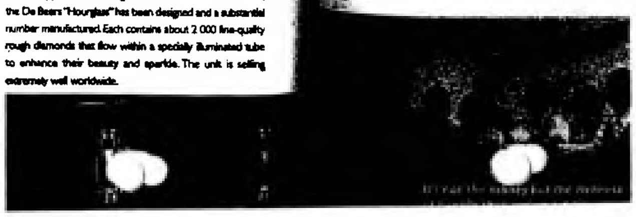
We are continuing the manufacture of the latest generation weighing machines for sizing and valuing diamonds weighing two carats or more, and we continue to deploy advanced sorting and weighing machines in our southern African sorting offices.

Diamonds 'branded' with De Beers marque

Branding and brand image developments are assuming increasing importance. Technologies have now been developed to 'invisibly' inscribe polished diamonds with the De Beers marque. Process automation has been undertaken in support of the limited edition millennium branding initiative, and 20 000 high quality and exceptionally beautiful diamonds were branded. Significant numbers of the patented De Beers viewer have been manufactured and sold worldwide to allow the microscopic marque to be revealed and displayed to retailers and consumers.

De Beers "Hourglass" selling well

To support a marketing initiative to sell small diamonds, the De Beers "Hourglass" has been designed and a substantial number manufactured. Each contains about 2 000 fine-quality rough diamonds that flow within a specially illuminated tube to enhance their beauty and sparkle. The unit is selling extremely well worldwide.



Community investment

De Beers donates over R70 million

We committed over 3,9 per cent of our combined dividends to community investment worldwide

This contribution is high by world standards

De Beers gave more than R70 million to projects and programmes in South Africa and around the world in the year under review. Measured in terms of a three-year rolling average of dividends, this amounted to 3,9 per cent of our combined dividends. It includes 4,9 per cent of the DBCM dividend which was committed to social investment in South Africa. This level of giving is several times higher than the benchmark of the PerCent Club to which leading companies aspire in the United Kingdom (where comparative data is readily available). We justify this level of spending on the grounds that De Beers' mines are found in countries where poverty, illiteracy and underdevelopment remain widespread, and where government agencies require significant support from civil society if they are to succeed in maintaining stability and growth.

We support leading associations and NGOs

At De Beers, we subscribe to leading industry associations and non-governmental organisations that enrich national policy debate and address national goals. Our community investment arms in South Africa, Botswana and Namibia are administered by representative committees with clear mandates, budgets and responsibilities. We strive to improve the quality and effectiveness of our community investment programmes.

SOUTH AFRICA

Helping to strengthen civil society

We made over 500 grants in areas ranging from education and welfare to wildlife and sport

Fund spends R41,4 million

Through the De Beers Fund, which supports educational and welfare initiatives in the wider community, we made over 500 grants totaling R21,6 million during 1999. In addition, special donations worth R19,8 million were channeled to several major projects. The donations included our R12 million contribution to the Business Trust, a donation of R3,1 million to World Wildlife Fund South Africa for land purchases for the planned new cross-border Vhembe Dongola National Park, a contribution to the new Chancellor Building at the University of Cape Town, and ongoing support for the Joint Education Trust. In all, the De Beers Fund was therefore responsible for R41,4 million of social investment.

Education the main focus

The De Beers Fund strives to be a responsive donor, providing support for projects big and small. These reflect priority needs and challenges of communities that have themselves taken up the cause of their own development. Fully two-thirds of the Fund's grants support educational initiatives such as training and equipment for grassroots pre-schools, classroom building in rural schools, improved maths and science teaching, adult basic education, innovative academic development and outreach projects by universities.

Research projects help communities

We have also helped many community projects. They include the initiation of a pilot mariculture project at Kleinzee in Namaqualand, and the supply to local craftsmen of natural timber harvested in areas to be affected by mining activities at

SAHA ARCHIVE FOR JUSTICE

The Oaks. We support a wide variety of wildlife research projects on subjects ranging from dragon flies and elephants to plankton and dolphins.

Many other areas supported

The De Beers Fund assists projects that bring care and relief to the elderly, the very young, the disabled and the ill where mainstream social assistance is not available. Money goes into areas as diverse as practical skills training, small business support, job creation, arts, drama and culture. This support spans all nine provinces, although the Fund has a special interest in projects in communities and districts closely associated with its operations.

De Beers executives play their part

The Fund's work is actively communicated to employees and the wider public. Company executives officiated at a number of functions during the year including the prize-giving at the De Beers National Schools' English Olympiad, the completion of new facilities at the PEPPS Modjaji Primary School (Northern Province), the inauguration of the new media centre at Tygerkloof School (North West) and the opening of the Bambanani community park in Galeshewe (Northern Cape).

BOTSWANA

P3 million committed through the Debswana Donations Fund mainly to disabled people, community projects and environmental initiatives

P1 million spent on centres for the disabled

A third of the total funds committed, went to various centres for the disabled and the disadvantaged in various parts of Botswana. These include Lephoi Hostel for the Blind in Francistown and Ramotswa Centre for the Blind, where equipment was purchased to translate literature into Braille and to copy Braille publications. Outreach programmes received much-needed support. These donations are in line with our objective of improving the lives not only of our employees, but of the people of Botswana generally.

P1 million spent on community projects

P1 million went to community projects such as the Young Women's Christian Association in Maun and Bana ba Metsi School in Shakawe to teach skills to children who have not been able to proceed with their studies for a variety of reasons. Other community projects which benefited in 1999 were Kgosi Bathoeng II Museum in Kanye, Supa Ngwao Museum in Francistown and Kgosi Sechele Museum in Molepolole for cultural and traditional development. The Kgosi Sechele Museum has committed itself to honouring past chiefs in a special cemetery which doubles as an information resource on the history of that region.

Support for environmental projects

Environmental/conservation projects received P695 000, with the major beneficiaries being the Fish Parasite Research project in the Okavango Delta, the Kalahari Conservation Society Education Programme and the Dikolata Hills conservation project near Palapye. This latter project has a cultural element and may help cultural tourism in this area. Other beneficiaries include the Forestry Association of Botswana, which has a major tree planting project throughout the country, and the Botswana Society, which has published a book funded by Debswana on the years leading up to Botswana's independence.

Standing annual grants increased

In 1999, we increased the number of institutions that are guaranteed annual financial support from seven to 21, representing about 33 per cent of the total grant. Fifteen of these institutions are centres for the disadvantaged and the disabled. These annual grants are monitored closely and recipients must be able to justify receiving them each year.

New home for Aids orphans

We continue to operate hospitals and clinics at our mines that benefit the communities around them. Jwaneng mine donated an underutilised single-quarters and messing facility to the nation to be used as a home for children, including Aids orphans. The facility was named after Miss Universe 1999, Botswana's Ms Mpule Kwelagobe, who dedicated her reign to the problems of HIV/Aids and to children.

NAMIBIA

Namdeb sponsors a wide range of projects, from education and sports to job creation

Efforts channelled through Namdeb Social Fund

Namdeb's commitment to Namibia goes far beyond operating and administering an efficient mining operation and the flourishing town of Oranjemund. The company has been involved in social investment and community development since the early days through the Namdeb Social Fund.

N$1,2 million donated to 53 projects

During the year, over N$1,2 million was donated to some 53 creative and motivated projects in education, welfare, the environment and community development. Diversity of donations is a deliberate policy of the Fund, in recognition of the many developmental challenges facing Namibia.

34% to health and welfare

In all, 22 health and welfare projects received 34 per cent of the N$1,2 million, which included a substantial contribution of N$100 000 towards the completion of the Indira Gandhi Maternity clinic in rural north-western Namibia, some 100 kilometres from Oshakati. The Aids Care Trust, the only known institution offering home-based care to persons with the disease, received N$50 000.

20% to education

During 1999, 12 educational projects received 20 per cent of the total donations budget. N$45 000 went to the Centre for University Studies in Namibia to prepare 10 students for university entrance in 2000. Second-hand computers valued at N$50 000 were donated to various schools in southern Namibia as part of an information technology enrichment programme offered by Namdeb to schools from time to time. The Windhoek Teachers Resource Centre received N$12 600 to upgrade its computer network. The University of Namibia Library received N$30 000 to purchase manuals on writing successful business plans for small and medium-sized enterprises.

Eight new bursaries

The company continued to provide bursaries and renewed annual funding for students enrolled at technikons and universities in southern Africa. During 1999, eight new bursaries were awarded for the 2000 academic year at an average cost of N$36 000 per student. In total, 30 students are currently on the Namdeb Bursary Scheme, while 167 have benefited from the scheme since 1979. During 1999, Namdeb established an Academic Assistance Grant Scheme, through which meritorious students will be awarded financial assistance towards obtaining a tertiary education. We have identified 35 students who will be offered grants worth a total of N$130 000 for the academic year 2000.

OTHER COUNTRIES

Supporting arts, culture, education and the eradication of polio

In 1999 De Beers gave $3,8 million to social investment projects and charities in nine other countries around the world. In Russia these donations ranged from $750 000 for a children's charity (called children of Sakha-Asia) in the Republic of Sakha (Yakutia), to substantial sponsorship of the Moscow Symphony and the Kremlin Chamber Orchestra. This dual emphasis on the health, education and welfare of children and support for arts and culture was echoed in all the countries in which we operate. In Switzerland – the head office of DBCAG – and the United Kingdom the main emphasis was on education, arts and culture. In India the focus was on the care of children and in Angola, De Beers donated nearly $300 000 to a variety of education and welfare projects including its long-standing and substantial support for a paediatric hospital near Luanda.

The centrepiece of De Beers' social investment programme outside South Africa, however, was the launch of a unique partnership with the World Health Organisation (WHO) and its campaign to rid the world of the scourge of poliomyelitis by the end of 2000 – a campaign which the Director General of the WHO, Dr Gro Brundtland, has described as one of the largest and most successful public health initiatives of the 20th century. The final success of this global Polio Eradication Initiative will depend on sustained inoculation campaigns in countries like Angola where war and other disasters have allowed the virus to flourish. At the invitation of the WHO, De Beers became the first commercial company to enter into a partnership with a

corporate citizenship
continued

UN Agency, donating $2.7 million over two years to inoculate 2,7 million Angolan children against the disease. The correctness of this decision was amply, if tragically, illustrated in the first four months of 1999 when Angola experienced one of the most severe polio epidemics the world had seen in recent years. It claimed nearly a thousand victims in a country already ravaged by conflict. In addition to its donation, De Beers used its world-wide marketing and public relations resources and expertise to raise the profile of the WHO campaign. One of the initiatives was to invite the renowned photographer and former polio sufferer, Lord Snowdon, to Angola to record the effects of the epidemic. Lord Snowdon's pictures have subsequently been exhibited in many different countries and the WHO/De Beers partnership has been described by the WHO as a model for other private sector companies to follow.

Wealth and job creation initiatives

SOUTH AFRICA

We help emerging businesses to get going as competitive suppliers of goods and services to De Beers

A winning situation

All our South African mining operations have active small business development programmes. These commercially driven initiatives work for both parties: our mining operations save costs through the greater efficiency, flexibility and focus of small businesses while emerging enterprises enjoy a steady stream of work coupled with the expert advice of key individuals at the different operations.

Enterprises receive R27 million of De Beers business

Our operations in South Africa purchased goods and services worth R27 million from black-owned small and medium enterprises during 1999. Many of them are in remote areas where the mines are situated. In Johannesburg and Cape Town, the mines' purchasing depots actively identify small, black-owned businesses from which they can purchase products and services.

Kimberley Business Centre launches 12 businesses

The Kimberley Business Service Centre started its activities in 1998 and was officially opened in November 1999 by Nicky Oppenheimer and Northern Cape Premier Manne Dipico. Since inception, it has helped to launch 12 businesses employing 230 people, mainly in the construction industry. The tendering advice programme at the centre has successfully placed more than R7 million worth of business with emerging entrepreneurs.

BOTSWANA

Peo Holdings – over 200 jobs

Peo Holdings, the company funded by Debswana and De Beers to create commercially viable businesses through small, medium and micro enterprise activities, continued to make inroads and create jobs. Peo had invested over P2,9 million at the end of 1999 with a further P1,2 million approved but not yet drawn down. This has resulted in 14 businesses being established employing 217 people. Peo has also extended its role to include acting as a facilitator in setting up larger enterprises.

Masedi – a growing initiative

Masedi, the Debswana subsidiary established to farm 3 000 hectares of farmland in the Northern Botswana village of Pandamatenga, has entered its second year of operation. The project, which aims to act as a catalyst in creating a viable agro-industry and citizen small-scale farming in the area, engaged 30 permanent staff at year end and provided work for 250 temporary staff during the peak harvesting season.

NAMIBIA

N$120 000 towards job creation

Namdeb is in the process of establishing an active, commercially driven, small business development programme. The company also supports projects aimed at job creation and self-help, especially among poor communities. Grants worth N$120 000 were given to various groups and individuals during 1999.

SAHA ARCHIVE FOR JUSTICE

Anglo American plc formed and listed in London

Acquisition of strategic stake in AVMIN

Diamond trading companies become wholly-owned subsidiaries

Diamond Investments

Further changes in group structure

Following the acquisition in 1998 of interests in certain diamond trading companies from Anglo American Corporation of South Africa Limited (AAC) and Anglo American Investment Trust Limited, De Beers has continued with its strategy of investing in its core diamond business. The financing of acquisitions has been sourced from share issues, cash generated from operations and the sale of non-core, non-diamond investments.

Remaining minority interests acquired

With effect from 1 July 1999, DBCM acquired the remaining minority interests in the diamond trading companies in return for the issue of 13 993 966 De Beers linked units and R101 million in cash. DBCM, in turn, disposed of its interests in the offshore diamond trading companies to DBCAG in exchange for the issue by that group of 179 761 Centenary units, equivalent to 17 976 100 depositary receipts.

The net result of the above is that DBCM's holding in the DBCAG group increased to 11,3 per cent, and the diamond trading companies became wholly-owned subsidiaries of De Beers.

Acquisition of stake in AVMIN and subsequently the Saturn partnership

In May 1999, DBCM acquired, as a block trade through the market, a 21,3 per cent stake in Anglovaal Mining Limited (AVMIN) at a price of R35,00 per share for approximately R745 million in cash with a view to eventually acquiring control of the Saturn Partnership (Saturn), complementing the existing ownership of the Venetia mine. Saturn is entitled to 50 per cent of the pre-tax profits of the Venetia mine through a royalty payment made by DBCM every six months.

Following this acquisition, in February 2000, DBCM announced that agreement had been reached with AVMIN, subject to certain conditions, to acquire AVMIN's 87,5 per cent interest in Saturn for R3,7 billion cash as well as AVMIN's 20 per cent interest in Finsch Diamonds (Proprietary) Limited (which effectively equates to an eight per cent profit participation in the Finsch mine) for R20 million cash.

DBCM simultaneously announced the conditional placing of its holding of 23 378 955 AVMIN ordinary shares at a price of R48,00 per share (or R1,122 billion in total), to portfolio investors not related to DBCM or the current controlling shareholders of AVMIN.

The successful closure of the above transactions is subject to the following material suspensive conditions:

- the consent by Industrial and Commercial Holdings Group Limited (ICH) required in terms of the Saturn agreements
- approval by the board of directors of AVMIN
- approval by the shareholders of AVMIN
- unconditional approval by the Competition Commission and approval of the transaction and AVMIN shareholder documentation by the Johannesburg Stock Exchange and Securities Regulation Panel.

Assuming that the AVMIN transaction becomes unconditional, the financial effects of the transaction per linked unit for the year ended 31 December 1999 are as follows:

Per linked unit	Before the transaction SA cents	After the transaction SA cents	Per cent decrease
Headline earnings	1 291	1 248[2]	3,3
Net asset value	25 078	25 045[3]	0,1

Notes

1. The pro forma financial effects of the transaction on the headline earnings per linked unit and the net asset value per linked unit are based on De Beers' combined annual financial statements for the year ended 31 December 1999.
2. Assumes that the effective date of the transaction was 1 January 1999, that the acquisition payment was made and the placing proceeds were received on 1 January 1999 and that based on average 1999 cash balances, average annualised short-term borrowings of R2,0 billion at interest rates pertaining to DBCM's 1999 short-term credit facilities were used to fund the transaction.
3. Assumes that the transaction took place on 31 December 1999.

DBCM has also made an offer to ICH to acquire its 12,5 per cent interest in Saturn at an equivalent price to that payable for AVMIN's 87,5 per cent interest.

Non-Diamond Investments

$81 million surplus on disposal of non-core, non-diamond interests

De Beers announced in 1998 that further rationalisation of its non-core, non-diamond portfolio was being considered. During 1999, we disposed of a number of our holdings in these non-core, non-diamond assets, realising a surplus of $81 million. At the date of this report, DBCM continued to hold, among others, a stake in AngloGold Limited and FirstRand Limited. Details of DBCM's and DBCAG's listed investments at 31 December 1998 and 1999 are set out on pages 98 and 127 respectively.

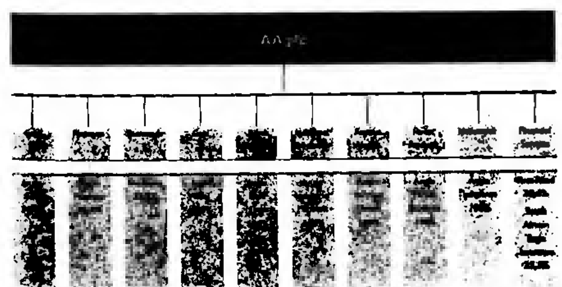
Total value of these investments up 114 per cent to $10 128 million

At 31 December 1999, De Beers' non-diamond investments and loans, including its share of retained earnings of associates, had a carrying value of $4 497 million compared with $4 336 million in 1998. At market value for listed investments, and directors' valuations for unlisted investments and loans, these investments and loans were worth $10 128 million ($4 734 million) or 125 per cent above the carrying value. Total income from these investments amounted to $146 million ($229 million).

Anglo American plc (AA plc)

Disposal of common interests boosts holding in Anglo

As reported last year, with effect from 1 January 1999, De Beers' holdings in a number of listed and unlisted companies and joint ventures in which De Beers and Anglo American Corporation of South Africa Limited (AAC) had common interests were disposed of to AAC in return for the ultimate issue to DBCM and DBCAG of 15 993 515 and 1 855 218 shares in AA plc respectively.



DBCM's shareholding in AAC was further increased in February 1999 by 10 842 524 new AAC shares following an offer by AAC for the minority shareholdings in Anglo American Industrial Corporation Limited (Amic) on the basis of 55 new AAC shares for every 100 Amic shares held. DBCM held 19 713 680 shares in Amic on the operative date.

35,4 per cent holding in recently formed AA plc

In May 1999, the combination of the respective businesses of AAC and Minorco Société Anonyme (Minorco) to establish AA plc was concluded. The combination was achieved by simultaneous share exchange offers to existing shareholders in AAC and Minorco. The offer involved one new AA plc share for every one AAC share held and one new AA plc share for every two Minorco shares held with a cash alternative of $16 per Minorco share.

Following AA plc's formation, DBCM and DBCAG received 117 086 985 and 27 196 920 AA plc shares respectively – a combined holding of 144 283 905 AA plc shares or 35,4 per cent of that company.

De Beers considers its holding in AA plc to be a core investment.

AA plc is one of the world's largest mining and natural resource companies. In a number of the operations of its subsidiaries and associates it is a world leader in terms of market share and low costs of production.

AA plc joined the FTSE 100 index in June 1999.

World-wide operations

Headquartered in London, AA plc's operations and projects are geographically diverse, with principal operations in South Africa, other countries in southern Africa (principally Botswana, Namibia and Zimbabwe), Brazil, Chile, Argentina, Colombia, North America, the United Kingdom, Austria and Germany.

Summarised extracts from AA plc's interim report for the six months to 30 June 1999:

PROFIT AND LOSS ACCOUNT US$ millions	Six months ended 30 June 1999	Year ended 31 December 1998 pro forma
Profit for the period	560	1 276
Profit before exceptional items	514	1 107
Earnings per share – cents		
– profit for the period	1,47	3,38
– profit before exceptional items	1,35	2,94
Dividends per share – cents	41	124

BALANCE SHEET US$ millions	30 June 1999	31 December 1998 pro forma
Total shareholders' funds	15 534	14 345
Fixed assets	19 379	18 729
Net current assets	4 630	4 167
Long term liabilities	(3 812)	(3 788)
Provisions	(1 626)	(1 533)
Equity minority interest	(3 037)	(3 230)
	15 534	14 345

The following additional information is given on De Beers' investment in AA plc:

US$ millions	31 December 1999	31 December 1998 pro forma
Carrying value of investment	4 257	3 954
Share of retained earnings including exceptional items		
Current year	264	253
Cumulative	3 052	2 957

De Beers

De Beers Consolidated Mines Limited

DE BEERS CONSOLIDATED MINES LIMITED

SAHA ARCHIVE FOR JUSTICE

197

directors' responsibility in relation to financial statements

The directors are required by the Companies Act, 1973 to prepare annual financial statements which fairly present the state of affairs of the Company and the group as at the end of the financial year and of the results for that period, in conformity with generally accepted accounting practice as applicable to the South African mining industry. The financial statements are the responsibility of the directors, and it is the responsibility of the independent auditors to review and report on the financial statements in conformity with generally accepted auditing standards.

The annual financial statements which appear on pages 73 to 100 have been approved by the board of directors and are signed on its behalf by:

N F OPPENHEIMER
Director
Kimberley
7 March 2000

G M RALFE
Director
Kimberley
7 March 2000

certificate by the company secretary

I confirm, in terms of the Companies Act, 1973, that to the best of my knowledge, for the year ended 31 December 1999, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act.

A W KEETLEY
Secretary
Kimberley
7 March 2000

report of the independent auditors

To the members of
De Beers Consolidated Mines Limited

We have audited the annual financial statements and group annual financial statements set out on pages 73 to 100. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company and group at 31 December 1999 and the results of their operations and cash flows for the year then ended in accordance with generally accepted accounting practice as applicable to the mining industry and in the manner required by the Companies Act.

Deloitte Pim Goldby
Registered Accountants and Auditors
Chartered Accountants (SA)
Johannesburg
7 March 2000

statutory report of the directors

The directors have pleasure in submitting their report on the activities of the Company and of the group for the year ended 31 December 1999. The business and operations of the group and the companies in which it holds investments are set out in the Review of Operations and the section entitled Investments beginning on pages 35 and 67 respectively.

Accountability and control

Controls are monitored throughout company and group

To enable the directors to meet their responsibilities, management sets standards and implements systems of internal control designed both to provide reasonable assurance regarding the achievement of objectives and to reduce the risk of error or loss in a cost-effective manner. These controls, which are monitored throughout the Company and the group, include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Particulars relating to the group's internal controls and audit approach, embracing the role and function of the Audit Committee, are set out in the Statement of Corporate Governance beginning on page 78. The audit approach entails a thorough comprehension of the group's policies and objectives and analysis of the underlying systems and procedures.

Operating risk is minimised

The focus of risk management is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring not only that the appropriate infrastructure, controls, systems and ethics are applied throughout but also that such systems are managed within predetermined procedures and constraints.

Key controls are adequate

Your directors are of the opinion, based on the information and explanations given by management and the internal auditors, and on comment by the independent auditors on the results of their audit, that the key internal controls are adequate, so that the records may be reasonably relied on for preparing the annual report to shareholders and for maintaining accountability for assets and liabilities. The directors believe that assets are safeguarded and used as intended with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Financial statements fairly present financial position

In preparing the consolidated financial statements on pages 82 to 96, the Company has used appropriate accounting policies consistently and, supported by reasonable and prudent judgements and estimates, has complied with those accounting standards that are applicable to the South African mining industry. The directors are of the opinion that the financial statements fairly present the financial position of the Company and the group as at 31 December 1999 and the results of the operations and cash flow information for the year then ended. After making appropriate enquiries, your directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going-concern basis in preparing the annual financial statements. The independent auditors concur with the opinions of the directors as stated above.

Code of corporate practices and conduct

Auditors agree that the Company adheres to this code

In November 1994, the King Committee published its report on corporate governance, including the Code of Corporate Practices and Conduct. The Code is a set of principles which set out best practice for the control and reporting functions of the board of directors.

The board considers that during the year under review, the Company and its operating subsidiaries have adhered to the terms of the Code, and the recommendations contained therein have been complied with.

The statement of compliance with the Code has been reviewed by the independent auditors. They have reported to the board that they concur with the contents of this statement.

Details of the Company's compliance with the Code and its corporate governance structures are set out on pages 78 and 79.

Directorate

The names of the directors at the date of this report are given on pages 16 and 17 and the name and postal address of the Secretary is given on page 139.

Mr P A Somner was appointed to the board on 19 November 1999 and Mr J P Pudney resigned from the board with effect from the same date. Mr G F H Burne has resigned from the board with effect from 8 March 2000.

In terms of the Company's articles of association, Mr Somner will be retiring at the forthcoming annual general

SAHA
ARCHIVE FOR JUSTICE

meeting together with Mr B Ainsley, Dr J W Campbell and Mr J Ogilvie Thompson, who retire by rotation. They are all eligible and offer themselves for re-election.

Directors' shareholdings

At 31 December 1999 the directors held 10 557 (1998: 10 557) linked deferred shares in the Company beneficially and 1 100 (400 800) non-beneficially. At the same date Mr N F Oppenheimer held an indirect partial interest in 10 548 613 linked deferred shares. The directors do not hold any preference shares. There was no material change in the interests of directors during the period between the end of the financial year and the date of this report.

Directors who held office on 31 December 1999 were interested in options to acquire 971 700 deferred shares in the Company at that date in terms of the Incentive Scheme, at an average price of R118,50 per De Beers linked unit. Under the Scheme the directors held an equivalent number of automatically convertible debentures at an average price of R133,60 per debenture. Between the year end and the date of this report, the number of shares under option to directors who held office at the date of this report remain unchanged.

Save for the Incentive Scheme, no arrangements to which the Company was a party existed at the end of the financial year, or at any time during the year, which would enable the directors or their families to acquire benefits by means of the acquisition of shares in the Company or any of its subsidiaries.

Dividends

PREFERENCE SHARES

Dividends of R2,00 per share and 8 cents per share were declared on the 40 per cent preference and 8 per cent second preference shares respectively. For the benefit of preference shareholders, dividends for the year 2000 are likely to be declared on 23 May and 21 November 2000 for payment on 1 August 2000 and 30 January 2001, respectively.

LINKED DEFERRED SHARES

An interim dividend of 96 cents per share (96 cents) and a final dividend of 335 cents per share (184 cents) were declared on the linked deferred shares, making a total in respect of the year ended 31 December 1999 of 431 cents (280 cents).

Share capital

AUTHORISED CAPITAL

An increase to be proposed at AGM

There was no change during the year ended 31 December 1999 in the authorised capital of the Company, details of which are shown in Note 13 to the financial statements.

At the date of this report, there were 11 371 205 unissued deferred shares in the capital of the Company after providing for the required number of deferred shares under the Incentive Scheme. The directors regard this as being insufficient to meet the possible future requirements of the Company and propose that the authorised deferred share capital of the Company be increased from the existing 420 000 000 to 470 000 000 by the creation of a further 50 000 000 deferred shares of 5 cents each. Accordingly members will be asked to approve this increase in the deferred share capital of the Company at the forthcoming annual general meeting.

The required special resolution giving effect to the proposed increase appears as item No. 6.1 in the notice of meeting appearing on page 101.

ISSUED CAPITAL

During the year, 13 993 966 linked deferred shares were issued as part consideration for the acquisition of the outstanding shares in certain diamond trading companies from Central Holdings Limited, E Oppenheimer & Son (Proprietary) Limited and other minority shareholders. In addition, the share capital of the Company increased by an allotment of 58 900 linked deferred shares in terms of the Incentive Scheme, resulting in an issued capital at 31 December 1999 and at the date of this report of:

	R
800 000 forty per cent cumulative preference shares of R5 each	4 000 000
2 866 929 eight per cent cumulative second preference shares of R1 each	2 866 929
399 687 695 linked deferred shares of 5 cents each	19 984 385
	26 851 314

The 40 per cent preference shares rank as regards capital in priority to the second preference and linked deferred shares for the sum of R40 per share. Of the 40 per cent preference shares, 786 160 are held by 623 registered holders and 13 840 are in bearer form, while the second preference shares are held by 485 registered shareholders.

Of the 399 687 695 linked deferred shares in issue at 31 December 1999, 4 381 600 were in bearer form and the remaining 395 306 095 were in the hands of 16 545 registered shareholders.

Each issued deferred share is linked to a depositary receipt issued by Centenary Depositary AG (a wholly owned subsidiary of De Beers Centenary AG) to form a De Beers linked unit.

UNISSUED CAPITAL

At 31 December 1999, and at the date of this report, there were 20 312 305 unissued deferred shares in the capital of the Company of which a maximum of 8 941 100 are subject to the Incentive Scheme; the balance of the unissued deferred shares (11 371 205) are the subject of a general authority granted to the directors in terms of Section 221 (3) of the Companies Act, 1973. This expires at the forthcoming annual general meeting and members will accordingly be asked to renew the authority at that meeting to enable the directors to meet any future contingency, after setting aside so many deferred shares as may be required to be allotted and issued by the Company pursuant to the Incentive Scheme. This ordinary resolution has been incorporated as item No. 4 in the notice of meeting appearing on page 101.

Similarly, at the previous annual general meeting of the Company, shareholders authorised the directors to issue reserve deferred shares held under their control for cash other than by means of a rights offer to members, subject to the Listings Requirements of the Johannesburg Stock Exchange. This authority is granted for a period not exceeding 15 months from the date of the last annual general meeting in order that the directors may continue to be placed in a position to take advantage of favourable circumstances which may arise for the issue of such shares for cash without restriction for the benefit of the Company, members will be asked once again to consider an ordinary resolution to this effect at the forthcoming annual general meeting. The necessary resolution has been incorporated as item No. 5 in the notice of meeting appearing on page 101.

ACQUISITION OF OWN SHARES

Approval to be sought at AGM

The Companies Act, 1973 was recently amended to allow companies by special resolution to acquire their own shares provided such authority is contained in the articles of association. The proposed new articles of association for the Company (see below) contains such authority. In order to provide the Company with the flexibility to achieve sound commercial objectives and thus permit the optimisation of its capital structures, the directors recommend that approval be granted for the Company to acquire its own shares. Accordingly, subject to the passing of the special resolution approving the new articles, the directors propose asking members to give a general approval to the Company to purchase its own shares on the open market, subject to the Listings Requirements of the Johannesburg Stock Exchange (JSE). This authority is granted for a period not exceeding 15 months from the date of the annual general meeting.

A copy of the group's latest annual financial statements and a profit forecast for the next 12 months will be made available to the Listings Committee of the JSE at the time the Company enters into a transaction to purchase its own shares. Where more than nine months have elapsed since the end of the financial year to which the last published annual financial statements relate, an interim report reviewed by the auditors, as well as a forecast for the next 12 months, will similarly be made available to the Listings Committee.

The necessary special resolution has been incorporated as item No. 6.3 in the notice of meeting beginning on page 101. Were the Company to enter into a transaction to purchase its own shares in terms of and subject to the limitations included in the special resolution, then the directors will ensure that:

- the Company will be able to pay its debts as they become due in the ordinary course of business;
- the consolidated assets of the Company, fairly valued in accordance with generally accepted accounting practice applicable to the South African mining industry, will exceed the consolidated liabilities of the Company;
- the issued share capital of the Company will be adequate for the purpose of the business of the Company, and of its subsidiaries for the foreseeable future; and
- the working capital available to the Company and its subsidiaries will be sufficient for the group's requirements for the foreseeable future.

Incentive scheme

Applies to management and directors

The Company operates an incentive scheme for the benefit of group management, including executive directors. Deferred shares offered and taken up in terms of the DBCM Incentive Scheme are released in four annual tranches commencing on the second anniversary of an offer/acceptance date and expire after 10 years.

Deferred shares committed under the scheme

Last year members granted specific authority to the directors in terms of which the number of deferred shares subject to the Scheme shall not exceed 9 000 000 at any one time. At the date of this report, options are held over 4 929 000 deferred shares under the rules of the Scheme. A summary of the shares under option is as follows:

	Number	Average price per De Beers linked unit (Rand)
Options under commitment at 31 December 1998	1 812 100	100,00
Granted	3 116 800	145,84
Adjustments/Appointments	59 000	156,80
	4 987 900	129,32
Exercised	58 900	100,00
Options outstanding at 31 December 1999	4 929 000	129,67

SAHA ARCHIVE FOR JUSTICE

More deferred shares to be made available for the scheme

Having reviewed the application of the Scheme and in order to broaden the base of participants within the Company and its associates, it is also proposed that the number of unissued deferred shares placed under the control of the directors for purposes of the Scheme be increased from 9 000 000 to 11 000 000, representing 2,75 per cent of the total number of deferred shares currently in issue. In terms of the rules of the Scheme, the aggregate number of shares which may at any one time be the subject of the Scheme shall not exceed three per cent of the total number of deferred shares in issue from time to time.

A resolution giving effect to this proposal appears as item No. 3 in the notice of annual general meeting appearing on page 101.

Debentures issued under scheme

As at 31 December 1999, participants in the Scheme have accepted a total of 4 414 700 fully paid automatically convertible unsecured debentures at values varying between R133,60 and R167,00 per debenture, details of which are contained in Note 16 to the financial statements. The interest on these debentures is payable monthly in arrears at the official rate of interest per the seventh schedule to the Income Tax Act.

At 31 December 1999 the Company's loan to the De Beers Incentive Trust amounted to R623 million. This amount is shown under investment loans.

Major shareholders

Holdings of 5 per cent or more

According to the records of the Company, the only shareholders registered as holding five per cent or more of the share capital of the Company at 31 December 1999 were the following:

LINKED DEFERRED SHARES

	Number	Percentage
Anglo American plc (and its subsidiaries)	128 846 923	32,2
Standard Bank Nominees (Transvaal) (Proprietary) Limited	110 708 046	27,7
First National Nominees (Proprietary) Limited	28 460 474	7,1
Debswana Diamond Company (Proprietary) Limited	20 000 000	5,0

40 PER CENT CUMULATIVE PREFERENCE SHARES

	Number	Percentage
Guardian National Insurance Company Limited	113 900	14,2
Goudstad Nominees (Proprietary) Limited	88 604	11,1
ABSA Nominees (Proprietary) Limited	56 335	7,0

8 PER CENT CUMULATIVE SECOND PREFERENCE SHARES

	Number	Percentage
Nedcor Bank Nominees Limited	432 981	[illegible]
First National Nominees (Proprietary) Limited	274 699	9,6
Fradey Nominees (Proprietary) Limited	149 125	5,2

According to information available to the directors, Anglo American and Debswana Diamond Company are the only shareholders which beneficially hold, directly or indirectly, five per cent or more of the issued linked deferred shares in the capital of the Company. Guardian National Insurance Company is the only shareholder which beneficially holds five per cent or more of the 40 per cent cumulative preference shares. Of the above holdings by Nedcor Bank Nominees and First National Nominees of the 8 per cent cumulative second preference shares, Commercial Union Insurance Company of S.A. Limited and Hollandia Reinsurance Company Limited beneficially hold 255 985 (8,9 per cent) and 184 291 (6,4 per cent) respectively. The other nominee companies mentioned above are registered shareholders in the Company, but hold the shares on behalf of other beneficial owners, none of whom individually own more than five per cent.

Shareholder spread

Public and non-public shareholders

According to the records of the Company at 31 December 1999 and information available to the Company after reasonable enquiry the following is an analysis of the percentages of listed shares of the Company that are held beneficially, directly or indirectly, by the public and non-public shareholders, as defined by the Johannesburg Stock Exchange:

statutory report of
the directors
continued

LINKED DEFERRED SHARES

	Number of holders	Percentage
Non-public shareholders		
Directors of the Company	6	< 0,1
Associates of directors of the Company	4	2,7
Employees' Share Scheme and Pension Fund	2	0,2
Debswana Diamond Company (Proprietary) Limited	1	5,0
Anglo American plc (and its subsidiaries)	4	32,2
Public shareholders	16 528*	59,9
	16 545*	100,0

40 PER CENT CUMULATIVE PREFERENCE SHARES

	Number of holders	Percentage
Non-public shareholders		
Guardian National Insurance Company Limited	1	14,2
Public shareholders	622*	85,8
	623*	100,0

8 PER CENT CUMULATIVE SECOND PREFERENCE SHARES

	Number of holders	Percentage
Public shareholders	485	100,0

*Excludes bearer holders

Subsidiary companies

Further acquisitions and disposals

During the year under review further changes in the group structure took place. With effect from 1 July 1999, the Company acquired the remaining minority interests in certain diamond trading companies held directly and indirectly by Central Holdings Limited, E Oppenheimer & Son (Proprietary) Limited, and other minority shareholders. As a consequence, these diamond trading companies have now become wholly-owned subsidiaries. At the same time the group passed the interests acquired in the non-South African diamond trading companies to the DBCAG group in exchange for additional depositary receipts such that the Company's holding in that group increased from 10,9 per cent to 11,3 per cent.

Details of these transactions are given in the section entitled Investments commencing on page 67, while details of major subsidiary companies in which the Company has a direct or indirect interest are given on page 97.

SPECIAL RESOLUTIONS

No special resolutions of a material nature, requiring disclosure in terms of the Listings Requirements of the Johannesburg Stock Exchange were passed by subsidiaries of the Company during the period under review.

Associated companies

Details of associated companies of the group at 31 December 1999 appear on page 100.

Year 2000 compliance

To prepare for the impact that the new millennium might have had on the operations of the Company, a Year 2000 compliance programme was initiated in 1997 and successfully completed in 1999. Details of the programme are set out in the review of the combined financial results on page 27.

Articles of association

Proposal to adopt a revised set of articles

The Company's current articles of association date back to the Company's formation in 1888. Although they have been amended and added to many times since then, they presently do not conform to modern business practice. They also require further amendment to cater for recent changes to the South African Companies Act, for example, which now provides for companies to acquire their own shares and the dematerialisation of share certificates to cater for the introduction by the Johannesburg Stock Exchange of STRATE, the new electronic system of share transaction settlement.

Accordingly the directors have decided, subject to the passing of the requisite special resolution by shareholders, to adopt a completely new memorandum and revised articles of association which will conform to modern business practice and comply with current legislation and stock exchange requirements.

Copies of the present articles and the proposed new memorandum and articles of association (which have been approved by the Johannesburg Stock Exchange), may be inspected at the Registered and London offices of the Company as well as the offices of the Company's South African transfer secretaries or United Kingdom registrar at any time during normal business hours on any day other than Saturdays, Sundays and public holidays, from the date of issue of this annual report up to and including 23 May 2000.

A special resolution approving a new memorandum and articles of association appears as item No. 6.2 in the notice of annual general meeting beginning on page 101.

7 March 2000

SAHA ARCHIVE FOR JUSTICE

statement of corporate governance

The board supports the principles of openness, integrity and accountability. Fundamental to the fulfilment of corporate responsibilities and the achievement of financial objectives is an effective system of corporate governance. In line with the Code of Corporate Practices and Conduct contained in the King Report on corporate governance, the board has tried to ensure that the Company's policies continue to meet current best practice. These policies relate, among other things, to the duties of the board and to the delegation of its powers, and specify responsibilities and levels of authority.

Board and committee structure

Board ultimately accountable for corporate governance

The board is responsible for the group's system of corporate governance and is ultimately accountable for its activities. The board comprises both executive and non-executive directors. Your directors consider that it is in the Company's best interests that executive director, Mr N F Oppenheimer, be chairman of the board. The board, which meets every quarter, determines the Company's policies and supervises their subsequent implementation. It deals with all executive business of the Company and material matters not specifically delegated to committees, and co-ordinates and monitors the use of resources to achieve the aims of the Company and the group.

In accordance with the Company's articles of association, all directors are subject to retirement by rotation and re-election by shareholders at least once every four years. The appointment of new directors is approved by the board as a whole and confirmed by shareholders.

Through a formal induction programme, new board members are issued with formal rules of governance setting out Company governance practices and procedures as well as being advised on directors' responsibilities.

All directors have access to the advice and services of the Secretary and, with prior agreement of the Chairman, are entitled to seek independent professional advice concerning the affairs of the Company at its expense.

The board has established a number of committees, on which the non-executive directors play an active role, and which function within specific terms of reference.

AUDIT COMMITTEE

Oversees internal controls

The Company's internal audit function, established by the board, independently appraises the Company's internal controls and reports its findings to the Audit Committee. The internal audit approach entails a thorough comprehension of the Company's financial and accounting objectives, and an analysis of the underlying systems and procedures. The audit plan is determined annually based on the relative degree of inherent risk of each function.

The Committee meets at least three times a year to monitor the adequacy of the information reported to shareholders, to monitor internal controls, accounting policies and financial reporting, and to provide a forum for communication between the board and the independent auditors and internal auditors. In particular, it reviews the half-year and full-year results, the Interim Report, combined Provisional Annual Financial Statements and the Annual Report prior to their submission to the board and considers any matters raised by the independent auditors. The head of internal audit and the independent audit partners have unrestricted access to the chairman of the Committee.

The members of the Audit Committee, which comprises a majority of non-executive directors, are L A Lincoln (Chairman), R M Crawford, G P L Kell and Sir Chips Keswick with R W Ketley as secretary.

SAFETY, HEALTH AND ENVIRONMENT (SHE) COMMITTEE

Monitors the Company's compliance

The SHE Committee monitors and reviews the Company's safety, health and environmental policies, guidelines and operating practices, as well as the Company's compliance with appropriate standards and relevant local laws in safety, health and environmental matters.

The group strives to conduct its business with due regard for economic, social, cultural and environmental concerns. The health and safety of the group's employees and the well-being of the communities surrounding its mines are the focus of a comprehensive policy dedicated to this end.

The Company's mining and related activities face complex environmental challenges. Through its environmental policy the group is committed to addressing environmental risks and impacts in a systematic, comprehensive and business-like manner, developing effective management systems and employing the principles of forward planning, efficiency and wise resource utilisation.

These matters are also addressed in the Review of Operations on pages 49 to 53.

The SHE Committee presently comprises L A Lincoln (Chairman), Dr J W Campbell, R M Crawford and Sir Chips Keswick with R W Ketley as secretary.

REMUNERATION COMMITTEE

Approves executive pay

The Remuneration Committee comprises a majority of non-executive directors, including its chairman. It approves remuneration for the executive directors to ensure that rewards and incentives are linked to both individual and group performance.

The executive directors, who are full-time employees, are appointed to the board to bring to the management and direction of the group the skills and experience appropriate to

its needs as a major international business. They are, accordingly, remunerated on terms commensurate with market rates that reflect such responsibilities. Executive directors receive salaries and benefits plus performance-linked payments. Each of the elements of remuneration is further detailed below.

- Executive directors receive a salary and benefits that reflect their management responsibilities and appropriate experience, and that reward individual performance. Salaries are reviewed annually by reference to performance and the market.
- Executive directors participate in an incentive plan linked to the performance of the group. The plan is designed to reward executives for achieving sustained increases in earnings.
- Executive directors are entitled to participate in a medical aid scheme and in a contributory pension fund established by the Company to provide post-retirement benefits to all staff on retirement. Executive directors are also entitled to post-retirement medical benefits on the same basis as other retired employees.

Executive directors also participate in the Company's Incentive Scheme which is designed to recognise the contributions of senior staff to the growth in the value of the Company's equity.

Each of the executive and non-executive directors currently receive directors' fees at the rate of R30 000 per annum. The Chairman receives an additional sum of R30 000 per annum and Deputy Chairman, R20 000 per annum.

Non-executive directors who serve on the Audit, SHE and Remuneration committees each receive fees at the rate of R10 000 per annum. The chairmen of the respective Committees receive an additional R10 000 per annum.

The Remuneration Committee presently comprises Sir Chips Keswick (Chairman), N F Oppenheimer and J Ogilvie Thompson.

Sharedealing by directors

In line with recommendations contained in the King Report, the Company applies 'close periods' before the announcement of interim and final results during which directors and officers of the Company may not deal (including the exercise of options under the Incentive Scheme) in De Beers linked units. The 'close periods' applied follow the guidelines of the London Model Code for dealings in securities by directors of listed companies which, although not purporting to apply to companies incorporated outside the United Kingdom, nevertheless has been followed for sometime by the Company as representing an acceptable code of behaviour.

In addition, the board has adopted the practice that where directors buy or sell linked units, the transaction is tabled at the following meeting of directors.

Price sensitive information

Further to the application of the above 'close periods', the Company has adopted a policy that company spokespersons and directors may not communicate with the investment community during such periods. However, price sensitive information will continue to be announced in terms of stock exchange requirements during these periods where necessary.

Employment equity

De Beers is committed to creating a workplace in which individuals of ability and application can develop rewarding careers at all levels, regardless of their background, race, or gender. Employment equity policies emphasise opportunity for all, and seek to identify, develop and reward those employees who demonstrate qualities of individual initiative, enterprise, commitment and application.

The Company's employment equity policy guidelines provide for bursary schemes and academic support programmes, input-based targets, training, development and mentoring programmes, and innovative technical and management career development processes.

Employment equity policies also aim to create an inclusive organisational culture in which all employees feel comfortable and accepted. The implementation of employment equity is overseen by senior management, and is at the core of the Company's strategy to improve its employee profile.

Where appropriate, employment equity is implemented in consultation with employee representative bodies. An employment equity/affirmative action agreement exists between the Company and the National Union of Mineworkers. Employment equity is also addressed in the Review of Operations on page 55.

Employee participation

The Company supports a system of employee participation in addressing issues which affect them and encourages employees and their representatives of all interest groups to participate in communication, and consultative and negotiating structures.

Regular briefing sessions are conducted with all employees as to the progress of the Company's operations and on other matters of interest to employees.

Grievance procedures and other structures are in place with a view to the speedy identification of conflict and its effective resolution.

Code of ethics

The group is committed to a policy of fair dealing and integrity in the conduct of its business. This commitment is based on the belief that business should be conducted honestly, fairly and legally. To this end, the Company's Code of Business Conduct and Ethics requires employees throughout the group to maintain the highest ethical standards in ensuring that business practices are conducted in a manner which in all reasonable circumstances is beyond reproach.

The financial statements are prepared on the historical cost basis, and incorporate the following principal accounting policies. These policies are consistent with those of the previous year.

Basis of consolidation

The group financial statements incorporate the financial statements of the Company and all its subsidiaries. The group income statement includes results of subsidiaries from their effective dates of acquisition. All significant inter company transactions and balances have been eliminated. The excess of the attributable value of subsidiaries' net assets at acquisition over the cost of the shares, less amounts written off, is included in the capital reserve. Where there is an excess of the cost of shares in subsidiaries over the attributable value of net assets at acquisition, this excess is deducted from distributable reserves. The consolidated financial statements include the retained earnings and reserves of certain subsidiaries which, on distribution as dividends, might be subject to withholding taxes and Secondary Tax on Companies. No provision has been made therefor.

Associated companies

The group's interest in associated companies, being companies in which an interest of between 20 and 50 per cent of the voting capital is held as a long-term holding or in which less than 20 per cent of voting capital is held but in which significant influence is exercised over the financial and operating policy decisions of the company, is, with the exception of interests in mining companies that adopt the appropriation method of accounting, accounted for as follows:

The net income is included in the consolidated income statement either by way of investment income in the diamond account in the case of trade investments, or in investment income in the case of other investments, and as the group's share of retained earnings and of extraordinary items of associated companies for the year, based on latest published results, with an amount equivalent to such retained earnings and extraordinary items being transferred to a non-distributable reserve. An adjustment is made for the effect of cross-holdings where an associated company itself deals with its investment in this company by the equity method.

The group's share of retained earnings of associated companies subsequent to the dates of acquisition is included in the carrying value of the investments in the consolidated balance sheet.

To the extent that dividends are received from associated companies out of equity accounted earnings, adjustments are made in the current year to the group's share of retained earnings of those companies and to the carrying value of the related investments.

The retained earnings and reserves of certain associated companies might, on distribution as dividends, be subject to Secondary Tax on Companies. No provision has been made therefor.

Foreign currency translations

Amounts in foreign currencies are converted at the rates ruling at the balance sheet date. Hedging costs are included in the cost of the related transactions. The results and operating cash flows of foreign subsidiaries are converted at the average rates ruling during the year.

Exchange differences are included in the income statement.

Fixed assets and depreciation

Mining assets are of a wasting nature and in order to recognise this the policy is:

To appropriate from profits within the lifetime of the mines amounts equal to expenditure on such assets for the purpose of establishing a new mining facility or expanding an existing capacity. Profits so appropriated are not therefore available for distribution to shareholders.

To charge against revenue, within the diamond account, in the year in which it is incurred, expenditure on mining assets (including renewals and replacements) required to maintain an existing mining facility or capacity.

In pursuance of this policy no account is taken of exhaustion of ore reserves or of depreciation of mining assets.

Claims and other mining interests are shown:

In the case of mining companies at cost or written down value less sales. In the case of other companies at cost.

Land and investment properties are reflected at cost and are not depreciated. Investment properties are valued by independent or internal valuers at appropriate intervals.

Other fixed assets are reflected at cost less depreciation calculated on the straight-line basis at varying rates, which will reduce carrying values to estimated residual values over expected useful lives.

Investments

Investments other than investments in equity accounted associated companies are stated at cost less amounts written off. Provision is made where, in the opinion of the directors, a permanent diminution in the value of the investment has occurred.

Diamond stocks

Diamond stocks are valued at the lower of cost and net realisable value. Cost in the case of mining companies is the average cost of production, using the "first in first out" method, and in the case of other companies it is the weighted average cost.

[illegible] and materials

Stores and materials are valued at cost using varying [illegible] appropriate to the various types of business. Mining [illegible] reserved against in full.

[illegible] and research

Prospecting and research expenditure is written off in the [illegible] which it is incurred.

[illegible]

Expenditure incurred on mining assets is fully deductible [illegible] mining income for tax purposes in the year incurred. In [illegible] of the appropriation method of accounting for mining [illegible] no provision for deferred taxation is deemed to [illegible] necessary.

[illegible] benefits

Retirement benefits are provided for all eligible [illegible] through either defined benefit or defined [illegible] funds. Contributions are determined by the [illegible] requirements as evaluated by the actuaries and are [illegible] expensed during the year. The present value of the effects [illegible] plan amendments in respect of retired employees is recognised in the period in which the amendments are made.

Post-retirement benefits

The group provides its eligible pensioners with post-retirement medical aid benefits. The group recognises these costs, as determined by independent actuaries, over the estimated service lives of the employees concerned.

Earnings per linked deferred share

Earnings per linked deferred share are calculated using the weighted average number of shares in issue during the year.

The exercising of the options granted or the conversion of the compulsory convertible debentures issued in terms of the Incentive Scheme will not result in a dilution of earnings per linked deferred share.

SAHA ARCHIVE FOR JUSTICE

income statements

FOR THE YEAR 1999

COMPANY R millions 1998	1999		Notes	GROUP R millions 1999	1998
967	917	Diamond account	2	1 404	562
577	1 061	Investment income	3	711	1 041
2	176	Interest income		46	75
	101	Other income	4	453	200
1 546	2 255			2 614	1 879
68	253	Deduct:		222	201
[illegible]	[illegible]	Interest payable		[illegible]	[illegible]
[illegible]	[illegible]	Other expenditure	5	[illegible]	[illegible]
1 478	2 002	**Net income before taxation**		2 392	1 678
		Deduct:			
155	293	Taxation	6	635	391
1 303	1 709	**Net income after taxation**		1 757	1 287
38	48	Deduct:		33	36
[illegible]	[illegible]	Share of net income payable to a subsidiary company		[illegible]	[illegible]
[illegible]	[illegible]	Net income attributable to outside shareholders in subsidiaries		[illegible]	[illegible]
[illegible]	[illegible]	Dividends on preference shares	9	[illegible]	[illegible]
1 265	1 661	**Own earnings**		1 724	1 251
		Add:			
		Share of retained earnings of associated companies	8	1 572	1 465
1 265	1 661	**Total net earnings**		3 296	2 716
		Retained as:			
112	(50)	Non-distributable reserves	14	1 600	1 577
73	2	Distributable reserves	15	(13)	59
		Dividends on linked			
1 080	1 709	**deferred shares**	9	1 709	1 080
1 265	1 661			3 296	2 716
		Weighted average number of linked deferred shares in issue (millions)		393	384
		Earnings per linked deferred share			
		Own		439c	326c
		Total net		839c	707c
		Headline	7	668c	658c

balance sheets

31 DECEMBER 1999

COMPANY R millions 1998	1999		Notes	GROUP R millions 1999	1998
		Capital employed:			
813	1 267	Share capital and premium	13	1 267	813
194	143	Non-distributable reserves	14	18 100	16 712
2 291	1 912	Distributable reserves	15	5 505	5 824
3 298	3 322			24 872	23 349
		Outside shareholders' interests in subsidiary companies		59	78
	623	**Long- and medium-term liabilities**	16		
3 298	3 945			24 931	23 427
		Represented by:			
411	567	**Fixed assets**	17	2 296	1 882
859	1 956	**Investments**	18	21 231	19 434
2 300	2 304	Diamond stocks	19	2 857	3 487
53	59	Stores and materials		190	166
(325)	(941)	Net current assets (liabilities)		(1 651)	(1 542)
		Current assets			
184	198	Debtors		1 706	993
21	495	Cash		598	596
1 134	2 164	Amounts due by subsidiary companies			
		Current liabilities			
35	212	Taxation		646	342
710	1 340	Dividends		1 340	710
813	1 090	Creditors		1 951	1 950
31	4	Bank borrowings	16	10	106
55	1 152	Amounts due to subsidiary companies			
3 298	3 945			24 931	23 427

SAHA ARCHIVE FOR JUSTICE

203

cash flow statements

FOR THE YEAR 1999

COMPANY R millions 1998	1999		Notes	GROUP R millions 1999	1998
		Operating activities			
592	680	Cash generated by operations	20.1	1 010	829
2	176	Interest received		46	71
998	1 729	Dividends received		1 086	1 109
1 592	2 585			2 142	2 009
413	251	*Deduct:*		448	660
[redacted]		Interest paid		[redacted]	
		Taxation paid			
1 179	2 334	***Cash generated by operating activities***		1 694	1 349
		Investing activities			
76	(173)	Property		3	78
36	1	Plant and equipment		104	245
10	930	Investments	20.2	399	(394)
		Cash utilised in (derived from)			
122	758	***investing activities***		506	(71)
		Financing activities			
	6	Share capital raised		6	
(1 057)	(1 081)	Dividends (paid)	20.3	(1 116)	(1 076)
(1 057)	(1 075)	***Cash (utilised in) financing activities***		(1 110)	(1 076)
0	501	***Increase in cash***		78	344
		Cash (bank borrowings) at			
(10)	(10)	beginning of year	20.4	488	148
		Cash (bank borrowings) of subsidiary			
		companies acquired during the year		14	(2)
(10)	491	***Cash (bank borrowings) at end of year***		580	490

notes to the financial statements

31 DECEMBER 1999

	COMPANY R millions 1999	1998	GROUP R millions 1999	1998
1. Turnover				
Turnover, comprising gross revenues from all sources amounts to	5 136	3 989	34 449	15 957
2. Diamond account				
The diamond account includes:				
Income				
Sales to related parties – natural diamonds			2	1
– industrial division			169	220
Dividends from listed trade investments		54		54
Dividends from unlisted trade investments – subsidiary companies	299	480		
– associated companies	109	102	109	120
– other	6		38	49
Currency exchange gains (losses)	55	(1)	55	69
Sundry cost recoveries between related parties			608	
Expenditure				
Purchases from related parties: – natural diamonds			26 411	9 527
– industrial division			51	
– other			62	
Depreciation			163	95
Prospecting and research	226	208	543	638
3. Investment income				
Listed investments	17	82	693	973
Unlisted investments	1 044	495	18	68
Total investment income	1 061	577	711	1 041
Comprising: Interest	38			16
Dividends – Normal	17		151	155
– Scrip			4	13
– Subsidiary companies	1 006	495		
– Associated companies		82	556	857
	1 061	577	711	1 041
4. Other income				
Surplus on realisation of fixed assets	101		8	64
Surplus on realisation of investments			445	136
	101		453	200
5. Other expenditure				
Provisions against investments and loans			4	26
General charges	100	88	113	116
	100	88	117	142

SAHA ARCHIVE FOR JUSTICE

	COMPANY R millions 1999	COMPANY R millions 1998	GROUP R millions 1999	GROUP R millions 1998
6. Taxation				
South African normal taxation	190	98	281	210
Mining lease consideration	91	46	91	46
Secondary tax on companies			13	19
Other indirect taxes	12	11	22	21
Foreign taxes			188	95
Total taxation	293	155	635	391
The Company has made no provision in 1999 for Secondary Tax on Companies as it has an excess of dividends accrued over dividends declared of	123	472		
The taxation rate reconciliation is as follows:				
	%	%	%	%
Taxation as a percentage of net income before taxation	14,6	10,6	26,6	23,3
Dividend income	19,8	29,5	8,3	26,0
Other non-taxable income	1,5		9,1	2,9
Non-allowable expenditure	(2,4)	(3,6)	(5,4)	(12,0)
Indirect taxes	(3,6)	(2,6)	(3,7)	(3,8)
Foreign tax rates differential			(5,0)	(2,0)
Other	0,3	1,5	0,5	0,6
South African normal taxation rate	30,0	35,0	30,0	35,0

	R millions 1999	R millions 1998
7. Headline earnings		
Total net earnings	3 206	2 716
Adjusted for:		
Net (surplus) on realisation of fixed assets	(8)	(54)
(Surplus)	[illegible]	[illegible]
Taxation and outside shareholders interests	[illegible]	[illegible]
Net (surplus) on realisation of investments	(448)	(139)
(Surplus)	[illegible]	[illegible]
Taxation and outside shareholders interests	[illegible]	[illegible]
Provisions against investments and loans	4	26
Exceptional and non-trading items of associated companies	(144)	(29)
	2 703	2 525
8. Associated companies		
Share of earnings		
Current trading	2 093	2 413
Exceptional and non-trading	144	29
	2 237	2 442
Dividends received	665	977
Share of retained earnings	1 572	1 465

notes to the
financial statements

31 DECEMBER 1999

	COMPANY R millions 1999	COMPANY R millions 1998	GROUP R millions 1999	GROUP R millions 1998
9. Dividends				
On 40 per cent preference shares:				
No. 180 of R1 per share, to shareholders registered on 25 May 1999, paid 3 August 1999	0,8	0,8	0,8	0,8
No. 181 of R1 per share, to shareholders registered on 17 December 1999, payable on 25 January 2000	0,8	0,8	0,8	0,8
On 8 per cent second preference shares:				
No. 48 of 4 cents per share, to shareholders registered on 25 May 1999, paid 3 August 1999	0,1	0,1	0,1	0,1
No. 49 of 4 cents per share, to shareholders registered on 17 December 1999, payable on 25 January 2000	0,1	0,1	0,1	0,1
On linked deferred shares:				
No. 159 (interim) of 96 cents per linked deferred share (1998: 96 cents per linked deferred share), to shareholders registered on 10 September 1999, paid 20 October 1999	370	370	370	370
No. 160 (final) of 335 cents per linked deferred share (1998: 184 cents per linked deferred share), to shareholders registered on 24 March 2000, payable on 24 May 2000	1 289	710	1 289	710
10. Directors' remuneration				
Executive directors				
Fees	0,3	0,3		
Salary, benefits and other emoluments	28,4	30,8		
Performance related payments	6,2	8,4		
	34,9	39,5		
Less: Paid by subsidiary companies	27,6	33,6		
Paid by the company	7,3	5,9		
Options exercised	0,9			
Non-executive directors				
Fees	0,4	0,4		
11. Auditors' remuneration				
Audit fees	2,3	1,3	5,8	3,2
Other services	1,0	0,2	1,6	0,3
12. Remuneration other than to employees				
Payments for technical, administrative and secretarial services made to persons other than employees	24	56	7	66

SAHA
ARCHIVE FOR JUSTICE

		COMPANY R millions		GROUP R millions	
		1999	1998	1999	1998
13. Share capital and premium					
13.1 Authorised					
800 000	40 per cent cumulative preference shares of R5,00 each	4	4	4	4
2 866 929	8 per cent cumulative second preference shares of R1,00 each	3	3	3	3
420 000 000	deferred shares of 5 cents each	21	21	21	21
		[illegible]	[illegible]	28	28
13.2 Issued					
800 000	40 per cent cumulative preference shares of R5,00 each	4	4	4	4
2 866 929	8 per cent cumulative second preference shares of R1,00 each	3	3	3	3
399 687 695	linked deferred shares of 5 cents each	20	19	20	19
		27	26	27	26
Share premium		1 240	787	1 240	787
Total issued share capital and premium		1 267	813	1 267	813

13.3 Each De Beers Consolidated Mines Limited deferred share in issue is linked to a depositary receipt issued by Centenary Depositary AG.

13.4 By resolution of the shareholders the directors have been given general authority, until the forthcoming annual general meeting, to dispose of the unissued shares for any purpose and upon such terms and conditions as they deem necessary.

13.5 By resolution of the shareholders passed on 21 May 1999, 9 000 000 of the unissued deferred shares are under the control of the directors to allot and issue such shares to the De Beers Incentive Trust and/or its nominees in accordance with the terms and conditions of the De Beers Consolidated Mines Limited Incentive Scheme.

Details of deferred shares committed to the scheme, which will be linked to depositary receipts, are set out on page 75 of the Report of the Directors.

Details of deferred shares committed to directors of the Company are set out on page 74 of the Report of the Directors.

notes to the
financial statements

31 DECEMBER 1999

	COMPANY R millions		GROUP R millions	
	1999	1998	1999	1998
14. Non-distributable reserves				
Balance at beginning of the year	194	118	16 712	15 100
Adjustments thereto arising from changes in currency exchange rates			47	164
Adjustments in respect of changes in the group's shareholdings in:				
- subsidiary companies			[illegible]	19
- associated companies			[illegible]	(114)
Unrealised gains arising from changes in currency exchange rates				2
Applied in writing down fixed and other assets	(1)	(36)	(1)	(36)
Transferred (to) from the income statement	(50)	112	1 [illegible]	1 577
Balance at end of the year	143	194	18 100	16 712
Comprising:				
Capital reserve	71	71	187	183
Fixed assets and investment reserve	72	[illegible]	245	218
Capital redemption reserve fund			4	4
Currency reserve			62	62
Legal reserve			11	0
Share of retained earnings of associated companies			17 591	16 245
	143	194	18 100	16 712
15. Distributable reserves				
Balance at beginning of the year	2 291	2 586	5 824	6 531
Adjustments arising from changes in currency exchange rates			(7)	(4)
Adjustments in respect of changes in the group's shareholding in subsidiary companies			82	16
Excess of the cost of shares in subsidiary companies over the attributable value of net assets at acquisition	(387)	[illegible]	(387)	(770)
Increase in stores reserve charged to mining expenditure	6		6	
Transferred from (to) the income statement	2	73	(13)	[illegible]
Balance at end of the year	1 912	2 291	5 [illegible]	5 824
Comprising:				
General reserve	630	650	4 295	1 298
Stores reserve	57	51	57	51
Retained earnings	1 265	1 590	4 130	4 475
	1 912	2 291	5 [illegible]	5 824

SAHA
ARCHIVE FOR JUSTICE

206

	COMPANY R millions 1999	COMPANY R millions 1998	GROUP R millions 1999	GROUP R millions 1998
16. Long- and medium-term liabilities				
16.1 Long- and medium-term liabilities comprise: 4 414 700 variable rate automatically convertible debentures bearing interest at the official rate set out in the Seventh Schedule to the Income Tax Act. The consideration for these debentures is facilitated by a loan to the De Beers Incentive Trust. The conditions of conversion are contained in the De Beers Consolidated Mines Limited Incentive Scheme Rules which may be inspected at the Company's head office. Details of debentures issued to directors are set out on page 74 of the Report of the Directors	623	0	0	[illegible]
16.2 Total borrowings amounted to	627	[illegible]	18	106
16.3 The company and its subsidiaries have the power to borrow up to an aggregate of R49 744 million (1998: R46 698 million).				
17. Fixed assets				
A register of land and buildings owned by the Company (other than those acquired or used for mining and ancillary purposes) is kept at the Company's head office.				
Cost or valuation				
Land and buildings	62	37	145	149
Investment properties	[illegible]	[illegible]	[illegible]	[illegible]
Other properties	[illegible]	[illegible]	[illegible]	[illegible]
Claims and other mining interests	1	78	82	81
Mining companies	[illegible]	[illegible]	[illegible]	[illegible]
Other companies	[illegible]	[illegible]	[illegible]	[illegible]
Plant, equipment, permanent works and buildings	1 276	1 276	2 839	2 586
Mining and allied capital expenditure at cost less recoupments	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]
Total cost or valuation	1 339	[illegible]	3 066	2 816
Accumulated depreciation				
Land and buildings				
Other properties			21	12
Plant, equipment, permanent works and buildings	1 276	1 276	2 196	1 969
Mining and allied capital expenditure transferred from fixed asset and investment reserve	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]
Total accumulated depreciation	[illegible]	1 276	2 217	[illegible]

	COMPANY R millions 1999	COMPANY R millions 1998	GROUP R millions 1999	GROUP R millions 1998
17. Fixed assets (continued)				
Net book value				
Land and buildings	62	37	124	[illegible]
Investment properties	[illegible]	[illegible]	[illegible]	[illegible]
Other properties	[illegible]	[illegible]	[illegible]	[illegible]
Claims and other mining interests	1	78	82	81
Mining companies	[illegible]	[illegible]	[illegible]	[illegible]
Other companies	[illegible]	[illegible]	[illegible]	[illegible]
Plant, equipment, permanent works and buildings			643	617
Mining and allied capital expenditure	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]
Net book value excluding trade investments	[illegible]	[illegible]	[illegible]	[illegible]
Trade investments at cost or valuation				
Unlisted	984	296	1 447	1 047
Associated companies				
At cost less amounts written off	[illegible]	[illegible]	[illegible]	[illegible]
Add: share of retained earnings	[illegible]	[illegible]	[illegible]	[illegible]
Total carrying values	[illegible]	[illegible]	[illegible]	[illegible]
Other	[illegible]	[illegible]	[illegible]	[illegible]
Subsidiary companies	[illegible]	[illegible]	[illegible]	[illegible]
Total net book value of fixed assets	[illegible]	[illegible]	[illegible]	[illegible]
Open market value on the existing use basis of investment properties	33	33	47	52
Directors' valuations of unlisted trade investments other than subsidiary companies	3 772	1 219	3 772	1 464
Reconciliation of net book value excluding trade investments				
Balance at beginning of the year	[illegible]	[illegible]	[illegible]	592
Land and buildings	[illegible]	[illegible]	[illegible]	[illegible]
Claims and other mining interests	[illegible]	[illegible]	[illegible]	[illegible]
Plant, equipment, permanent works and buildings	[illegible]	[illegible]	[illegible]	[illegible]
Adjustments thereto arising from changes in currency exchange rates				2
Land and buildings	[illegible]	[illegible]	[illegible]	[illegible]

	COMPANY R millions 1999	COMPANY R millions 1998	GROUP R millions 1999	GROUP R millions 1998
17. Fixed assets (continued)				
Add:				
Additions	25	76	110	335
Land and buildings	[redacted]			
Claims and other mining interests				
Plant, equipment, permanent works and buildings				
Subsidiaries acquired			71	4
Land and buildings	[redacted]			
Plant, equipment, permanent works and buildings				
Deduct:				
Disposals	77		4	3
Land and buildings	[redacted]			
Claims and other mining interests				
Plant, equipment, permanent works and buildings				
Depreciation			163	95
Land and buildings	[redacted]			
Plant, equipment, permanent works and buildings				
Balance at end of the year	63	115	849	835
Land and buildings	[redacted]			
Claims and other mining interests				
Plant, equipment, permanent works and buildings				
18. Investments				
Listed investments				
Associated companies				
At cost less amounts written off		355	3 468	1 671
Add share of retained earnings			16 361	14 701
Total carrying values		355	19 829	16 372
Other	839	2	1 355	770
Total listed investments	839	357	21 184	17 142
Unlisted investments				
Associated companies				
At cost less amounts written off				485
Add share of retained earnings			30	604
Total carrying values			30	1 089
Other	1	1	12	93
Subsidiary companies	491	491		
Total unlisted investments	492	492	42	1 182
Loans	625	10	5	1 110

notes to the
financial statements

31 DECEMBER 1999

	COMPANY R millions 1999	COMPANY R millions 1998	GROUP R millions 1999	GROUP R millions 1998
18. Investments (continued)				
Total investments	1 956	859	21 231	19 434
Market value of listed investments	1 266	1 439	80 925	20 044
Directors' valuations of unlisted investments and loans other than subsidiary companies	626	11	46	2 241
A list of the group's material investments is given on pages 98 and 99.				
A list of the Company's material investments is open for inspection at the Company's head office.				
19. Diamond stocks				
Mining companies	2 304	2 300	2 313	2 300
Other companies			544	1 187
	2 304	2 300	2 857	3 487
20. Cash flow statements				
20.1 *Cash generated by operations*				
Net income before taxation	2 002	1 458	3 092	1 678
Share of net income payable to a subsidiary company	(40)	(36)		
Non cash items	(62)	1	(270)	(75)
Dividends and interest	(1 490)	(1 215)	(799)	(1 280)
(Increase) decrease in diamond stocks	(4)	(408)	631	(611)
(Increase) decrease in stores and materials	(8)		(32)	(12)
Decrease (increase) in working capital	284	792	(804)	1 129
	680	592	1 010	829
20.2 *Investments*				
Acquisitions	930	10	969	120
Proceeds			570	514
	930	10	399	(394)
20.3 *Dividends paid*				
Preference shareholders	2	2	2	2
Linked deferred shareholders	1 079	1 055	1 079	1 055
By subsidiaries to outside shareholders			35	19
	1 081	1 057	1 116	1 076
20.4 *Cash (bank borrowings) at beginning of year*				
Cash (bank borrowings) as previously reported	(10)	(10)	490	148
Adjustments thereto arising from changes in currency exchange rates			(2)	
	(10)	(10)	488	148

	COMPANY R millions 1999	COMPANY R millions 1998	GROUP R millions 1999	GROUP R millions 1998
21. Commitments and contingent liabilities				
There are commitments and contingent liabilities in respect of				
21.1 Guarantees in respect of loan and performance guarantees given to banks and other third parties on behalf of:				
– associated companies	14	16	14	26
– other	153	155	160	167
21.2 A guarantee by the company to the holders of Series A and Series B preference shares issued by Minorco Canada Limited for the payment of dividends and for the redemption of such shares. This obligation has been counter-guaranteed.				
21.3 Undrawn loan facilities – associated companies				11
21.4 Capital expenditure authorised by the directors but not yet incurred, including expenditure contracted for	1 057	[illegible]	1 152	566
This expenditure will be financed from existing resources, internally generated funds or available loan facilities.				

22. Retirement benefits

The majority of employees employed by the group are based in South Africa and are members of the De Beers Pension Fund which is governed by the Pension Funds Act of 1956. Non-South African employees belong to a number of different funds which are governed by the respective legislation of the country concerned.

The most significant of these funds are defined benefit funds that are actuarially valued every three years on an accrued benefit method and a projected benefit method. The last valuations, undertaken in 1997 and 1999, certified the funds to be in a sound financial position. In arriving at their conclusions the actuaries took into account reasonable long-term estimates of inflation, increases in wages, salaries and pensions and returns on investments. The next actuarial valuations of the funds will be undertaken during 2000 and 2001.

The sum of the actuarially determined fair value of the assets of all the defined benefit funds at their last valuation was R6 164 million. This exceeded the actuarially determined liabilities of R5 111 million.

The group's pension cost for all types of funds for the year amounted to R128 million (1998: R60 million).

notes to the
financial statements

31 DECEMBER 1999

	COMPANY R millions 1999	COMPANY R millions 1998	GROUP R millions 1999	GROUP R millions 1998

23. Financial instruments and foreign currency exposure

23.1 *Financial instruments*

The group's non-derivative financial instruments consist primarily of cash deposits with banks, investments, loans, debtors and creditors. Derivative financial instruments are used by the group only for hedging purposes to mitigate risk.

23.2 *Credit risk*

The group's potential concentration of credit risk consists mainly of cash deposits with banks, investments, loans and debtors. The group's short-term cash surpluses are placed with major banks and an appropriate level of provision on investments, loans and debtors is maintained.

23.3 *Foreign currency risk*

The group enters into transactions denominated in foreign currencies and is therefore exposed to fluctuations in currency exchange rates. The group uses forward currency contracts to mitigate exchange rate risk.

The group's open forward currency position was:

		1999 Contract value R millions	1999 Market value R millions	1999 Fair value* R millions	1998 Contract value R millions	1998 Market value R millions	1998 Fair value* R millions
Sold	– US dollars	[illegible]	999	4	1 124	1 099	25
	– Other currencies	27	27		2	2	
		1 002	1 026	4	1 126	1 101	25
Purchased	– US dollars	340	335	(9)	854	840	(14)
	– Other currencies	7	7		8	8	
		347	342	(9)	862	848	(14)

Assets in foreign currencies not hedged:

	R millions 1999	R millions 1998
Pounds Sterling 9 million (1998: 9 million)	94	88
Swiss Francs 4 million	15	
	109	88

*The fair value of the foreign currency contracts reflects the profit (loss) that would have arisen if the contracts had been terminated at the balance sheet date.

SAHA ARCHIVE FOR JUSTICE

notes to the financial statements

31 DECEMBER 1999

24. Related party transactions

The group in the ordinary course of business, enters into various transactions with associated companies and other related parties. These transactions are under terms that are no less favourable than those arranged with third parties. The Diamond Trading Company (Pty) Limited only purchases mined diamonds from related parties and always at the same percentage of its anticipated selling price.

24.1 Associated companies

Details of associated companies are found on page 100. Information that is considered material is provided as follows:

- – Diamond account — Note 2
- – Investment income — Note 3
- – Trade investments — Note 17
- – Investments — Note 18
- – Contingent liabilities — Note 21

24.2 Interest receivable

Interest receivable includes R15 million (1998: R31 million) from associated companies.

24.3 Interest payable

Interest payable includes R4 million (1998: R18 million) to related parties.

24.4 Amounts by and to related parties

Debtors includes amounts due by related parties of R653 million (1998: R651 million).
Creditors includes amounts due to related parties of R130 million (1998: R96 million).

24.5 Subsidiaries

Details of investments in major subsidiaries are disclosed on page 97.

24.6 Retirement benefits

Information relating to pension fund arrangements is disclosed in Note 22.

24.7 Shareholders

Details of major shareholders and a summary of the non-public shareholders are disclosed on pages 76 and 77.

24.8 Directors

Directors' remuneration is disclosed in note 10. Details of directors' shareholdings, options, and debenture holdings are on page 74 of the Report of the Directors.

interests in major subsidiary companies

31 DECEMBER 1999

Company	Issued ordinary share capital value otherwise stated 1999	1998	Percentage held directly or indirectly 1999	1998	Book value of company's direct interest 1999	1998	Amount owing by or (to) subsidiary company 1999	1998
Incorporated in South Africa	R m	R m			R m	R m	R m	R m
Diamond manufacturing and processing								
Debtec (Proprietary) Limited	–*	–*	100	100			(13)	6
Ultra High Pressure Units (Proprietary) Limited	10	10	50	50			18	
Diamond trading and management								
CSO Valuations (Proprietary) Limited	–*	–*	100	81	29	3	(56)	[illegible]
De Beers Industrial Diamond Division (Proprietary) Limited	5	5	100	100	5	5	(3)	[illegible]
The Diamond Corporation (Proprietary) Limited	44	44	100	100	87	87	(482)	1
The Diamond Development Company (Proprietary) Limited	15	15	100	100	15		3	
The Diamond Purchasing and Trading Company (Proprietary) Limited	5	5	100	80	11	8	1 094	(66)
The Diamond Trading Company (Proprietary) Limited	2	2	100	95	70	60		2
Holding and Investment								
De Beers Holdings (Proprietary) Limited	347	347	100	100	489	489	(132)	108
De Beers Investments (Proprietary) Limited	–*		100				394	
Marine services								
De Beers Marine (Proprietary) Limited	–*	–*	100	100			(92)	(9)
Mineral rights holders								
Consolidated Company Bultfontein Mine Limited	1	1	40	40	1	1		
Finsch Diamonds (Proprietary) Limited	–*	–*	80	80	1		(48)	(36)
Griqualand West Diamond Mining Company Dutoitspan Mine Limited	2	2	75	75	1	1		
Stephan Investments (Proprietary) Limited	–*		51				(49)	
Mining								
Premier (Transvaal) Diamond Mining Company (Proprietary) Limited — Deferred	–*	–*	100	100			(3)	(3)
Preference	–*	–*	100	100	2	2		
Incorporated in Australia	A$ m	A$ m						
Prospecting								
De Beers Diamond Services Proprietary Limited	4	4	100	100				
Incorporated in Botswana	P m	P m						
Prospecting								
De Beers Prospecting Botswana (Proprietary) Limited	–*	–*	100	100				
Tswapong Mining Company (Proprietary) Limited	–*	–*	100	100				
Incorporated in Liberia	US$ m	US$ m						
Prospecting								
DBEH Limited	–*	–*	100	100				
Debgen Limited	1	1	100	100				
Incorporated in Luxembourg	US$ m	US$ m						
Prospecting								
[illegible] (Luxembourg) Limited	1	1	100	100				
Incorporated in Namibia	N$ m	N$ m						
Administration services								
De Beers Services (Proprietary) Limited	–*	–*	100	100				
Incorporated in Switzerland	Sfr m	Sfr m						
Diamond trading and management								
CSO Valuations AG	4		100					
Diamond Trading Company Limited Lucern	1		100					

*Nominal value

The aggregate after-tax earnings and losses attributable to the Company from its subsidiaries are:

	R millions 1999	1998
Earnings	1 045	1 021
Losses		120

list of material investments

31 DECEMBER 1999

Listed investments of the group		Units held 1999	Units held 1998	Market value R millions 1999	Market value R millions 1998
Mining finance and investment				47 788	15 034
Anglo American plc*		117 006 905		[redacted]	
Anglo American Corporation of South Africa Limited			90 250 946		
Anglo American Gold Investment Company Limited			180 499		
Anglovaal Limited			169 455		
Anglovaal Mining Limited		23 270 986			
Consolidated African Mines Limited	– Ordinary	8 916 802	8 516 802		
	– Options	1 594 465	1 594 465		
Gold Fields of South Africa Limited			1 260 773		
Industrial and Commercial Holdings Limited		406 280			
JCI Gold Limited		223 921	2 229 241		
Other					
Gold mining				1 322*	974
AngloGold Limited		3 590 280	3 580 250	[redacted]	
Gold Fields Limited		3 084 108	1 957 538		
Randfontein Estates Limited		180 725	787 414		
Western Areas Gold Mining Company Limited		4 084 981	4 084 991		
Copper, coal and platinum					515
Anglo American Platinum Corporation Limited			6 280 187	[redacted]	
Palabora Mining Company Limited			251 086		
Industrial and commercial				[illegible]	2 445
Adcock Ingram Limited		180 198	1 780 228	[redacted]	
AECI Limited			4 408 242		
Anglo American Industrial Corporation Limited			19 713 680		
Beverage and Consumer Industry Holdings Limited		2 230 249	2 233 249		
Edgars Stores Limited		218 477			
Highveld Steel and Vanadium Corporation Limited			3 009 323		
Johnnies Industrial Corporation Limited		1 041 733	3 154 097		
Metro Cash and Carry Limited		1 806 316	13 889 215		
South African Breweries plc		3 121 977			
The Premier Group Limited		476 464	22 635 808		
The South African Breweries Limited			738 066		
Banking				1 474	[illegible]
FirstRand Limited		167 543 133	167 543 133	[redacted]	
Standard Bank Investment Corporation Limited			1 212 968		
Property				1	8
Anglo American Properties Limited	– Ordinary		3 931 308	[redacted]	
	– LS Units		718 563		
Mawenzi Resources Limited		2 404 846	2 404 846		
Total market value				50 925	[illegible]

*Associated company

list of material investments

31 DECEMBER 1999

Unlisted investments of the group		Units held 1999	Units held 1998	Directors' valuation R millions 1999	Directors' valuation R millions 1998
Mining finance and investment					18
Cepheus Investment Holdings Limited			4		
Isaba Investment Holdings (Proprietary) Limited			4		
Palabora Holdings Limited			612 560		
Mining				1	[illegible]
BCL Limited – Preference		7 250 064	7 250 064		
Botswana Ash (Proprietary) Limited	– B Shares	18 410 000	18 410 000		
Debswana Four Limited	– Preferred		300 000		
Debswana Limited	– B shares		138 600		
	– E shares		1 000		
Gamsberg Zinc Corporation Limited			999 999		
Marupala Colliery (Proprietary) Limited		400	400		
Industrial and commercial				[illegible]	[illegible]
Anglo American Farms Limited			3 744 782		
Cardium Holdings Limited			2 040		
International Pipe and Steel Investments South Africa (Proprietary) Limited	– B shares		410 007		
Mondi Limited			31 553 800		
Shaft Sinkers (Proprietary) Limited			478 500		
Tumstone Holdings (Proprietary) Limited*		46 134	46 134		
Banking and general finance				[illegible]	[illegible]
Edesa Société Anonyme Holding AG		3 566	3 566		
Epoch Investments Limited			250 000		
Business Partners Limited (formerly Small Business Development Corporation Limited)		5 823 001	5 523 001		
Property					[illegible]
Carlton Centre (Proprietary) Limited			1 504 229		
Creative Homes (Proprietary) Limited			388 530		
Debex Cape (Proprietary) Limited			30 000		
Trade investments				3 772	1 464
De Beers Centenary AG*	– Centenary units	50	50		
	– Depository receipts	51 084 905	47 131 671		
Frisian Enterprises Limited*	– Ordinary	1 925 000	1 925 000		
	– A shares	5 000	5 000		
Other					
Total directors' valuation				3 813	2 595

*Associated company

associated companies of the group

31 DECEMBER 1999

	Percentage held 1999	Percentage held 1998	Financial year	Year for equity accounting
Anglo American plc	28,7		31-12	30-06-99
Anglo American Corporation of South Africa Limited		37,9	31-12	31-12-98
Anglo American Farms Limited		38,2	31-12	31-12-98
Anglo American Industrial Corporation Limited		24,9	31-12	31-12-98
Cordium Holdings Limited		17,0	31-12	31-12-98
Cepheus Investment Holdings Limited		50,0	31-12	31-12-98
De Beers Centenary AG	11,3	10,9	31-12	31-12-99
Delaunay Limited — B & E shares		100,0	31-12	31-12-98
Epoch Investments Limited		50,0	31-12	31-12-98
Fiber Enterprises Limited	42,3	42,3	31-12	31-12-99
Isibi Investment Holdings (Proprietary) Limited		50,0	31-12	31-12-98
Mondi Limited		17,0	31-12	31-12-98
Tumstone Holdings (Proprietary) Limited	50,0	50,0	31-03	31-03-99

Additional information is provided in the section entitled Investments.

notice of annual general meeting

AGM on 23 May in Kimberley

Notice is hereby given that the one hundred and twelfth annual general meeting of members of De Beers Consolidated Mines Limited will be held at the Head Office of the Company at 36 Stockdale Street, Kimberley on Tuesday 23 May 2000 at 14:15.

Business to be considered

At the meeting, the following business will be considered:

1. To receive and consider the annual financial statements of the Company and of the group for the year ended 31 December 1999.

2. To elect directors in accordance with the provisions of the articles of association of the Company.

3. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

"That further to the ordinary resolution passed by members at the annual general meeting of the Company held on 21 May 1999 a further 2 000 000 deferred shares, making a total of 11 000 000 of the unissued deferred shares of five cents each in the capital of the Company be and are hereby placed under the control of the directors of the Company who are specifically authorised in terms of Section 221 (2) of the Companies Act, 1973 to allot and issue such shares in accordance with the terms and conditions of the De Beers Consolidated Mines Limited Incentive Scheme."

4. To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

"That subject to the provisions of the Companies Act, 1973 and the Listings Requirements of the Johannesburg Stock Exchange, the directors be and are hereby authorised to allot and issue all or any portion of the remaining authorised but unissued deferred shares of five cents each in the capital of the Company at such time or times, to such person or persons, company or companies, and upon such terms and conditions, as they may determine, after setting aside so many deferred shares as may be required to be allotted and issued by the Company pursuant to the De Beers Consolidated Mines Limited Incentive Scheme."

To consider and, if deemed fit, to pass, with or without modification, the following ordinary resolution:

"That in terms of the Listings Requirements of the Johannesburg Stock Exchange, the directors are hereby authorised to issue reserve deferred shares of five cents each for cash, without restrictions as to whom the shares will be issued, as and when suitable opportunities arise, subject to the following conditions:

(a) that this authority shall only be valid until the next annual general meeting but shall not exceed beyond 15 months from the date of this annual general meeting;

(b) that a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one year, five per cent or more of the number of deferred shares in issue prior to the issue/s;

(c) that issues in the aggregate in any one year will not exceed 10 per cent of the number of shares of the Company's issued deferred share capital, provided further that such issues shall not in aggregate in any three-year period exceed 15 per cent of the Company's issued deferred share capital; and

(d) that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10 per cent of the average closing price of the shares in question, adjusted for any dividends declared but not yet paid or for any capitalisation award made to shareholders, as determined over the 30 days prior to either the date of the paid press announcement or, where no announcement is required and none has been made, the date of issue of the deferred shares."

As more than 35 per cent of the Company's issued deferred share capital is in the hands of the public, as defined by the Johannesburg Stock Exchange, the approval of a 75 per cent majority of the votes cast by members present or represented by proxy at the meeting is required for this ordinary resolution to become effective.

6. **Special business**

6.1 *Increase of Capital*

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"That the authorised capital of the Company be and is hereby increased from R27 866 929 divided into:

(i)	800 000	40 per cent cumulative preference shares of R5,00 each
(ii)	2 866 929	8 per cent cumulative second preference shares of R1,00 each
(iii)	420 000 000	deferred shares of 5 cents each

to R30 366 929 divided into:

(i)	800 000	40 per cent cumulative preference shares of R5,00 each
(ii)	2 866 929	8 per cent cumulative second preference shares of R1,00 each
(iii)	470 000 000	deferred shares of 5 cents each

notice of annual general meeting -continued

by the creation of 50 000 000 deferred shares of 5 cents each, which shares shall rank pari passu with the existing deferred shares, and that subject to the provisions of the Companies Act, 1973 and the Listings Requirements of the Johannesburg Stock Exchange, the directors be and are hereby authorised to allot and issue all or any portion of the 50 000 000 authorised but unissued deferred shares of five cents each in the capital of the Company at such time or times, to such person or persons, company or companies, and upon such terms and conditions as they may determine."

The reason and effect of this special resolution is to increase the deferred share capital of the Company by 50 000 000 deferred shares of 5 cents each so that, in the opinion of the directors, the Company has sufficient unissued deferred shares to meet any future contingency.

6.2 *New Memorandum and Articles of Association*

To consider and, if deemed fit, to pass, with or without modification, the following special resolution:

"That in terms of sections 55, 56 and 62 of the Companies Act, 1973 the Company adopt the new memorandum and articles of association tabled at the meeting and signed by the Chairman for purposes of identification, in place of the Company's existing articles of association."

The reason and effect of this special resolution is to replace the current articles of association (which date back to 1888) with a completely new memorandum and articles of association which conform to modern business practice and comply with current legislation and the listing requirements of those stock exchanges on which the Company's shares are listed.

Copies of the present articles and the proposed new memorandum and articles of association may be inspected at the Registered and London offices of the Company as well as the offices of the Company's South African transfer secretaries or United Kingdom registrar, at any time during normal business hours from 17 April up to and including 23 May 2000.

6.3 *Company to Acquire its Own Shares*

To consider and, if deemed fit, to pass, with or without modification, the following special resolution to give a general authority until the next annual general meeting for the Company to purchase its own shares:

"That subject to the passing of the special resolution referred to in item No. 6.2 above, the provisions of the Companies Act, 1973 and the Listings Requirements of the Johannesburg Stock Exchange, the directors are hereby authorised to approve the purchase by the Company of its own shares, subject to the following conditions:

(a) that this general authority shall only be valid until the next annual general meeting but shall not extend beyond 15 months from the date of this annual general meeting;

(b) that this general authority to repurchase be limited to a maximum of 10 per cent of the Company's issued share capital of that class at the time the authority is granted;

(c) that the repurchases must not be made at a price more than 5 per cent above the weighted-average of the market value for the securities for the five business days immediately preceding the date of repurchases;

(d) that the consolidated assets of the Company fairly valued in accordance with generally accepted accounting practice applicable to the South African mining industry will be in excess of the consolidated liabilities of the company;

(e) that the Company will have adequate capital and

(f) that the working capital of the Company will be adequate for the next year's operations."

The reason and effect of this special resolution is to enable the directors, up to and including the date of the next annual general meeting, to approve the purchase of its own shares by the Company subject to the limitations included in the special resolution.

Notice of the proposal to pass this special resolution should not be construed as an intention by the Company at any time in the near future to give effect to an acquisition of its own shares. It is the intention of the directors that they may use such authority should prevailing circumstances (including the tax dispensation and market conditions) in their opinion warrant it.

Holders of linked deferred share warrants to bearer who desire to attend in person or by proxy or to vote at any general meeting of the Company must comply with the regulations of the Company under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and on a poll vote in his/her stead. A proxy need not be a member of the Company. A form of proxy is enclosed in this annual report.

By order of the board

R W KETLEY
Secretary

17 April 2000

Registered and Head Office
36 Stockdale Street,
Kimberley
(P.O. Box 616, Kimberley, 8300)

De Beers Consolidated Mines Limited
(Incorporated in the Republic of South Africa)
Registration No. 1888/000007/06

FORM OF PROXY

I/We ______________________________ (Name in block letters)

of ______________________________ (Address in block letters)

____

being (a) member(s) of De Beers Consolidated Mines Limited

do hereby appoint ______________________ of ______________________

or failing him/her ______________________ of ______________________

or, failing him/her, the chairman of the meeting as my/our proxy to attend, speak and on a poll vote on my/our behalf at the annual general meeting of members to be held on Tuesday, 23 May 2000 at 14:15 and at any adjournment thereof, and to vote or abstain from voting as follows on the resolutions to be proposed at such meeting:

	FOR	AGAINST	ABSTAIN
1. Adoption of annual financial statements			
2. Election of directors			
3. Authority to issue unissued shares under the Incentive Scheme			
4. Placing of the remaining unissued shares under the control of the directors			
5. Authority to issue reserve shares for cash			
6. Special business			
6.1 Increase of capital			
6.2 Adoption of new Memorandum and Articles of Association			
6.3 Authority for the Company to acquire its own shares			

Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain at his/her discretion.

Date ______________________ Signature ______________________

Continued overleaf

SAHA ARCHIVE FOR JUSTICE

NOTES:

1. A member entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and on a poll, vote in his/her stead. A proxy need not be a member of the Company.

2. Every person present and entitled to vote at the annual general meeting shall on a show of hands have one vote only, but in the event of a poll, every linked deferred share shall have one vote.

3. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory/ies.

4. The chairman of the meeting shall be entitled to decline to accept the authority of a person signing the proxy form
   (a) under a power of attorney
   (b) on behalf of a company

   unless that person's power of attorney or authority is deposited at the offices of the Company's South African transfer secretaries or United Kingdom registrar not less than 24 (twenty-four) hours before the meeting.

5. You may insert the name of any person(s) whom you wish to appoint as your proxy in the blank space(s) provided for that purpose.

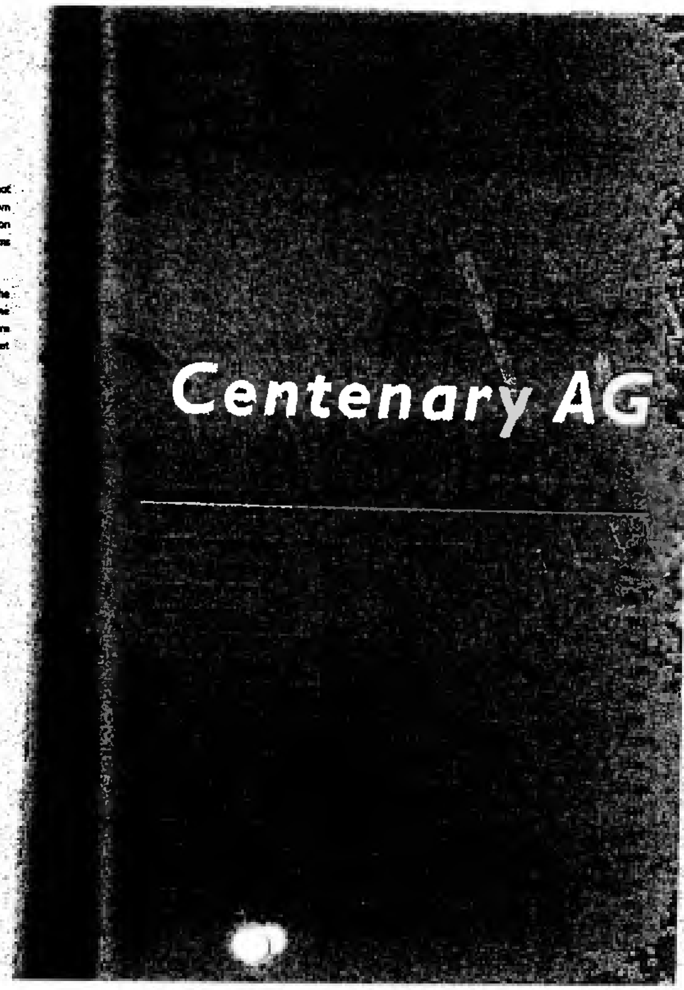
6. When there are joint holders of shares, any one holder may sign the form of proxy.

7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy from attending the meeting, speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.

8. Completed forms of proxy should be returned to the Company's South African transfer secretaries or the Company's United Kingdom registrars so as to reach them not later than 24 (twenty-four) hours before the time set for holding the meeting.

Office of the South African Transfer Secretaries
Computershare Services Limited
Second Floor, Edura
41 Fox Street, Johannesburg 2001
(P.O. Box 61051, Marshalltown 2107)
South Africa

Office of the United Kingdom Registrar
Computershare Services PLC
P.O. Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
England



De Beers Centenary AG

directors' responsibility in relation to financial statements

The directors are responsible for preparing financial statements that fairly present the state of affairs of the Company and the group as at the end of the financial year and the results for that period. These financial statements, which have been prepared in accordance with the Swiss Code of Obligations, are based upon appropriate accounting policies that have been consistently applied and are supported by reasonable and prudent judgements and estimates. The group external auditors are responsible for independently reviewing and reporting on these financial statements.

The financial statements of the group are prepared in US Dollars whilst those of the Company are prepared in Swiss Francs.

The annual financial statements which appear on pages 107 to 127 have been approved by the board of directors and are signed on its behalf by:

N F OPPENHEIMER
Director

7 March 2000

G M RALFE
Director

7 March 2000

report of the group auditors

To the general meeting of
De Beers Centenary AG

As auditors of the group, we have audited the consolidated annual financial statements of the group comprising De Beers Centenary AG and its subsidiaries for the year ended 31 December 1999, presented by the board of directors in accordance with the Swiss Code of Obligations, as set out on pages 107 to 127.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession and with International Standards of Auditing issued by the International Federation of Accountants, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined, on a test basis, evidence supporting the amounts and disclosures included in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, these consolidated financial statements give a true and fair view of the financial position of the group comprising De Beers Centenary AG and its subsidiaries, the results of operations and the cash flows in accordance with the accounting policies set out on pages 110 and 111, and comply with the Swiss Code of Obligations.

We recommend that the consolidated financial statements submitted to you be approved.

Deloitte Fim Goldby GmbH
Auditors in charge

A K Hausmann
Chartered Accountant

D Wallace
Chartered Accountant (South Africa)

Zug 7 March 2000

report of the directors

The directors have pleasure in submitting their report on the activities of the Company and of the group for the year ended 31 December 1999. The business and operations of the group and the companies in which it holds investments are set out in the Review of Operations and the section entitled Investments beginning on pages 35 and 67 respectively.

Accountability and control

To enable the directors to meet their responsibilities, management sets standards and implements systems of internal control designed to provide reasonable assurance regarding the achievement of objectives and aimed at reducing the risk of error or loss in a cost-effective manner. These controls, which are monitored throughout the Company and group, include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.

Your directors are of the opinion, based on the information and explanations given by management and on comment by the external auditors on the results of their audit, that the key internal financial controls are adequate, so that the financial records may be reasonably relied on for preparing the financial statements and maintaining accountability for assets and liabilities. The directors believe that assets are safeguarded and used as intended with appropriate authorisation. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Board and committee structure

Directors are elected by shareholders for a maximum period of four years. The articles of association of the Company contain provisions relating to the board's powers and their delegation. In terms of the articles of association the board has also determined regulations on the organisation of the Company which sets out, inter alia, the duties and powers of the board of directors and management.

The board is ultimately accountable for the group's activities: it comprises both executive and non-executive directors. The board determines the Company's policies and supervises their subsequent implementation. It deals with all executive business of the Company not specifically delegated to management or committees, and co-ordinates and monitors the use of resources to achieve the aims of the Company and the group.

The board has established a number of committees, namely:

AUDIT COMMITTEE

The board has appointed an Audit Committee comprising a majority of non-executive directors including its chairman, with terms of reference laid down by the board. The committee meets at least twice a year to monitor the adequacy of the financial information reported to shareholders, to monitor internal financial controls, accounting policies and financial reporting, and to provide a forum for communication between the board and the external and internal auditors. In particular, it reviews the half-year and full-year results, the Interim Report, combined Provisional Annual Financial Statements and the Annual Report prior to their submission to the board and considers any matters raised by the auditors.

The members of the Audit Committee are L A Lincoln (Chairman), G P L Kell and Sir Chips Keswick.

REMUNERATION COMMITTEE

The board has also established a Remuneration Committee comprising a majority of non-executive directors, including its chairman. It approves remuneration for the executive directors to ensure that rewards and incentives are linked to both individual and group performance.

The executive directors are appointed to the board to bring to the management and direction of the group the skills and experience appropriate to its needs as a major international business. They are, accordingly, remunerated on terms commensurate with market rates that reflect such responsibilities.

Each of the executive and non-executive directors currently receive director's fees at the rate of \$25 000 per annum. The Chairman receives an additional sum of \$25 000 per annum and the Deputy Chairman \$16 666 per annum.

Non-executive directors who serve on the Audit and Remuneration Committees each receive fees at the rate of \$10 000 per annum. The chairmen of the respective Committees receive an additional \$10 000 per annum.

The Remuneration Committee comprises Sir Chips Keswick (Chairman), N F Oppenheimer and J Ogilvie Thompson.

Directorate

The names of the directors at the date of this report are given on pages 16 and 17.

Mr L G Nchindo and Mr S S G Tumato were elected to the board at the annual general meeting held on 11 May 1999. Mr J P Pudney resigned from the board on 19 November 1999; Mr G F H Burne has resigned with effect from 8 March 2000.

In terms of the Company's articles of association, approximately one quarter of the directors become due for re-election each year in accordance with regulations issued by the

SAHA
ARCHIVE FOR JUSTICE

board for this purpose. Mr B Ainsley, Dr J W Campbell and Mr J Ogilvie Thompson are due to retire at the forthcoming annual general meeting. They are all eligible and offer themselves for re-election. In addition, your directors have proposed that Mr P A Somner be appointed as a member of the board of directors at the annual general meeting. Mr Somner, who joined the Central Selling Organisation in London in 1971, is currently responsible for producer relations and contracts, for outside buying and for world-wide diamond sorting and valuation.

At 31 December 1999, the directors held a total of 16 (1998: 14) shares in the Company non-beneficially. At the same date, the directors held 10 557 (10 557) depositary receipts issued by Centenary Depositary AG beneficially and 1 100 (400 800) non-beneficially; in addition, Mr N F Oppenheimer held an indirect partial interest in 10 548 613 depositary receipts. There was no material change in the interests of directors during the period between the end of the financial year and the date of this report.

Share capital

During the year under review the Company's share capital was increased by the issue of 179 761 new shares of a nominal value of SFr 200.- each, such that at the date of this report the Company's share capital is SFr 901 495 200 divided into 4 507 476 registered shares having a nominal value of SFr 200.- each.

The new shares were issued as consideration for the acquisition by the group of interests in certain diamond trading companies from De Beers Consolidated Mines Limited (DBCM). In terms of the Swiss Code of Obligations the auditors' report in respect of this increase in capital is reproduced on page 133.

In terms of the Company's articles of association, each share is twinned with a participation certificate issued by the Luxembourg subsidiary, Centenary Holdings, to form a Centenary unit.

All but 50 of the Centenary units have been deposited with Centenary Depositary AG (the Depositary), a wholly-owned subsidiary of the Company. In terms of an agreement dated 29 May 1990 between the Company, the Depositary and DBCM, the Depositary has issued Centenary depositary receipts (depositary receipts) in the ratio of one hundred depositary receipts for each Centenary unit so deposited, of which 399 687 695 depositary receipts have been linked to the equivalent number of issued DBCM deferred shares to form De Beers linked units.

The articles of association of the Company allow the directors to increase the share capital by an amount not exceeding SFr 18 093 800 by issuing up to 90 469 new shares of a nominal value of SFr 200.- each; this authority will expire on 11 May 2001.

Major shareholders

(Refer to note 13.3 to the Consolidated Financial Statements)

Of the 4 507 476 shares in the capital of the Company, 4 507 426 shares have been deposited with the Depositary in the form of Centenary units. In turn, the Depositary has issued 450 742 600 depositary receipts. The remaining 50 shares have been issued to DBCM.

According to the records of the Depositary, the only holders of depositary receipts registered as holding five per cent or more of the voting rights in the Company at 31 December 1999 are the following:

	Number	Percentage
Anglo American plc (and its subsidiaries)	128 846 923	28,6
Standard Bank Nominees (Transvaal) (Proprietary) Limited	110 708 046	24,6
De Beers Consolidated Mines Limited	51 054 905	11,3
First National Nominees (Proprietary) Limited	28 460 474	6,3

According to information available to the directors, Anglo American plc and DBCM are the only holders who beneficially hold five per cent or more of the depositary receipts issued by the Depositary. The nominee companies mentioned above hold the depositary receipts on behalf of other beneficial owners, none of whom individually own more than five per cent.

Proposal for the appropriation of retained earnings

The proposal of the board of directors for the appropriation of available retained earnings at 31 December 1999 is set out on page 132. The recommended dividend of SFr 4.- per share will, if approved by shareholders at the forthcoming annual general meeting, be paid to the Depositary for distribution to depositary receipt holders in accordance with the Deposit Agreement.

Dividends

(Refer to note 9 to the Consolidated Financial Statements)

Centenary Holdings (the Luxembourg-based wholly owned subsidiary of the Company) declared an interim dividend equivalent to 11,5 US cents per depositary receipt and final and preferential dividends equivalent to 21,0 US cents per depositary receipt. These latter two dividends together with the US dollar equivalent of the SFr 4.- dividend per share recommended above (4 Swiss centimes per depositary receipt converted at the rate of exchange ruling on 31 December 1999) will make an aggregate final dividend in respect of the year ended 31 December 1999 of 23,5 US cents per depositary receipt. The actual amount payable on 24 May 2000 in respect of the final dividend will be determined by the rate of exchange which will prevail on the currency conversion date of 3 April 2000.

Therefore, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting, the total dividend distribution of 35,0 US cents per depositary receipt for the year will be as follows:

Amount per depositary receipt:	Swiss centimes	US cents
– attributable to DBCAG	4,0	2,5
– attributable to Centenary Holdings		
– final and preferential dividends		21,0
		23,5
– interim dividend (paid on 20 October 1999)		11,5
Total dividend distribution		35,0

Withholding tax

Any dividends declared by shareholders of the Company are subject to Swiss withholding tax at a rate of 35 per cent.

However, depositary receipt holders who are resident in countries which are party to Double Taxation Treaties with Switzerland may be entitled to a refund of the portion of the Swiss withholding tax which exceeds the rate provided for in the appropriate Treaty and receipt holders should communicate with their domestic Revenue authorities to ascertain their right, if any, to claim such a refund and the appropriate procedure for doing so.

The Depositary has made arrangements with the relevant revenue authorities whereby it will apply for the appropriate refund collectively on behalf of qualifying depositary receipt holders who are South African and United Kingdom residents for tax purposes so that they may receive the portion of their dividends emanating from the Company subject only to a net rate of 7,5 per cent and 15 per cent respectively.

Year 2000 compliance

In order to minimise the potential impact of the millennium transition on the Company, a Year 2000 compliance programme was completed in 1999, the details of which are set out in the review of the combined financial results on page 27.

Amendment of Articles of Association

The public takeover provisions of the Federal Act on Stock Exchanges and Securities Trading (the "Act"), including the requirement to make a mandatory public offer in certain circumstances, recently came into force in Switzerland. These provisions apply to Swiss companies whose equity securities are listed on a stock exchange in Switzerland. As the shares of the Company are not directly listed but form part of the De Beers linked units which are listed, the provisions of the Act may not apply to the Company. In addition, as an integral part of the De Beers linked units, the shares of the Company would in effect be subject to the South African takeover rules which also include the requirement to make mandatory public offers in circumstances which are substantially the same as those contained in the Act.

In terms of article 22 of the Act, a Swiss company may adopt a provision in its articles of association which excludes the requirement to make mandatory public offers. It is, accordingly, proposed that the Company amend its articles at the forthcoming annual general meeting so as to include such a provision. If the provision is adopted, it will avoid the uncertainty mentioned above and enable only one set of mandatory public offer requirements to apply to the De Beers linked units. The necessary resolution to give effect to this proposal appears as Item No. 7 of the agenda for the meeting.

Annual general meeting

The agenda for the annual general meeting, which is to be held in Luzern on Tuesday, 9 May 2000 appears on pages 134 and 135.

7 March 2000

SAHA ARCHIVE FOR JUSTICE

The financial statements are prepared on the historical cost basis in United States dollars, and incorporate the following principal accounting policies. These policies are consistent with those of the previous year.

Basis of consolidation

The group financial statements incorporate the financial statements of De Beers Centenary AG and all its subsidiaries and reflect the earnings, liabilities and assets attributable to the holders of the depositary receipts issued by Centenary Depositary AG and 50 Centenary units. The group income statement includes results of subsidiaries from their effective dates of acquisition. All significant inter company transactions and balances have been eliminated. The excess of the attributable value of subsidiaries' net assets at acquisition over the cost of the shares, less amounts written off, is included in the capital reserve. Where there is an excess of the cost of shares in subsidiaries over the attributable value of net assets at acquisition, this excess is deducted from distributable reserves. The consolidated financial statements include the retained earnings and reserves of certain subsidiaries which, on distribution as dividends, might be subject to withholding taxes. No provision has been made therefor.

Associated companies

The group's interest in associated companies, being companies in which an interest of between 20 and 50 per cent of the voting capital is held as a long-term holding, or in which less than 20 per cent of voting capital is held but in which significant influence is exercised over the financial and operating policy decisions of the company, is, with the exception of interests in mining companies that adopt the appropriation method of accounting, accounted for as follows:

The net income is included in the consolidated income statement either by way of investment income in the diamond account in the case of trade investments, or in investment income in the case of other investments, and as the group's share of retained earnings and of extra-ordinary items of associated companies for the year, based on latest published results, with an amount equivalent to such retained earnings and extraordinary items being transferred to a non-distributable reserve. An adjustment is made for the effect of cross-holdings where an associated company itself deals with its investment in this company by the equity method.

The group's share of retained earnings of associated companies from dates of acquisition is included in the carrying value of the investments in the consolidated balance sheet.

To the extent that dividends are received from associated companies out of equity accounted earnings, adjustments are made in the current year to the group's share of retained earnings of those companies and to the carrying value of the related investments.

Where there is an excess of the cost of shares in associated companies over the attributable value of net assets at acquisition, this excess is deducted from distributable reserves.

The retained earnings and reserves of certain associated companies might, on distribution as dividends, be subject to withholding taxes. No provision has been made therefor.

Foreign currency translations

Amounts in foreign currencies are converted at the rates ruling at the balance sheet date. Hedging costs are included in the cost of the related transactions. The results and operating cash flows of foreign subsidiaries are converted at the average rates ruling during the year.

Exchange differences are included in the income statement.

Fixed assets and depreciation

Land and investment properties are reflected at cost and are not depreciated. Investment properties are valued by independent or internal valuers at appropriate intervals.

Other fixed assets are reflected at cost less depreciation, calculated on the straight-line basis at varying rates, which will reduce carrying values to estimated residual values over expected useful lives.

Investments

Investments other than investments in equity accounted associated companies are stated at cost less amounts written off. Provision is made where, in the opinion of the directors, a permanent diminution in the value of the investment has occurred.

Diamond stocks

Diamond stocks are valued at the lower of weighted average cost and net realisable value.

accounting policies

Stores and materials

Stores and materials are valued at cost, using varying methods appropriate to the various types of business.

Prospecting and research

Prospecting and research expenditure is written off in the year in which it is incurred.

Retirement benefits

Retirement benefits are provided for all eligible employees through either defined benefit or defined contribution funds. Contributions are determined by the funding requirements as evaluated by the actuaries and are fully expensed during the year. The present value of the effects of plan amendments in respect of retired employees is recognised in the period in which the amendments are made.

Earnings per depositary receipt

Earnings per depositary receipt are calculated using the weighted average number of depositary receipts in issue during the year. Depositary receipts in issue includes 50 Centenary units at their equivalent of 5 000 depositary receipts.

consolidated income statement

FOR THE YEAR 1999

	Notes	US$ millions 1999	1998
Diamond account	2	576	359
Investment income	3	28	41
Interest income		29	15
Other income	4	8	70
		641	485
Deduct:		59	170
Interest payable		[redacted]	[redacted]
Other expenditure	5	[redacted]	[redacted]
Net income before taxation		582	315
Deduct:			
Taxation	6	130	111
Net income after taxation		452	204
Deduct:			
Net income attributable to outside shareholders in subsidiaries		34	40
Own earnings		418	164
Add:			
Share of retained earnings of associated companies	8	41	(23)
Total net earnings		459	141
Retained as:			
Non-distributable reserves	14	67	(21)
Distributable reserves	15	236	22
Dividends on depositary receipts	9	156	140
		459	141
Weighted average number of depositary receipts in issue (millions)		442	430
Earnings per depositary receipt			
Own		95c	38c
Total net		104c	33c
Headline	7	100c	47c

consolidated balance sheet

31 DECEMBER 1999

	Notes	US$ millions 1999	1998
Capital employed:			
Share capital and premium	13	684	661
Non-distributable reserves	14	734	631
Distributable reserves	15	3 513	3 761
		4 931	5 053
Outside shareholders' interests in subsidiary companies		67	78
Long- and medium-term liabilities	16	615	1 366
		5 613	6 497
Represented by:			
Fixed assets	17	508	883
Investments	18	1 045	1 021
Diamond stocks		3 493	4 221
Stores and materials		30	35
Net current assets		534	337
Current assets		[redacted]	[redacted]
Debtors		230	679
Cash		793	98
Current liabilities		[redacted]	[redacted]
Taxation		39	26
Dividends		106	90
Creditors		352	295
Bank borrowings	16		29
		5 613	6 497

SAHA ARCHIVE FOR JUSTICE

consolidated
cash flow statement

FOR THE YEAR 1999

	Notes	US$ millions 1999	1998
Operating activities			
Cash generated by (utilised in) operations	19.1	1 372	(266)
Interest received		25	20
Dividends received		484	302
		1 881	56
Deduct:		162	194
Interest paid		[redacted]	
Taxation paid			
Cash generated by (utilised in) operating activities		1 719	(138)
Investing activities			
Property		4	2
Plant and machinery		13	13
Investments	19.2	52	104
Cash utilised in investing activities		69	119
Financing activities			
(Decrease) increase in long- and medium-term liabilities		(749)	479
Dividends (paid)	19.3	(176)	(239)
Cash (utilised in) derived from financing activities		(925)	240
Increase (decrease) in cash		725	(17)
Cash at beginning of year	19.4	68	86
Cash at end of year		793	69

notes to the consolidated
financial statements

31 DECEMBER 1999

		US$ millions 1999	1998
1. Turnover			
Turnover, comprising gross revenues from all sources, amounts to		5 421	3 886
2. Diamond account			
The diamond account includes:			
Income			
Sales to related parties	– natural diamonds	4 522	3 291
Dividends from unlisted trade investments	– associated companies	436	261
	– other	11	33
Currency exchange gains		27	9
Expenditure			
Purchases from related parties	– natural diamonds	2 506	2 068
	– Industrial division	24	40
Depreciation		16	41
Prospecting and research		25	25
Sundry cost recoveries between related parties		10	
3. Investment income			
Listed investments		16	33
Unlisted investments		12	8
Total investment income		28	41
Comprising:			
Dividends	– associated companies	16	33
	– other	11	4
Interest		1	4
		28	41
4. Other income			
Surplus on realisation of fixed assets			1
Surplus on realisation of investments		8	69
		8	70
5. Other expenditure			
Provisions against investments and loans		3	83
General charges		3	4
		6	87

SAHA
ARCHIVE FOR JUSTICE

	US$ millions	
	1999	**1998**
6. Taxation		
Tax on capital and reserves	1	1
Taxes on profits	33	52
Withholding taxes on dividends receivable	96	58
Total taxation	130	111
7. Headline earnings		
Total net earnings	459	[illegible]
Adjusted for:		
(Surplus) on realisation of fixed assets		(1)
(Surplus) on realisation of investments	(8)	(69)
Net provisions against investments and loans	4	87
Provisions less write backs	[redacted]	
Outside shareholders' interests		
Exceptional and non-trading items of associated companies	(14)	44
	441	202
8. Associated companies		
Share of earnings		
Current trading	42	53
Exceptional and non-trading	14	(44)
	56	9
Dividends received	15	32
Share of retained earnings	41	(23)
9. Dividends		
On depositary receipts		
Dividend No. 19 of 11,5 cents per depositary receipt (1998: 11,5 cents per depositary receipt) to depositary receipt holders registered on 10 September 1999 paid on 20 October 1999, being an interim dividend declared by Centenary Holdings on its participation certificates	50	30
Dividend No. 20 of 23,5 cents per depositary receipt* (1998: 20,9 cents per depositary receipt) to depositary receipt holders registered on 31 March 2000, payable on 24 May 2000	106	90
* This dividend comprises the equivalent of:		
Dividends declared by Centenary Holdings on its participation certificates	US cents	
– preference dividend of $12	12,0	12,0
– final dividend of $9 (1998: $6)	9,0	6,0
	21,0	18,0
Dividend of SFr 4,– (1998: SFr 4,–) per share recommended to shareholders of De Beers Centenary AG	2,5	2,9
	[illegible]	20,9

notes to the consolidated **financial statements**
31 DECEMBER 1999

	US$ millions	
	1999	**1998**
10. Directors' remuneration		
Executive directors		
Fees	0,3	0,3
Non-executive directors		
Fees	0,3	0,3
11. Auditors' remuneration		
Audit fees	1,1	1,0
Other services	0,1	0,1
12. Remuneration other than to employees		
Payments for technical, administrative and secretarial services made to persons other than employees	[illegible]	4
13. Share capital and premium		
13.1 ***Authorised and issued***		
4 507 476 (1998: 4 327 715) shares of a nominal value of SFr. 200,– each (SFr. 901 million) (1998: SFr. 866 million)	387	564
Share premium	97	97
Total issued share capital and premium	484	661

13.2 Each issued De Beers Centenary AG share is twinned with a participation certificate issued by De Beers Centenary's wholly owned subsidiary, Centenary Holdings (a company incorporated as a société anonyme in accordance with the laws of Luxembourg) to form a Centenary unit in accordance with the provisions of their articles of association and articles of incorporation, respectively.

Each depositary receipt, of which 399 687 695 are linked to an equivalent number of De Beers Consolidated Mines Limited deferred shares, represents the right and interest exercisable against the Depositary in respect of an undivided one hundredth share in and to the rights, privileges and benefits arising from or relating to a Centenary unit deposited with and held by the Depositary in terms of the deposit agreement dated 29 May 1990 between De Beers Centenary AG, its wholly owned subsidiary Centenary Depositary AG and De Beers Consolidated Mines Limited.

	Depositary receipts	
Depositary receipts in issue	480 742 600	432 766 500
50 Centenary units equivalent to depositary receipts	5 000	5 000
	480 747 600	432 771 500

13.3 The report of the directors contains a list, extracted from the records of the Depositary, of depositary receipt holders whose holding entitles them to five per cent or more of the voting rights.

SAHA ARCHIVE FOR JUSTICE

	US$ millions	
	1999	1998
14. Non-distributable reserves		
Balance at beginning of the year	631	627
Adjustments thereto arising from changes in currency exchange rates	(5)	
Unrealised surplus arising from changes in currency exchange rates	41	25
Transferred from (to) the income statement	67	(21)
Balance at end of the year	734	631
Comprising:		
Capital reserve	12	14
Capital redemption reserve fund	1	1
Currency reserve	302	236
Legal reserve	27	29
Share of retained earnings of associated companies	392	351
	734	631
15. Distributable reserves		
Balance at beginning of the year	3 761	3 865
Adjustments thereto arising from changes in currency exchange rates	(38)	8
Adjustments in respect of changes in the group's shareholdings in subsidiaries		7
Excess of the cost of shares in subsidiary and associated companies over the attributable value of net assets at acquisition	(449)	(141)
Transferred from the income statement	236	22
Balance at end of the year	3 513	3 761
Comprising:		
Retained earnings	3 513	3 761
	3 513	3 761
16. Long- and medium-term liabilities and bank borrowings		
16.1 Long- and medium-term liabilities comprise:		
A loan of 25 million Belgian Francs bearing interest at the London Inter Bank Offered Rate plus 2 per cent per annum and repayable by 2007		1
Unsecured loan stock of 150 million Pounds Sterling (1998: 150 million Pounds Sterling) bearing interest at 8,25% repayable in 2009	242	243
Unsecured loan stock of 100 million Pounds Sterling (1998: 100 million Pounds Sterling) bearing interest at 9,75% repayable in 2020	162	166
A loan of 350 million Botswana Pula bearing interest at the Botswana Prime Rate less 0,75% per annum and repayable in 2007	76	

	US$ millions	
	1999	**1998**
***16. Long- and medium-term liabilities and bank borrowings** (continued)*		
Loans amounting to and bearing interest at rates related to the London Inter Bank Offered Rate from time to time and repayable at varying dates up to 2003	135	956
	615	1 366
16.2 Total borrowings amounted to	615	1 395
16.3 The fair value of these liabilities is $637 million (1998: $1 460 million) after deducting the fair value of currency swaps. (See note 22)		
16.4 No limitation is imposed on the borrowing powers of the directors		
17. Fixed assets		
Cost		
Land and buildings	273	274
Investment properties	[redacted]	
Other properties		
Plant and equipment	[illegible]	[illegible]
Total cost	[illegible]	[illegible]
Accumulated depreciation		
Land and buildings		
Other properties	53	52
Plant and equipment	214	211
Total accumulated depreciation	[illegible]	[illegible]
Net book value		
Land and buildings	220	222
Investment properties	[redacted]	
Other properties		
Plant and equipment	46	[illegible]
Net book value excluding trade investments	[illegible]	[illegible]
Trade investments at cost		
Unlisted	[illegible]	[illegible]
Associated companies	[redacted]	
Other companies		
Total net book value of fixed assets	[illegible]	[illegible]

	US$ millions	
	1999	***1998***
17. Fixed assets (continued)		
Certain fixed assets are insured against fire damage.		
The value for which they are insured is	723	698
Open market value of investment properties (on the existing use basis subject to property market/currency fluctuations)	129	129
Directors' valuations of unlisted trade investments	2 150	2 045
Reconciliation of net book value excluding trade investments		
Balance at beginning of the year	270	291
Land and buildings	[redacted]	
Plant and equipment		
Adjustments thereto arising from changes in currency exchange rates	(6)	(1)
Land and buildings	[redacted]	
Plant and equipment		
Add:		
Additions	19	21
Land and buildings	[redacted]	
Plant and equipment		
Deduct:		
Disposals	1	
Land and buildings	[redacted]	
Depreciation	16	41
Land and buildings	[redacted]	
Plant and equipment		
Balance at end of the year	266	270
Land and buildings	[redacted]	
Plant and equipment		

notes to the consolidated
financial statements

31 DECEMBER 1999

	US$ millions	
	1999	***1998***
18. Investments		
Listed investments		
Associated companies		
At cost less amounts written off	641	630
Add: share of retained earnings	392	346
Total listed investments	1 033	976
Unlisted investments		
Associated companies		
At cost less amounts written off		
Add: share of retained earnings		5
Total carrying value		5
Other	10	18
Total unlisted investments	10	23
Loans	2	22
Total investments	1 045	1 021
Market value of listed investments	1 810	834
Directors' valuations of unlisted investments and loans	32	100
A list of material investments is given on page 127.		
19. Cash flow statement		
19.1 *Cash generated by (utilised in) operations*		
Net income before taxation	582	315
Non cash items	62	80
Dividends and interest	(451)	(267)
Decrease (increase) in diamond stocks	729	(183)
(Increase) decrease in stores and materials	(5)	6
Decrease (increase) in working capital	455	(217)
	1 372	(266)
19.2 *Investments*		
Acquisitions	59	182
Proceeds	7	78
	52	104
19.3 *Dividends paid*		
Depositary receipt holders	139	217
By subsidiaries to outside shareholders	37	22
	176	239
19.4 *Cash at beginning of year*		
Cash as previously reported	69	85
Adjustments thereto arising from changes in currency exchange rates	(1)	1
	68	86

SAHA
ARCHIVE FOR JUSTICE

	US$ millions	
	1999	**1998**
20. Commitments and contingent liabilities		
There are commitments and contingent liabilities in respect of:		
20.1 Loan and performance guarantees given to banks and other third parties on behalf of – associated companies	334	256
– other	11	14
20.2 Undrawn loan facilities of	1	4
20.3 Capital expenditure authorised by the directors but not yet incurred, – including expenditure contracted for.	6	10
This expenditure will be financed from existing resources, internally generated funds or available loan facilities.		

21. Retirement benefits

The majority of employees employed by the group are members of funds which are governed by the respective legislation of Ireland and the United Kingdom. The most significant of these funds are defined benefit funds that are actuarially valued every three years on an accrued benefit method and a projected benefit method. The last valuations, undertaken in 1997 and 1999, certified the funds to be in a sound financial position. In arriving at their conclusions the actuaries took into account reasonable long-term estimates of inflation, increases in wages, salaries and pensions and returns on investments. The next actuarial valuations of the funds will be undertaken during 2000.

The sum of the actuarially determined fair value of the assets of all of the defined benefit funds at their last valuations was $107 million. This exceeded the actuarially determined liabilities of $103 million.

The group's pension cost for all types of funds for the year amounted to $7 million (1998: $4 million).

22. Financial instruments and foreign currency exposure

22.1 Financial instruments

The group's non-derivative financial instruments consist primarily of cash deposits with banks, investments, loans, debtors, creditors and long- and medium-term liabilities. Derivative financial instruments are used by the group only for hedging purposes to mitigate risk.

22.2 Credit Risk

The group's potential concentration of credit risk consists mainly of cash deposits with banks, investments, loans and debtors. The group's short-term cash surpluses are placed with major banks and an appropriate level of provision on investments, loans and debtors is maintained. Credit risks are periodically hedged by obtaining collateral.

22.3 Interest rate risk

The group utilises interest rate swap contracts to hedge its exposure to interest rate risk. The effect of the swaps at balance sheet date was:

	1999		1998	
	Nominal rate fixed %	Effective rate fixed %	Nominal rate fixed %	Effective rate fixed %
Unsecured loan stocks				
Pounds Sterling 150 million	8,25	4,27	8,25	8,39
Pounds Sterling 100 million	9,75	7,54	9,75	8,23
Private placements				
Swiss francs 50 million	5,50	3,01		

22. Financial instruments and foreign currency exposure (continued)

22.4 Foreign currency risk

The group enters into transactions denominated in foreign currencies and is therefore exposed to fluctuations in currency exchange rates. The group uses currency swaps and forward currency contracts to mitigate exchange rate risk.

The effect of currency swaps entered into is that unsecured loan stock of 70 million Pounds Sterling is fixed at $110 million and loans of 214 million Pula, equivalent to 285 million Rands at the rate ruling at the balance sheet date, is fixed at $24 million.

The fair value* of these swaps is $27 million.

The group's open forward currency position was:

		1999			1998		
		Contract value US$ millions	Market value US$ millions	Fair value* US$ millions	Contract value US$ millions	Market value US$ millions	Fair value* US$ millions
Sold	– Japanese Yen	23	25	(2)	31	28	3
	– Swiss Francs	47	48	(1)	14	15	(1)
	– Euros	18	18				
	– Other	1	2	(1)	1	[illegible]	
		89	93	(4)	46	[illegible]	2
Purchased	– Japanese Yen	4	4		14	15	[illegible]
	– Swiss Francs	80	82	2	48	48	
	– Australian dollar	6	6				
	– Canadian dollar	24	23	(1)			
	– Other	24	24		25	25	
		138	139	1	87	88	1

	US$ millions	
	1999	**1998**
Liabilities in foreign currencies not hedged		
Botswana Pula 136 million (1998: 20 million)	29	5
Pounds Sterling 187 million (1998: 177 million)	302	294
Swiss Francs 53 million		39
	331	338

Botswana Pula 214 million against the SA Rand.

*The fair value of derivative instruments reflects the profit (loss) that would have arisen if the contracts had been terminated at the balance sheet date.

SAHA ARCHIVE FOR JUSTICE

notes to the consolidated **financial statements**

31 DECEMBER 1999

23. *Related party transactions*

The group, in the ordinary course of business, enters into various transactions with associated companies and other related parties. These transactions are under terms that are no less favourable than those arranged with third parties. Natural diamonds are only sold to The Diamond Trading Company (Pty) Ltd, a company in the DBCM group. These sales are at a percentage of that company's anticipated selling price.

23.1 *Associated companies*

Details of associated companies are found on page 127. Information that is considered material is provided as follows:

– Diamond account — Note 2
– Investment income — Note 3
– Investments — Note 18
– Contingent liabilities — Note 20

23.2 *Amounts due by and to related parties*

Debtors includes amounts due by related parties of $68 million (1998: $108 million)
Creditors includes amounts due to related parties of $55 million (1998: $16 million)

23.3 *Subsidiaries*

Details of investments in major subsidiaries are disclosed on pages 125 and 126.

23.4 *Retirement benefits*

Information relating to pension fund arrangements is disclosed in Note 21.

23.5 *Shareholders*

Details of major shareholders are disclosed on page 108.

23.6 *Directors*

Directors' remuneration is disclosed in note 10. Details of directors' shareholdings are on page 108.

interests in major **subsidiary companies**

31 DECEMBER 1999

Company		Issued ordinary share capital unless otherwise stated 1999	1998	Percentage held directly or indirectly 1999	1998	Book value of company's direct interest 1999	1998
Incorporated in Luxembourg		US$ m	US$ m			US$ m	US$ m
Finance and investment							
Centenary Holdings S.A.		40	38	100	100	[illegible]	323
Incorporated in Switzerland		SFr m	SFr m				
Diamond trading							
DCS Corporation AG		–	–	100	100	3	4
Finance and investment							
Centenary Depository AG		–	–	100	100	–	–
Incorporated in the Isle of Man		US$ m	US$ m				
Diamond manufacturing and processing							
Diarama Products Limited	Ordinary	–	–	100	100		
	A shares	–	–	100	100		
Finance and investment							
De Beers Centenary Finance plc		–	–	100	100		
De Beers Industrial Diamonds Limited	Ordinary	–	–	100	100	38	44
	Warrants	–	–	100	100		
Incorporated in Belgium		BFr m	BFr m				
Finance and investment							
Herdin Holding NV		794	794	100	100		
Incorporated in Bermuda		US$ m	US$ m				
Administration							
Adamas Limited		–	–	100	100		
Adamant Limited		–	–	100	100		
Diamond trading							
DCS Corporation Limited		–	–	100	100		
Corriedale Limited		–	–	100	100		
Incorporated in Botswana		P m	P m				
Diamond trading							
De Beers Botswana (Proprietary) Limited		–	–	100	100		
Incorporated in the British Virgin Islands		US$ m	US$ m				
Finance and investment							
Dalbon Holdings Limited		–	–	100	100		
Felton Holdings Limited		–	–	100	100		
Property							
De Beers Centenary Angola Properties Limited		–	–	100	100		
Incorporated in Canada		CA$ m	CA$ m				
Administration services							
De Beers Canada Corporation		–	–	100	100		
Incorporated in the Cayman Islands		US$ m	US$ m				
Finance and investment							
Cheviot Holdings Limited (†)		–	–	100	100	316	366
International Mercantile Bank Limited		10	10	100	100		
Incorporated in Germany		DEM m	DEM m				
Manufacturing							
Inlapo Hartfeld GmbH & Co		8	8	50	50		
H Hummelshoff GmbH & Co KG		2	2	100	100		

SAHA
ARCHIVE FOR JUSTICE

interests in major
subsidiary companies

31 DECEMBER 1999

Company		Issued ordinary share capital unless otherwise stated 1999	1998	Percentage held directly or indirectly 1999	1998	Book value of company's direct interest 1999	1998
Incorporated in Ireland		I£ m	I£ m				
Administration and technical services							
De Beers Industrial Diamonds (Ireland)	A shares	–*	–*	100	100		
	B shares	–*	–*	100	100		
Diamond manufacturing and processing							
International Diamond Products	Ordinary	–*	–*	50	50		
	[illegible]	–*	–*	[illegible]	50		
Incorporated in Liberia		US$ m	US$ m				
Diamond trading							
Polestar Limited		–*	–*	100	100		
Property							
[illegible]		–*	–*	100	100		
Incorporated in Namibia		N$ m	N$ m				
Diamond trading							
Prime Trading (Proprietary) Limited		–*	–*	100	100		
Finance and investment							
Namib Finance Corporation (Proprietary) Limited		2	2	100	100		
Incorporated in the Netherlands		NLG m	NLG m				
Finance and investment							
Anlin BV		–*	1	100	100		
Manufacturing							
Drukker International BV	A shares	–*	–*	100	100		
	B shares	–*	–*	100	100		
Incorporated in Panama		US$ m	US$ m				
Diamond trading							
Purcell Limited Inc		–*	–*	[illegible]	80		
Incorporated in Sweden		SEK m	SEK m				
Diamond manufacturing and processing							
Scandiamant AB		20	20	50	50		
Incorporated in Tanzania		TSh m	TSh m				
Diamond trading							
The Diamond Corporation Tanzania Limited		5	5	100	100		
Incorporated in the United Kingdom		£ m	£ m				
Air charter							
Dravidian Air Services Limited		–*	–*	100	100		
Diamond trading							
City and West East Limited		–*	–*	100	100		
Manufacturing							
Mosiloy Limited		3	3	50	50		
Property							
Dicorprop Limited		–*	–*	100	100		

*Nominal value

(†) Amount due by subsidiary company US$218 million (1998: US$ 246 million)

The aggregate after-tax earnings and losses attributable to the Company from its subsidiaries are:

	US$ millions 1999	1998
Earnings	727	633
Losses	306	465

list of
material investments

31 DECEMBER 1999

Listed investments of the group	Units held 1999	1998	Market value US$ millions 1999	1998
Mining finance and investment			1 810	829
Anglo American plc*	27 196 920		1 810	
Minorco S.A.		50 683 405		[illegible]
Zambia Copper Investments Limited		20 797 026		30
Gold mining				5
AngloGold Limited		126 718		
Total market value			1 810	834

Unlisted investments of the group	Units held 1999	1998	Directors' valuation US$ millions 1999	1998
Mining finance and investment			30	37
Sibeka Société d'Entreprise et d'Investissements S.A.	206 889	206 889		
Industrial and commercial				10
Anglo Middle Eastern Holdings Limited		9 500		
Trade investments			2 150	2 045
Antwerpse Diamantbank N.V.	986 218	986 218		
Debswana Diamond Company (Proprietary) Limited*				
– Ordinary	78 195 000	77 195 000		
– Preference	8 000 005	8 000 000		
Namdeb Diamond Corporation (Proprietary) Limited*	4 956 950	4 956 950		
Other				
Sundry				31
Total directors' valuation			2 180	2 123

*Associated company

Associated companies of the group	Percentage held 1999	1998	Financial year	Year for equity accounting
Anglo American plc	6,7		31-12	30-06-99
Debswana Diamond Company (Proprietary) Limited	50,0	50,0	31-12	N/A
Minorco S.A.		22,6	31-12	31-12-98
Namdeb Diamond Corporation (Proprietary) Limited	50,0	50,0	31-12	N/A

Additional information is provided in the section entitled Investments

approval of annual financial statements

The annual financial statements which appear on pages 129 to 132 have been approved by the board of directors and are signed on its behalf by:

N F OPPENHEIMER
Director

7 March 2000

G M RALFE
Director

7 March 2000

report of the statutory auditors

To the general meeting of
De Beers Centenary AG

As statutory auditors, we have examined the accounting records and the financial statements of De Beers Centenary AG for the year ended 31 December 1999 presented by the board of directors in accordance with the Swiss Code of Obligations, as set out on pages 129 to 132.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we comply with the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession and with International Standards of Auditing issued by the International Federation of Accountants, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available retained earnings comply with the Swiss Code of Obligations and the company's Articles of Association.

We recommend that the financial statements submitted to you be approved.

Deloitte Pim Goldby GmbH
Auditors in charge

A K Hausmann
Chartered Accountant
Lead Auditor

D Wallace
Chartered Accountant (South Africa)
Lead Auditor

Zug

7 March 2000

company income statement

FOR THE YEAR 1999

	Notes	1999 (Sfr millions)	1998 (Sfr millions)
Investment income	1	32	34
Deduct:			
Administration expenditure		3	4
Net income before taxation		29	30
Deduct:			
Taxation	2	2	2
Net earnings		27	28
Retained on:			
Non-distributable reserve	8	1	14
Distributable reserve	9	9	(20)
Dividends paid	3	17	34
		27	28

company balance sheet

31 DECEMBER 1999

	Notes	1999 (Sfr millions)	1998 (Sfr millions)
Capital employed:			
Share capital and premium	7	1 051	1 016
Non-distributable reserve	8	31	30
Distributable reserve	9	316	307
		1 398	1 353
Represented by:			
Investments	10	1 051	1 016
Net current assets		347	337
Current assets		351	340
Amounts due by subsidiary companies		348	340
Debtors		3	
Current liabilities		4	3
Taxation		2	2
Creditors		1	1
Amounts due to subsidiary companies		1	
		1 398	1 353

	SFr millions 1999	1998
1 Investment income		
Dividends from subsidiary companies	22	24
Interest from subsidiary companies	10	10
	32	34
2. Taxation		
Tax on capital and reserves	2	2
3. Dividends paid		
Dividend of SFr 4,– per share (1998: SFr 8,– per share) approved by the shareholders on 11 May 1999	17	[illegible]
4. Directors' remuneration		
Executive directors		
Fees	0,4	0,4
Non-executive directors		
Fees	0,5	0,4
5. Auditors' remuneration		
Audit fees	0,1	0,1
6. Remuneration other than to employees		
Payments for technical, administrative and secretarial services made to persons other than employees	1	1
7. Share capital and premium		
7.1 *Authorised and issued*		
4 507 476 (1998: 4 327 715) shares of a nominal value of SFr. 200,– each	901	866
Share premium	150	150
Total issued share capital and premium	1 051	1 016

7.2 Each issued De Beers Centenary AG share is twinned with a participation certificate issued by De Beers Centenary's wholly owned subsidiary, Centenary Holdings (a company incorporated as a société anonyme in accordance with the laws of Luxembourg) to form a Centenary unit in accordance with the provisions of their articles of association and articles of incorporation, respectively.

Each depositary receipt, of which 399 687 695 are linked to an equivalent number of De Beers Consolidated Mines Limited deferred shares, represents the right and interest exercisable against the Depositary in respect of an undivided one hundredth share in and to the rights, privileges and benefits arising from or relating to a Centenary unit deposited with and held by the Depositary in terms of the deposit agreement dated 29 May 1990 between De Beers Centenary AG, its wholly owned subsidiary Centenary Depositary AG and De Beers Consolidated Mines Limited.

notes to the company
financial statements

31 DECEMBER 1999

	1999	1998
7. Share capital and premium *(continued)*	Depositary receipts	
Depositary receipts in issue	450 742 600	432 766 500
50 Centenary units equivalent to depositary receipts	5 000	5 000
	450 747 600	432 771 500

7.3 The report of the directors contains a list, extracted from the records of the Depositary, of depositary receipt holders whose holding entitles them to five percent or more of the voting rights.

	SFr millions 1999	1998
8. Non-distributable reserve		
Legal reserve		
Balance at beginning of the year	30	16
Transferred from the income statement	1	14
Balance at end of the year	31	30
9. Distributable reserve		
Retained earnings		
Balance at beginning of the year	307	327
Transferred from (to) the income statement	9	(20)
Balance at end of the year	316	307
10. Investments		
Unlisted wholly owned subsidiary companies at cost	1 051	1 016
11. Commitments and contingent liabilities		
There are obligations in respect of facilities extended to subsidiary companies amounting to	780	1 161

12. These financial statements have been prepared in accordance with the provisions of the Swiss Code of Obligations.

SAHA ARCHIVE FOR JUSTICE

proposal for the appropriation of retained earnings

	SFr thousands
Available retained earnings	316 290
Proposed appropriation	
Transfer to legal reserve	1 400
Dividend	18 030
Balance carried forward	296 860
	316 290

The proposed dividend of SFr 4.– per share will, if approved, be paid to Centenary Depositary AG for distribution to Centenary depositary receipt holders in accordance with the Deposit Agreement dated 29 May 1990.

The Board of Directors

7 March 2000

report of the auditors on the increase in share capital

Deloitte Pim Goldby GmbH

[illegible] Telephone [illegible]
CH [illegible] Zug Telefax [illegible]

8 December 1999

To the Board of Directors
De Beers Centenary AG
Langensandstrasse 27
CH 6000
LUZERN 14

Dear Sirs

Report of the Statutory Auditors on the Report of Capital Increase
pursuant to Article 652e CO
of the Board of Directors of De Beers Centenary AG
dated 8 December 1999

As statutory auditors of your company, we have audited the Report of Capital Increase dated 8 December 1999, in accordance with the provisions of Article 652f of the Swiss Code of Obligations.

The Report on the Increase in Share Capital is the responsibility of the Board of Directors. Our responsibility is to express an opinion on this report based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession in Switzerland, which require that an audit be planned and performed to obtain reasonable assurance about whether the Report on the Increase in Share Capital is free from material misstatement. We believe that our audit provides a reasonable basis for our opinion.

Based on our examination, we conclude that the information contained in the Report of Capital Increase dated 8 December 1999 is complete and correct, complies with the legal requirements and is in accordance with the resolution of the general meeting of shareholders dated 11 May 1999.

In particular, the value of the assets being contributed, being a claim against Sibir Limited, a company incorporated in the British Virgin Islands in the amount of US$ 25 674 093 is at least equal to 179 761 De Beers Centenary AG shares of CHF 200 par value each to be issued at par.

for Deloitte Pim Goldby GmbH
Zug

D Wallace *(lead auditors)* A K [illegible]

SAHA ARCHIVE FOR JUSTICE

notice of annual general meeting

AGM on 9 May in Luzern

Notice is hereby given that the tenth annual general meeting of shareholders of De Beers Centenary AG will be held at the Grand Hotel National, Luzern, Switzerland on Tuesday, 9 May 2000 at 12:15.

Agenda and motions:

1. To receive the reports of the Auditors and Group Auditors for the financial year ended 31 December 1999.

2. To receive and adopt the Report of the Directors, the annual financial statements of the Company and of the group as at and for the year ended 31 December 1999.

   The following motion will be proposed as Resolution No. 1:

   "That the Report of the Directors for the year ended 31 December 1999, together with the annual financial statements of the Company and of the group as at and for the year ended 31 December 1999 respectively, be approved and adopted."

3. To approve the appropriation of retained earnings as recommended in the Report of the Directors and to declare a dividend of SFr 4.- per share (equal to 4 centimes per Centenary depositary receipt).

   The following motion will be proposed as Resolution No. 2:

   "That the appropriation of retained earnings as recommended in the Report of the Directors be accepted and approved, including the declaration of a dividend of SFr 4.- per share (equal to 4 centimes per Centenary depositary receipt) payable on 24 May 2000 to shareholders registered in the Company's register of shareholders on Friday, 31 March 2000."

4. To ratify and confirm the actions of all persons who held office as members of the Board of Directors.

   The following motion will be proposed as Resolution No. 3:

   "That the actions of all persons who held office as members of the Board of Directors of the Company during the year ended 31 December 1999 be ratified and confirmed."

5. To elect an additional director and to re-elect those directors of the Company retiring in accordance with the articles of association and the regulations on the organisation issued by the board.

   The following motion will be proposed as Resolution No. 4:

   "That Mr P A Samner be elected and Mr B Ainsley, Dr J W Campbell and Mr J Ogilvie Thompson be re-elected as members of the Board of Directors of the Company for a period of four years, until the conclusion of the annual general meeting to be held in 2004."

6. To re-elect Deloitte Pim Goldby GmbH as the Auditors and Group Auditors of the Company.

   The following motion will be proposed as Resolution No. 5:

   "That Deloitte Pim Goldby GmbH be re-elected as the Auditors and Group Auditors of the Company for a period of one year, until the conclusion of the annual general meeting to be held in 2001."

7. To approve an amendment to the articles of association of the Company by the introduction of a new Article, to be numbered 30, in terms of which an offeror will not be bound by the obligation to make a public offer under the Swiss Federal Act on Stock Exchanges and Securities Trading.

   The following motion will be proposed as Resolution No. 6:

   "That the articles of association of the Company be amended by the addition of the following new article:

   > *30. To the extent that the Federal Act on Stock Exchanges and Securities Trading applies to the Company, an acquirer of shares of the Company is not obliged to make a public bid in accordance with Articles 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading (Opting-out)".*

The following documents will be available for shareholders at the Head Office of the Company (Langensandstrasse 27, CH-6000 Luzern 14, Switzerland) from 17 April 2000 onwards: the Report of the Directors, incorporating the proposal of the directors relating to the appropriation of retained earnings and declaration of a dividend, the annual financial statements of the Company and of the group and the Auditors' and Group Auditors' reports.

notice of annual general meeting continued

Registered shareholders shall be entitled to attend, speak and vote at the meeting either in person or by proxy. A proxy need not be a shareholder. Shareholders wishing to attend the meeting by proxy may complete the form of proxy which accompanies this Notice. Shareholders may be required to produce their share certificates at the meeting and to establish their identity to the satisfaction of the directors.

Proxies for deposited shares as contemplated in article 689d of the Swiss Code of Obligations are hereby requested to notify the Company by no later than 12:15 on Friday, 5 May 2000 of the amount of shares they represent. Proxies for deposited shares are deemed to be those institutions which are subject to the Swiss Federal Act on Banks and Savings Banks of 8 November 1934 as well as professional asset managers.

The holders of Centenary depositary receipts issued by Centenary Depositary AG will be entitled, in accordance with the terms and conditions of such Centenary depositary receipts, to attend and speak (but not to vote) at the annual general meeting or to appoint a proxy to attend and speak thereat in their stead.

DE BEERS CENTENARY AG — Luzern
The Board of Directors

17 April 2000

SAHA ARCHIVE FOR JUSTICE

SAHA ARCHIVE FOR JUSTICE

Information for linked unit holders

Financial calendar

Financial year ends			31 December
DATES OF MEETINGS			
DBCAG annual general meeting, Luzern		12:15	9 May 2000
DBCM annual general meeting, Kimberley		14:15	23 May 2000
AVAILABILITY OF FINANCIAL STATEMENTS			
Combined provisional annual financial statements	published		9 March 2000
Annual financial statements for both groups	posted		17 April 2000
Combined interim reports	published		17 August 2000
DIVIDEND DATES			
Final dividend			
DBCM	declared		23 March 2000
DBCAG group	declared		23 March and 9 May 2000
	record date		31 March 2000
	payment date		24 May 2000
Interim dividend			
DBCM and DBCAG group	declared		15 August 2000
	record date		8 September 2000
	payment date		18 October 2000

Explanation of the De Beers linked units

A De Beers linked unit, as more fully described in the Reports of the Directors of both DBCM and DBCAG, comprises a DBCM linked deferred share and a depositary receipt issued by Centenary Depositary AG (a wholly owned subsidiary of DBCAG).

The linking provisions are contained both in an agreement between the two companies and Centenary Depositary AG (which company's purpose is to act as a depositary) and the articles of association of DBCM, which provide, inter alia, that each issued DBCM linked deferred share is only tradeable as part of a linked unit, and accordingly no DBCM linked deferred share is transferable unless a corresponding depositary receipt is concurrently transferred to the same transferee.

There were 450 742 600 depositary receipts in issue at 31 December 1999. Of this, 399 687 695 were linked to a like number of issued DBCM deferred shares.

Stock exchange listings

The De Beers linked units are listed on the stock exchanges in Johannesburg, London, Paris, Brussels, Frankfurt, Botswana, Namibia and on the Swiss Exchange.

Currency conversion guide

The following currency conversion guide is provided for the information of linked unit holders.

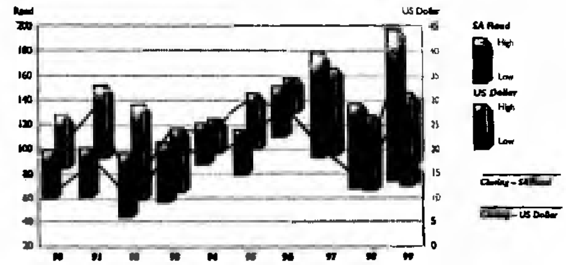
At 31 December one Rand was worth approximately:	1999	1998
US Dollar	0,16	0,17
Swiss Franc	0,26	0,24
Botswana Pula	0,75	0,76
Namibian Dollar	1,00	1,00
Pound Sterling	0,10	0,10
Deutschemark	0,32	0,29
French Franc	1,06	0,96
Belgian Franc	6,52	5,90
Canadian Dollar	0,24	0,26
Japanese Yen	16,59	19,38

At 31 December one US Dollar was worth approximately:	1999	1998
South African Rand	6,15	5,86
Swiss Franc	1,60	1,38
Botswana Pula	4,63	4,46
Namibian Dollar	6,15	5,86
Pound Sterling	0,62	0,60
Deutschemark	1,94	1,68
French Franc	6,52	5,62
Belgian Franc	40,12	34,61
Canadian Dollar	1,45	1,55
Japanese Yen	102,08	113,60

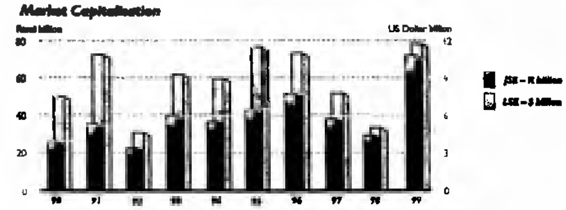
The exchange rates which will be used to determine the actual final dividends to be paid on 24 May 2000 will be the rates prevailing on the currency conversion date of 3 April 2000.

Information for linked unit holders continued

De Beers linked unit prices



Market Capitalisation



Analysis of linked unit holders as at 31 December 1999

HOLDING

	1 to 5 000		Over 5 000		Total			
	Holders	Linked units	Holders	Linked units	Holders	Per cent	Linked units	Per cent
Individuals	14 164	6 120 944	170	5 534 142	14 334	86,6	11 655 086	2,9
Insurance companies	15	9 412	7	[illegible]	[illegible]	0,1	[illegible] 712	[illegible]
Pension funds	27	49 772	[illegible]	[illegible]	[illegible]	0,3	[illegible]	[illegible]
Nominee companies*	1 375	808 730	154	216 254 747	[illegible]	[illegible]	[illegible]	[illegible]
Other corporate bodies	[illegible]	507 739	95	164 386 809	605	3,7	[illegible]	[illegible]
Bearers	–	–	–	4 301 600	–	–	[illegible]	[illegible]
Totals	16 091	7 496 597	454	392 191 098	16 545	[illegible]	[illegible]	[illegible]

*Includes the holdings of 3 333 participants in the De Beers Employee Shareholder Scheme.

Details of the major share[illegible] DBCM and DBCAG are given on pages 76 and 108 respectively.

contact addresses
continued

Representatives of De Beers in various countries can be contacted at the following addresses:

ANGOLA
Avenida Rainha Ginga 74 – 70
Luanda

AUSTRALIA
16 Wilson Street, South Yarra
Victoria 3141

BELGIUM
Andrea Building – 3rd Floor
Schupstraat 21, 2018 Antwerp

BOTSWANA
Barclays House, Khama Crescent
Private Bag 00280, Gaborone

CANADA
Suite 1508,
999 West Hastings Street,
Vancouver, BC, V6C 2W2
or
1 William Morgan Drive
Toronto, Ontario M4H 1N6

CHINA
Room 946, Block 2
Henderson Centre, No. 18 Jian Guo
Men Nei Avenue, Beijing 100005

HONG KONG
26th Floor, Kinwick Centre
32 Hollywood Road, Central

INDIA
Advanced Business Centre
83 Maker Chambers VI
Nariman Point, Mumbai 400 021
or
E-62 Malcha Marg
Chanakyapuri, New Delhi 110021

ISRAEL
Maccabi Building – Room 2037-8
1 Jabotinsky Street
Ramat Gan 52 520

NAMIBIA
4th Floor, Namdeb Centre
10 Bülow Street, Windhoek 9000

RUSSIA
2nd Floor, 7 Chayanova Street
Moscow 125047

La version française de ce rapport peut être obtenue aux adresses suivantes:

Centenary Depositary AG
Langensandstrasse 27
CH-6000 Lucerne 14

CSO Valuations AG
17 Charterhouse Street
GB-London EC1N 6RA

Barclays Bank PLC
45, Boulevard Haussmann
F-75315 Paris Cedex 09

Banque Bruxelles Lambert SA
Avenue Marnix 24
B-1000 Bruxelles

Générale de Banque
B.I.S. (R.A.) 23/4
Montagne du Parc 3
B-1000 Bruxelles

Antwerpse Diamantbank NV
Pelikaanstraat 54
B-2018 Anvers

UBS AG
Infomanagement I/OCCE
Case Postale
CH-8098 Zurich

Banque Internationale à Luxembourg
Listings and Fiscal Agencies
69 route d'Esch
L-2953 Luxembourg

Credit Suisse First Boston
Uetlibergstrasse 231
CH-8070 Zurich

Eine deutsche Fassung dieser Publikation ist erhältlich von:

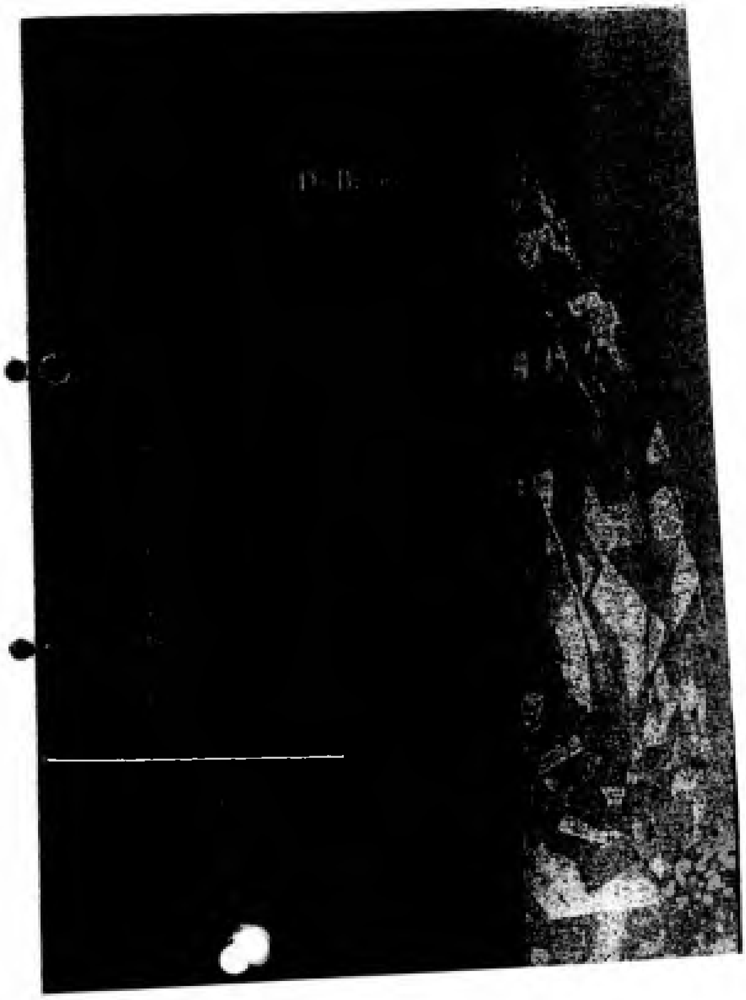
Centenary Depositary AG
Langensandstrasse 27
CH-6000 Luzern 14

CSO Valuations AG
17 Charterhouse Street
GB-London EC1N 6RA

Credit Suisse First Boston
Uetlibergstrasse 231
CH-8070 Zürich

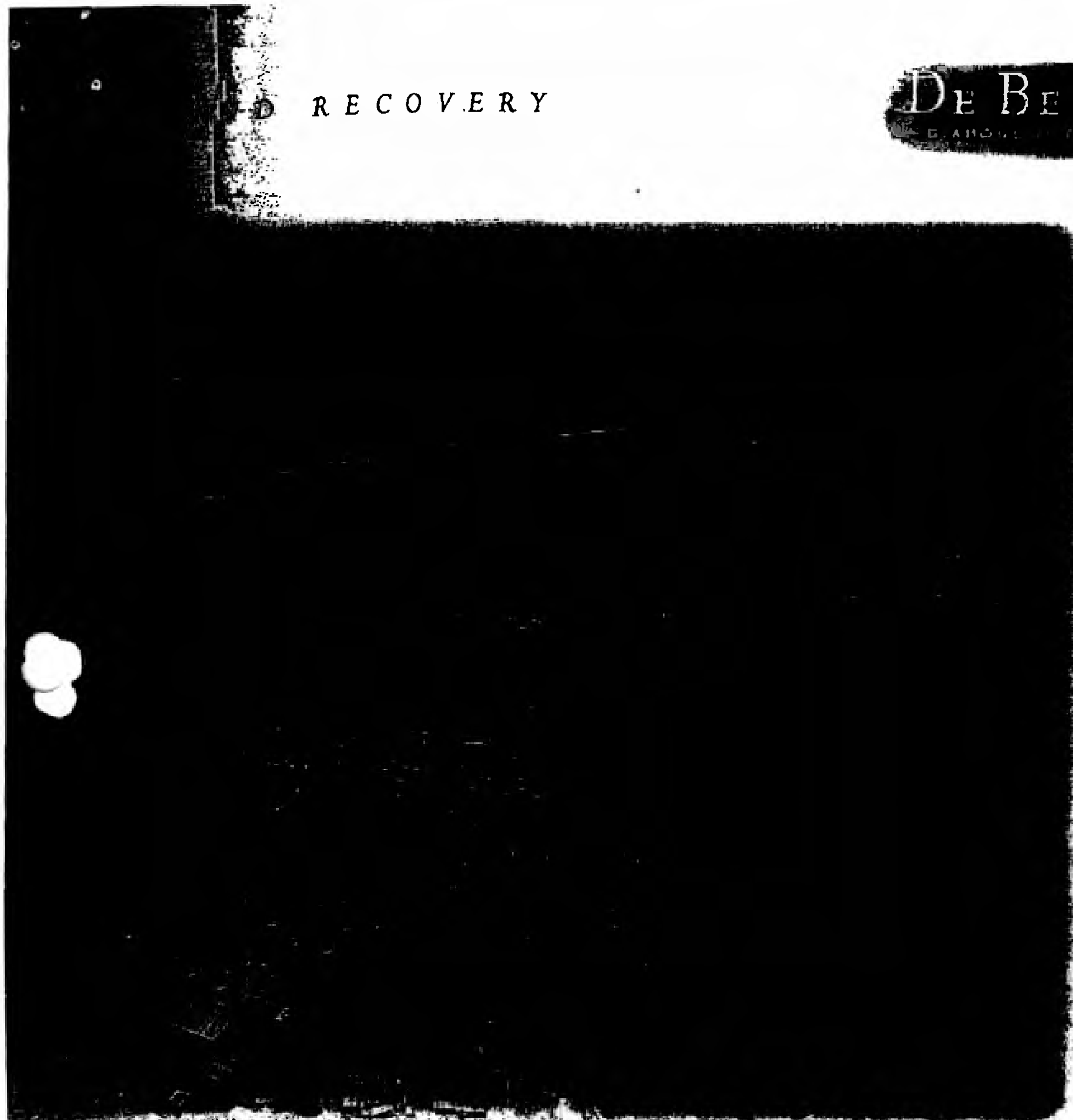
UBS AG
Infomanagement I/OCCE
Postfach
CH-8098 Zürich

Deutsche Bank AG
Taunusanlage 12
D-60325 Frankfurt am Main



DE BEERS

SAHA
ARCHIVE FOR JUSTICE



At Kimberley mines a full feasibility study for the construction of a new treatment plant to recover previously uneconomic resources will be completed during 1999.

PRODUCTION

	Metric tons treated		Carats recovered		Carats per 100 metric tons	
	1998	1997	1998	1997	1998	1997
Finsch	3 969 000	3 739 000	2 165 060	2 225 779	54,5	59,5
Kimberley	4 170 000	3 792 000	682 924	612 160	16,4	16,1
Koffiefontein	2 302 000	2 058 000	158 392	136 179	6,9	6,6
Namaqualand	6 069 000	5 701 000	768 480	796 219	12,5*	13,8*
Premier	3 058 000	3 203 000	1 391 670	1 452 055	45,5	45,3
Venetia	3 326 000	3 414 000	4 495 489	4 336 190	135,2	127,0
TOTAL	22 894 000	21 907 000	9 662 015	9 558 582		

* *The grade calculation excludes 7 758 carats (1997: 8 571 carats) produced by surf zone contractors.*

SAHA ARCHIVE FOR JUSTICE

Review of Operations

of the flood, the road to the Buffels Marine Complex (BMC) was washed away and no access was available for four days. At the Buffels Inland Complex (BIC), ore could not be transported from the mining area to the treatment plant for five weeks.

Overburden stripped increased by 1 193 000 tons to 23 935 000 tons, of which 47 per cent was stripped by the dragline operating on a two-shift basis, 42 per cent by shovel and articulated dump truck, and 11 per cent by the 631 scraper fleet.

At the BMC, where 4 196 000 tons were treated, including tailings re-treatment and contractor mining, the AK3 plant continued operating on a single-shift basis, with Tweepad plant on three shifts.

At the Koingnaas Complex (KNC), the Koingnaas and Michells Bay plants operated on a two-shift and single-shift basis respectively, treating a total of 1 210 000 tons.

At the BIC, 295 000 tons of ore was treated at the Langhoogte plant on a double-shift basis.

Continued efforts to improve efficiency resulted in tons per man year improving by five per cent over the record achieved in 1996. Further initiatives are planned to increase efficiency, including in-field screening at the BMC in order to remove waste fines prior to ore hauling and treatment, and in-field scalping at the KNC, in order to remove oversize waste from the ore.

Premier mine

H G Gastrow – *General Manager*

Underground production at Premier was sourced from the BA5 mechanised block cave, the BB1 East undercut and, to a lesser extent, the old L2 block. Mining in the L1 block ceased in early 1997 owing to resource depletion.

110 000 tons were re-treated from the old tailings dump compared with 336 000 tons in 1996.

Salvage operations in the old L blocks and infrastructure development in the BB1 East block cave continued throughout the year.

The pre-feasibility study to assess the viability of a further block cave was sufficiently encouraging to warrant a similar assessment of the viability of modernising the treatment plant and of commencing sampling of the resource below the current production horizons.

With a view to upgrading skills and competence levels, considerable effort was devoted to adult education, performance management and career pathing initiatives.

Outsourcing of all non-core activities continues to benefit the mine. Most residential properties in the village of Cullinan have been transferred into private ownership, and negotiations for the transfer of municipal services have commenced with the local authority. Cullinan continues to be a popular destination for local and overseas tourists and a number of small and medium sized enterprises have been established in response.

Venetia mine

H R Rood – *General Manager*

At Venetia mine, the recovered grade decreased marginally as a result of additional treatment of lower grade K6, K7 and K10 kimberlites intersected in the waste cuts of the K1 pit.

Of the kimberlite mined, 2 853 000 tons were sourced from the K1 pit, 310 000 tons from the K2 pit and 251 000 tons from the other kimberlites. Waste stripping amounted to 9 001 000 tons from both the K1 and K2 pits compared with 7 927 000 tons for 1996.

The environmental review completed during the year has identified further environmental objectives which will be addressed in 1998. It is intended to gain ISO 14001 accreditation towards the end of 1999.

Production

	Metric tons treated		Carats recovered		Carats per 100 metric tons	
	1997	1996	1997	1996	1997	1996
Finsch	**3 739 000**	3 550 000	**2 225 779**	2 078 785	**59,5**	58,6
Kimberley	**3 792 000**	3 278 000	**612 160**	561 024	**16,1**	17,1
Koffiefontein	**2 058 000**	1 913 000	**136 179**	137 643	**6,6**	7,2
Namaqualand	**5 701 000**	5 337 000	**796 219**	706 548	**13,8***	13,0*
Premier	**3 203 000**	3 266 000	**1 452 055**	1 618 248	**45,3**	49,5
Venetia	**3 414 000**	3 341 000	**4 336 190**	4 283 929	**127,0**	128,2
Total	**21 907 000**	20 685 000	**9 558 582**	9 386 177		

* *The grade calculation excludes 8 571 carats (1996: 10 921 carats) produced by surf zone contractors.*

SAHA ARCHIVE FOR JUSTICE

Review of operations

At Dutoitspan mine a relatively high grade core of ore of some 300 000 tons, located within the low grade Dorstfontein ore body, has been identified for mining by means of the vertical crater retreat method. It is envisaged that the successful employment of this mass mining method may pilot the way to a future method of exploiting large volumes of low grade underground ore reserves located within the Kimberley mines.

Attention is being given to finding economic means of re-opening the Kamfersdam mine and to the retreatment of dump material, as a way of extending the life of the Kimberley operations, whose underground mines on present plans are due to close shortly after the turn of the century. The underground mine plans also continue to be under regular review.

Koffiefontein mine

Production was lifted by 138 000 tons over the 1995 figure in order to compensate for the lower-than-expected recovered grade during the first nine months of 1996.

Tonnage was sourced from the 290, 320 and 370 metre levels using blast hole open stoping and sub-level caving mining methods. Development tunnelling amounted to 4 056 metres and included infrastructure for the front cave mining method.

The front cave on the 480 and 490 metre levels reached the vertical slot position during the year in preparation for the start of undercutting during 1997.

Also in the Free State, plans are in hand to commence bulk sampling of the Jagersfontein dumps early in 1998, with a view to the establishment on these dumps of a commercial retreatment operation. Sampling will start shortly on the dormant Voorspoed mine with a view to reassessing the economics of bringing it back into production.

Namaqualand mines

Overburden stripped increased slightly to 22 742 000 tons, of which 45 per cent was carried out by the drag-line operating on a two-shift per day basis, 44 per cent by shovel and articulated truck and the balance by the traditional scraper method.

The increased throughput in 1996 amounting to 1 960 000 tons was attributable to the re-opening at the Buffels marine complex of the Tweepad plant which resumed production at the start of 1996 with three shifts per day. The AK 3 plant reduced operations from a two-shift basis to a single-shift operation in order to make its lifespan equal to that of Tweepad. 3 837 000 tons of ore were treated at the complex to achieve a total production (including tailings re-treatment, contractor mining and prospecting) of 280 634 carats, of which Tweepad contributed 127 098 carats. The production grade of the complex was 7,2 carats per 100 tons.

The lower overall grade is also the direct result of the volume of production that came from the treatment of low-grade ore at the Tweepad plant.

At the Koingnaas complex, the Koingnaas and Michells Bay plants operated on a two-shift and single-shift basis respectively, treating a total of 1 196 000 tons of ore. Including contractor operations and prospecting, output reached 392 307 carats at an average grade of 32,1 carats per 100 tons.

At the Buffels inland complex, 305 000 tons of ore were treated at the Langhoogte plant on a double-shift basis. This produced 33 606 carats at a grade of 11,0 carats per 100 tons.

The main new development in 1996 was the re-commissioning of the Tweepad plant. During both the pre-production commissioning period as well as throughout the year numerous modifications were made to the plant, aimed at improving productivity and security.

Production

	Metric tons treated		Carats recovered		Carats per 100 metric tons	
	1996	1995	1996	1995	1996	1995
Finsch	3 550 000	3 496 000	2 078 785	1 722 597	58,6	49,3
Kimberley	3 278 000	3 315 000	561 024	593 630	17,1	17,9
Koffiefontein	1 913 000	1 775 000	137 643	123 213	7,2	6,9
Namaqualand	5 337 000	3 377 000	706 548	623 985	13,0*	18,1*
Premier	3 266 000	3 666 000	1 618 248	1 633 297	49,5	44,6
Venetia	3 341 000	3 192 000	4 283 929	4 353 419	128,2	136,4
Total	20 685 000	18 821 000	9 386 177	9 050 141		

** The grade calculation excludes 10 921 carats (1995: 11 839 carats) produced by surf zone contractors.*

Review of operations

Safety performance in terms of the NOSA grading improved by four per cent and the mine retained its NOSA Five Star grading after an unannounced audit in November 1995. The disabling-injury incidence rate of 0,91 at the end of 1994 improved by 36 per cent to 0,58 at the end of 1995.

Kimberley mines

As in previous years, production from the Dutoitspan mine came from the 870 metre block cave while Bultfontein mine's output was derived from both the 845 metre block cave and the 720 to 750 metre rim loading section. At Wesselton mine, production continued from the 995 metre block cave, drift construction of which was completed during the second quarter of 1995.

Tailings dump treatment continued throughout the year, with these sources providing 46 per cent of the total plant headfeed.

The mining of debris dumps by a mining contractor continued during the year, with the treatment of 577 000 tons at an average grade of 8,5 carats per 100 tons yielding 48 935 carats.

The disabling-injury incidence rate for 1995 was 0,70 compared with 0,42 in 1994.

Koffiefontein mine

Throughput at Koffiefontein mine increased by 133 000 tons in response to a decrease in grade as a result of sidewall failure and a commensurate increase in waste dilution. Plant feed included 9 000 tons of surface material. Diamond production totalled 123 213 carats at an average grade of 6,9 carats per 100 tons.

Production tonnage was derived from the 270, 290 and 370 metre levels. Lateral development amounted to 2 655 metres, mainly on the 290, 320, 370, 480 and 490 metre levels.

Regrettably, three disabling injuries were recorded as a result of which the disabling-injury incidence rate deteriorated during the year from 0,24 in 1994 to 0,32 in 1995. However at the end of June, one million disabling injury free man hours were achieved.

Namaqualand mines

An increase of 6 300 000 tons to 22 484 000 tons of overburden stripped during 1995, in preparation for the re-opening of the Tweepad plant, was achieved mainly by changing the dragline to a two-shift per day operation.

At the Buffels marine complex, the AK3 plant operated on a two-shift basis, with the bulk sample plant operating on a single shift. From 1 926 000 tons of ore treated, carat production, including tailings re-treatment, contractor mining and prospecting, was 201 996 carats at an average production grade of 10,5 carats per 100 tons. Scraper stripping operated on a single shift and the dragline on two shifts per day.

Tweepad plant was refurbished during the year in preparation for production to resume on three shifts per day in 1996. The AK3 plant will change to a one-shift operation in order to equalise the lifespan of these two plants. The overall result is that diamond production for 1996 is forecast to increase by some 12 per cent.

At the Buffels inland complex, 300 000 tons of ore were treated at the Langhoogte plant on a two-shift basis, which yielded 49 081 carats at an average grade of 16,4 carats per 100 tons.

At the Koingnaas complex, the Koingnaas and Michells Bay plants operated on a two-shift and single-shift basis respectively, treating a total of 1 151 000 tons of ore. Carat production including contractor mining and prospecting was 372 908 carats at an average grade of 32,4 carats per 100 tons.

Production

	Metric tons treated		Carats recovered		Carats per 100 metric tons	
	1995	1994	1995	1994	1995	1994
Finsch	3 496 000	3 163 000	1 722 597†	2 253 448	49,3†	71,2
Kimberley	3 314 000	3 311 000	593 630	595 128	17,9	18,0
Koffiefontein	1 775 000	1 642 000	123 213	127 725	6,9	7,8
Namaqualand	3 377 000	3 392 000	623 985	662 302	17,9*	19,1*
Premier	3 666 000	3 665 000	1 633 297	1 666 732	44,6	45,5
Venetia	3 192 000	4 153 000	4 353 419	4 922 388	136,4	118,5
Total	18 820 000	19 326 000	9 050 141	10 227 723		

† *See text*

* *The grade calculation excludes 11 839 carats (1994: 12 704 carats) produced by surf zone contractors.*

Cape Argus
BUSINESS

28 MAY 2008

will be sold individually and could go for a total of more than £2 million.

The offerings are expected to attract worldwide interest.

Toyota to build third battery plant

Toyota says it's building its third plant in Japan for producing batteries that are key components for hybrid vehicles.

Just last week it announced that it was building a second such battery plant.

Like the second plant, the new factory will be a joint venture with Matsushita Electric Industrial Co.

Toyota said yesterday it planned to set up the 30 billion yen plant in Miyagi prefecture, in northern Japan.

It expects it to be running by 2010.

Task team to probe exports by De Beers

Parliament agreed yesterday to the formation of a new task team to investigate the records of diamond giant De Beers, which is alleged to have exported a large quantity of diamonds to London in the 1990s.

Some legislators have alleged that De Beers exported large volumes of gems in the period leading to black majority rule, a time of capital flight and tax avoidance.

The task team recommendation, contained in a public accounts committee report adopted by Parliament, reopens a long-standing dispute which both De Beers, 45% owned by Anglo American Plc, and a senior South African government official said last year was settled.

The new task team, assisted by the auditor general, would examine the De Beers's London stockpile records in the period December 3, 1992 to March 19, 1998.

"What we want resolved is whether De Beers had the legal right to export the diamonds that it did," Themba Godi, chairman of Parliament's standing committee on public accounts, said.

"If it was legal then that's the end of the story. But if it was not legal then it means that the amount that was due to the fiscus as tax must be returned to the state by De Beers," Godi said.

He said the amount was in the region of R1 billion.

At one stage, South Africa considered litigation to compel the world's biggest diamond producer to pay a disputed 15% export tax on the shipment of 22 million carats of uncut diamonds to London in 1992.

But De Beers has strenuously denied that exports in the mid-1990s were larger than normal or that it had benefited from improper exemptions of export duties.

A De Beers official said the company may issue a comment on the newly-launched probe later.

The Department of Minerals and Energy and the South African Reserve Bank should also compare data to determine the exact quantities and values of exports during the same period, the report recommended.

Parliament also agreed that the Treasury would obtain independent, constitutional legal opinion on certain sections of the 1986 Diamond Act and of agreements entered into between De Beers and government. – Reuters

Food strik

By MOSES MOEWU MACKAY
Labour Reporter

Labour federation Cosatu an the National Economic Devel opment & Labour Counci (Nedlac) are to hold an urgen meeting next month to resolv delays around the strik against food prices and publi transport.

Cosatu Western Cap provincial secretary Tony Ehrenreich said the strike, which was supposed to have taken place yesterday, had been postponed. Cosatu had been mobilising workers to make the strike one of the biggest in South African history.

JSE at the close

[illegible]

Market report

Weak growth rate data adds to rand's w

[illegible]

236
48

61

Mineral and Energy Affairs
CMA 25/95
Appointment of a Commission of Inquiry into the SA Diamond industry 15/10/1 11/2/95

FN 1/11/1/2

MEDIA STATEMENT BY THE MINISTER OF MINERAL AND ENERGY AFFAIRS, MR R F (PIK) BOTHA

For Immediate Release

Pretoria

Wednesday, 18 October 1995

CABINET APPOINTS A COMMISSION OF ENQUIRY INTO THE SOUTH AFRICAN DIAMOND INDUSTRY

The Cabinet today approved the appointment of a Commission of Enquiry into the South African Diamond Industry.

The terms of reference of the Commission will be "to investigate and report on all aspects of the South African Diamond Industry, in particular:

- Government regulation of and involvement/intervention in the industry, including the provisions of the Diamonds Act of 1986 and the Minerals Act of 1991; the role of the South African Diamond Board; the effectiveness or otherwise of illegal diamond buying (IDB) provisions; and related matters;
- the supply of rough and unpolished diamonds to the local processing industry;
- the industry's contribution to state revenue and the balance of payments as well as to job and wealth creation;
- international models relevant to the local industry;

SAHA ARCHIVE FOR JUSTICE

- the influence of foreign companies and international diamond combines on the supply of diamonds to the South African Diamond Industry and the export of diamonds from South Africa; and

- any other matter considered relevant by the Commission."

The Commission will be headed by a judge assisted by two assessors. Their names will be made public as soon as they have been nominated.

The last Commission of Enquiry into the South African Diamond Industry was completed more than 20 years ago. Since that time there have been many important changes and developments in the diamond industry. A new investigation is now required in view of concerns of parties both within the industry and those outside it. There is also a need to scrutinise and evaluate existing policy, legal provisions and regulatory measures.

These concerns include: Government regulation of and involvement in the industry; the lack of rough diamond supplies for the local cutting industry; certain provisions of the Diamonds Act 1986 and Minerals Act 1991; the role and composition of the South African Diamond Board; the ineffectiveness of existing IDB laws; the role of the South African Police Service's Gold and Diamond Branch and the police trapping system; the role of De Beers; certain practices in the industry; taxation issues; the minimal role in the diamond industry of the previously disadvantaged; and in general the manner in which the industry is being developed and administered.

Enquiries: Roland Darroll

Phone: (o) (012) 322 8695
(h) (012) 43 3394
(cellular) 082 55 27994

SAHA ARCHIVE FOR JUSTICE

File
Diamond Board.

NEWS

Diamond Board posts profit despite problems

23096
84

DATE	STATION	TIME	PROGRAMME	DURATION
15/09	SAFM	07:15	AM Live	6 minutes 36 seconds

John Pearlman: That's Patrick Lawrence who is the Editor Focus of the Helen Sizman Foundation joining us on the line from New York, it's 07:15. Government as we've reported earlier this week is taking a closer look at what De Beers did in the mid 1990's in the lead-up to the 1994 elections, according to reports running first in the Mail & Guardian the company shipped 19 million carats amounting to about 3.5 tons of uncut diamonds out of South Africa to London and managed to avoid paying tax on the gems, because of a deal … (coughing) … excuse me, struck with the South African Diamond Board, now the standing committee on public accounts in parliament has said they want this investigated but to get a De Beers response we're joined now by Gary Ralfe, who is Managing Director for the De Beers Group of Companies, Mr Ralfe welcome and thanks very much for your time, you've seen the reports, I'm certain you know what the issue is all about, what is your response to that, what is De Beers saying?

Gary Ralfe: Mr Pearlman, first of all good morning to you and to your listeners and thank you very much for the right to reply to the interview you carried yesterday on AM Live, I want to refute upfront and categorically, the slurs that have been made on De Beers reputation, firstly the insinuation that we exported diamonds or retained exemption from export duty in an improper way, and secondly the allegation that we made an exceptional export of 19 million carats of diamonds, quote – 'Ahead of 1994 elections', unquote, our records which have been maintained meticulously for 20 years as you can well imagine, demonstrate that both of these allegations are false, De Beers is a proudly South African company and an ardent champion of the new democratic South Africa, and what I can do if you would like, I think your listeners would be interested to hear the historical background of this?

John Pearlman: Can we just get into some of the facts though, I mean you were saying that the amount shipped in the period in question, the matter on the table was not an unusual amount, is it that they've got the figure wrong or they're quoting that figure as unusually large when in fact it's not?

Gary Ralfe: They have got the figure wrong …

SAHA ARCHIVE FOR JUSTICE

John Pearlman: Okay, what is the correct figure?

Gary Ralfe: It is not as large as that, the amount that was exported was 11 million carats and that was in line with our production in South Africa.

John Pearlman: So in other words, 11 million carats in the year in question would not have been an unusual amount, what ..., what would have been the range in that time period for a typical export?

Gary Ralfe: Right I can give you them right here in ..., in the year '93 there were 10 million carats exported and '94 as I say - 11 million carats exported, in '95 – 9 million carats export, following year 9 million carats again ...

John Pearlman: Okay so ...

Gary Ralfe: ... that's it in the range (unclear...interruption)

John Pearlman: ... so we're in the range there from the figures you're giving us, now one of the other things that in the Mail & Guardian story, they talk about duties paid to the diamond board, ranging between 19 million and 56 million rand per year in the proceeding decade, presumably revering to the 1980's, they say – plummeted to R15 000.00 in 1991, for those of us who don't know the dynamics of these payments and how they work, that sounds like an extraordinary shift, can you offer us some clarity on that?

Gary Ralfe: I would love to, let me say that the diamond act of 1986 is the pivotal interface, before that there was a swinging 15% export duty on all diamonds leaving South Africa and the purpose of that was not so much fiscal as to discourage export in order that supplies were made to the mass in South African diamond cutting industry, what the 1986 act sought to do was of course to continue to ensure that the local cutting industry was adequately supplied with rough diamonds and it set up a regulator called the South African Diamond Board, the members of which are appointed by the minister but the act refining the previous fiscal mechanism also made it possible for diamonds that

SAHA ARCHIVE FOR JUSTICE

were suppurthless [sic][ph] to the needs of the cutting industry in South Africa to be exported free of export duty and thereby bringing the export of diamonds into line with other mineral products which historically had never been subject to any export duty and if I can go on, De Beers has always been the major supplier of rough diamonds to the South African cutting industry, and of course is committed to doing so, to remaining so, but the reality and the commitment are recognised by the consistent authorisation, month in and month out, since 1987, that's nearly 20 years now that the South African Diamond Board has given to De Beers export and to it's exemptions from export duty.

John Pearlman: Now where are you gonna go with this next because it's, it's been talked about in parliament, it's been talked about in the media, have you and government been in discussion and if you have, for how long has that been going on?

Gary Ralfe: Mr Pearlman, we have had no question or challenge from government in the recent past, but in 1999 the auditor general instituted an audit of the whole procedure and although we were not privy to the certificate of the auditor, it must have been positive because from 199 to this day our authorisations for export and our exemptions have continued to be made without exception.

John Pearlman: Just ..., a final question Mr Ralfe, I'm again revering to the article that I suppose brought this out into the public domain, they talk about an agreement by which those diamonds were exported and they go on to say – Diamond Board Chief Executive – Louis Selekane [ph] has said they cannot find the copy of the agreement which ..., I think you'll probably agree contributes to a climate of suspicion around this particular thing, is there, is there such an agreement and if so do you have a copy?

Gary Ralfe: Indeed we've got copies, these are regular agreements, they're sometimes done as often as once a year, regular agreements setting out the terms of which diamonds are classified what we call – category 3 and which of the diamonds which should be sold here or equivalent diamonds sent to South Africa from London.

John Pearlman: Thank you very much, that's Managing Director for the De Beers Group of Companies – Gary Ralfe joining us on AM Live, well more clarity on that story, more food for

SAHA ARCHIVE FOR JUSTICE

thought, we'll keep watching it as it unfolds here on SAFM – South Africa's News and Information leader.

Monitoring South Africa

SAHA ARCHIVE FOR JUSTICE

Shelf 3 244 98

These were Diamond Board Transcripts that Jorela sent obous. Don't know if you wanted copies. TR

Diamond Board

DATE	STATION	TIME	PROGRAMME	DURATION
14/09/06	SAFM	07:11	AM Live 3	3 minutes 40 seconds

John Pearlman: 07:11, to Parliament now, the standing committee on public accounts, once a legal probe into reports that came out in the Mail & Guardian last week, that South Africa's leading diamond market, in fact the world's leading diamond market at De Beers had avoided paying a 15% export duty on the basis of a deal purportedly struck with the South African Diamond Board, this goes all the way back to 1994, and refers to 19 million carats of diamonds, about 3.5 tons of unpolished stones shipped out of the country ahead of the April elections, well to find out more about this because SCOPA briefed parliament yesterday, we're now joined on the line by the ANC Spokesperson on Public Accounts at SCOPA – Vincent Smith, Mr Smith welcome and thanks very much for your time, what does SCOPA want to happen?

Vincent Smith: John, good morning, we've asked the Auditor General to get together with the Diamond Board, Treasury, SARS and the Department of Minerals and Energy to get to the bottom of whether this money is due to the states and why was it not paid, and on the basis of their findings we will then take a resolution or we'll take further action as is necessary.

John Pearlman: Now had you heard about this before it was published in the newspaper?

Vincent Smith: Yes we had, the auditor general had produced it in his reports and we also had interaction with the auditor general earlier this year in Saldanah where he also raised this issue so we, we had known about it before the media report and in fact our resolution was adopted before it came out in the Mail and Guardian.

John Pearlman: Now I don't understand the legislation in all of this but I'm just working off the reports that are here, apparently there are agreements struck in terms of the 1986 Diamond Act that certain stones can be moved out duty free but it's the validity of those deals that's at issue, the export of rough diamonds is subject to a 15% duty, can you explain any of this, is there a difference between rough diamonds and polished diamonds, how does this all work?

SAHA ARCHIVE FOR JUSTICE

Vincent Smith: John I'm not the expert in that regard, but from this point of view … (unclear…[sic]) permission to export without paying can only be granted by the diamond board, the diamond board doesn't have any evidence that, that permission was given, now we also know that the diamond board has changed quite a bit since then, so our only interest is, was there permission given, if there was permission given, please give it to us so that we could look at it, if there was no permission given, why then was the tax not paid.

John Pearlman: Now, to what extent have you had discussions with De Beers, obviously they're aware of this issue, it's come up as you say, well before the newspapers got hold of it, what have they said, have they said anything to SCOPA or to anyone else?

Vincent Smith: No we have not any election with De Beers, we've spoken to government agency, then government department and that is why we're asking the auditor general to, in the first instance, talk to treasury and other government agencies and I would assume that they then would interact with De Beers and give us a report back, but we have not had any direct interaction with De Beers at this point.

John Pearlman: Now we've got the diamonds amendment bill that was tabled in parliament earlier this months, is that aimed at closing these kinds of loopholes, I know it's got a broad range of things that it covers but is it particularly targeted at these kinds of things?

Vincent Smith: I'm not, I'm not sure that it's particularly targeted just for this type of thing but I would imagine that these type of loopholes will have in-covered in that bill yes.

John Pearlman: Thank you very much, ANC Spokesperson in the standing Committee on Public Accounts down in the National Assembly – Vincent Smith, joining us on AM Live, it's 07:15.

SAHA
ARCHIVE FOR JUSTICE

De Beers file 40 (188)

DE BEERS/ALEXKOR

Not so fast, folks

De Beers' deal with government runs into trouble with Richtersveld community

Nicky Oppenheimer and Buyelwa Sonjica Their agreement is said to break government promises

Far from the magnanimous gesture it was made to appear, the recent deal between De Beers and the department of minerals & energy (DME) to merge mines and create a state diamond trader (SDT) is an attempt by the diamond giant to settle an apartheid-era debt.

The merger of De Beers' Namaqualand mine and state diamond mine Alexkor also had the unintended consequence of opening up wounds — it has spurred the Richtersveld land claimants into threatening legal action.

After nearly a decade of fighting with government, the Richtersveld community last year won their land claim over Alexkor in the constitutional court. The land claims court is now deciding on the quantum of restitution that needs to be paid to the community.

But government's deal with De Beers, which was signed by De Beers chairman Nicky Oppenheimer and minerals & energy minister Buyelwa Sonjica in early February, contravenes commitments made by the state previously, says Henk Smith, the Legal Resources Centre attorney representing the community, in a letter to the DME and De Beers.

Land claimants were not consulted Other diamond miners left in the lurch

In the letter he lists the undertakings as a promise by government in May 2003 that it would not sell or encumber the Alexkor assets and a memorandum of understanding in October last year to find ways to come to a workable model for restitution.

In the letter Smith asks to be given a copy of the agreement between De Beers and the DME. He is also preparing to apply to the courts for an interdict suspending the implementation of the deal, which appears not to have been presented to the community ahead of the De Beers press briefing in February.

Smith adds that the state's response to the request for a copy was to say the deal had nothing to do with the Richtersveld community and a copy would not be given to them.

De Beers spokesman Tom Tweedy says the company felt that procedurally it should first negotiate the deal with the DME, before involving Alexkor's shareholding ministry, the department of public enterprises (DPE), and the Richtersveld community.

The structure of the deal itself — which is not yet public — is set to grant the community a 49% shareholding in the new mine as well as half of the 20% stake in the Namaqualand mine, which will be warehoused in a special-purpose vehicle on behalf of the DME to create a future empowerment platform.

De Beers believes that putting Alexkor and Namaqualand together will allow the joint operation to trade more profitably as they can exploit economies of scale.

As one De Beers insider put it, "the community will have more money than it knows what to do with".

That might be so, but Smith believes pre-empting talks with the community also undermined their own ambitions to seek out a mining partner of their own choosing. Smith says he learnt of the deal when one of the diamond companies the community had been in negotiations with on a R500m recapitalisation of Alexkor called from London to ask: "What the hell is going on?"

Sources say public enterprises minister Alec Erwin previously stated that the community should not deal with De Beers. De Beers was the community's first choice, but government felt that the company was a reluctant adopter of the

SAHA ARCHIVE FOR JUSTICE

and they [Koseff and Kantor] made it clear they expected us to turn around quickly. In the heat of the battle, you had to believe in yourself."

Today, Investec is again posting earnings growth of just under 40% (for the six months to September 2006), with more expected when it announces its year-end results later this month. Its portfolio of businesses is now more balanced, with private banking, which had undergone its own crisis in 1998 but subsequently recovered strongly, being the largest contributor.

This allows the bank to operate far more effectively in a poor economic environment than when it was geared towards investment banking and trading. "The levels of annuity income from asset management and private banking are far higher," Leith says. "We're far more defensive now than we were in the past."

Investec has also focused on building its businesses organically, compared with its acquisitive appetite a number of years ago. Though, as Koseff says: "That doesn't mean we aren't always looking for opportunities. We'll make acquisitions when we can, like we did in Australia with the purchase of [investment bank] NM Rothschild. But our key growth driver is organic."

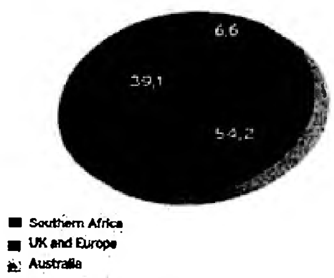
All three regions and all five business areas are poised for expansion. Though there seems to be no lid on growth in SA, the UK and Australia the opportunities for growth are perhaps even better, given that the group still has a relatively small market share there.

The Australian business took off after it bought small mergers & acquisitions specialist Wentworth in 2001. Its purchase last year of Rothschild gave Investec further impetus as well as a presence in Perth to add to offices in Sydney, Brisbane and Melbourne. CE of the Australian operation Brian Schwartz says Investec's initial focus in Australia was investment banking. Now property lending is a "substantial business". Australian operations' operating profits grew by 60% for the half-year to September 2006, while staff numbers have increased from 168 a year ago to 240, and 44 more are being recruited.

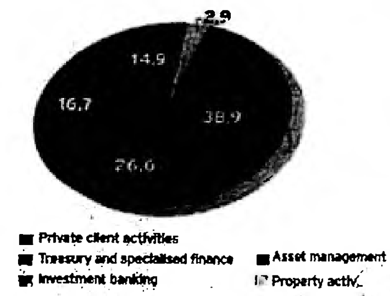
Schwartz says he will continue to look for "bolt-on" acquisitions, but will also grow organically. He wants to double Australia's 5% contribution to group

EARNINGS CONTRIBUTIONS

By region
(% of 2005/06 operating profit)



By business unit
(% of 2005/06 operating profit)



SOURCE: INVEST...

profits in the next few years.

Investec's UK business showed a 73% increase in operating profit in the six months to September 2006 and contributed almost 40% of total profits. Fried says the plan is to expand aggressively. "But we have been vigilant about how we grow and careful about costs."

Other business units are also experiencing strong growth. The head of private banking in SA, Paul Hanley, says there has been an explosion of wealth and the number of clients has more than doubled in the past two years. "In the UK, for example, we still have only a 1% market share," he says.

Koseff uses English soccer as an analogy for Investec's position in the global banking league. "We're still in the bottom league and have to reach the premier division," he says. "We don't have the capital base or the number of people that a Goldman Sachs or a Merrill Lynch has. But Investec has built a reputation and has a credible brand. It's about quality as opposed to size and about being distinctive." **Heather Formby**

The Koseff and Kantor show

Bernard Kantor and the boy from Benoni, Stephen Koseff, both joined Investec in 1980 when it was a six-year-old leasing company. They relaunched it and developed it into what is now a "specialist" bank, and have obviously formed an almost symbiotic relationship, speaking on the phone at least 10 times a day if they are not in the same location. Kantor lives in London and Koseff in SA.

As well as building Investec into a bank straddling three continents, Koseff and Kantor are credited with Investec's revival after its 2003 slump.

As CE and MD, Koseff says their job now is to "give counsel", and they are both actively involved in the risk management of the group. "We've passed the founder-business stage and we have strong management who run their own businesses," he says.

The two complement each other in their skills and personalities, which is probably the reason the team has been so successful. Koseff says he is strong on the technical and financial side, while Kantor is strong on marketing and people issues. "I tend to avoid issues whereas Bernard puts them on the table," Koseff says. "But sometimes we swap roles."

Koseff says his management style is not to bully people but to invite their input. "I like people to question and challenge. Sometimes I'm rude and abrasive, but people know that I look after them. Some people are scared of me, but I have a big bark and no bite. I am encouraged by energetic and enthusiastic people. I'm more empathetic than cold and clinical." **Heather Formby**

SAHA ARCHIVE FOR JUSTICE

country's transformation agenda.

So the community looked for other partners and was speaking to Cyril Ramaphosa's empowerment vehicle Shanduka Resources, JSE-listed Trans Hex, which has operations in the area, and Clifford Elphick's Gem Diamonds.

Sakhile Ngcobo, head of external affairs for De Beers, ʼls the *FM* that the deal developed nat- y out of the any's interactions with the DME on the restructuring of its SA operations.

> "The Richtersveld community will have more money than it knows what to do with"
>
> **– DE BEERS SOURCE**

Namaqualand has only three years of life left, according to its current plan, but is a mature operation which has not made money for years.

Ngcobo says creating a new mine to produce diamonds for the state would be an obvious strategic advantage for the SDT, as it would ensure security of supply.

DME deputy director-general Abe Mngomezulu says the agreement came after years of talks between De Beers and government about money that was outstanding in terms of apartheid-era lease agreements between the state and De Beers.

Mngomezulu says the lease agreements were complex and open to interpretation. At some point De Beers interpreted the contract as implying that it no longer had to pay and so it stopped. He adds that no-one has been able to calculate exactly how much money De Beers owes the state.

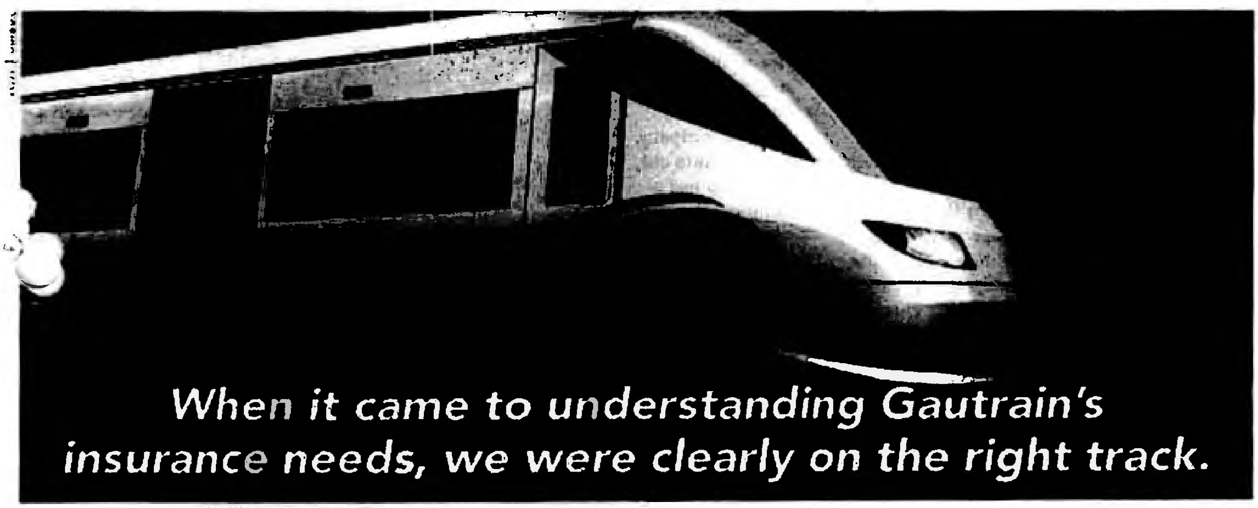
But to try to resolve the issue it was suggested that the state take an interest in Namaqualand, while De Beers would also help set up and manage the SDT for three years. Mngomezulu says the three-year contract could be extended.

This could well mean that the SDT will take over the infrastructure of Diamdel SA, the De Beers operation that sells to cutters who are not sightholders (screened De Beers customers).

Attempts to get De Beers to confirm details of the deal were unsuccessful.

According to Mngomezulu the plan is to have all future Alexkor production sold to the SDT. He says negotiations with the DPE will begin once further details have been agreed to.

Behind the scenes, De Beers shareholders have been meeting the Richtersveld community to try to avert legal action. At the time of going to press Smith said the community was getting conflicting reports from De Beers and no decision had been made on interdicting the transaction. **Nicky Smith**



Glenrand M·I·B is proud to announce that we have been appointed as insurance brokers to the world's largest rapid rail system project currently under construction. So what was it that secured this prestigious appointment? Was it our Empowerment credentials? Our technical expertise? Perhaps it was simply our exceptional service delivery? We believe it was all three. For all your short-term insurance and employee benefits requirements, contact Glenrand M·I·B on (011) 329 1111 or one of our local branches.

Insurance Brokers & Employee Benefits Consultants.

GLENRAND M·I·B

service beyond expectation

SAHA ARCHIVE FOR JUSTICE