FILE NAME: Cape Asbestos (CAPE)

DATE: 1978 Dec

DOC#: CAPE124

DOCUMENT DESCRIPTION: Annual Report - De Beers Consolidated Ltd. [Legal - Tibbs Case Exhibit 22]

Source and application of funds statements

for the year 1978

	R'000 Company	Group
Funds derived from:		
Profit before tax	721 417	1 156 466
Add charges against profits not involving the flow of funds:		
Amounts written off investments and loans		1 121
Increase in stores reserve	964	4 740
Depreciation and other amounts written off		2 162
Provision for shares in prospecting companies		1 127
	722 381	1 165 616
Deduct:		
Profit on realisation of fixed assets		246
Profit on realisation of investments		222
Funds derived from net income	722 381	1 165 148
Prospecting expenditure recovered		5 134
Proceeds of fixed assets realised	1 000	986
Proceeds of investments realised		1 214
Loans, net	4 333	38 449
	727 714	1 210 931
Funds applied to:		
Tax	92 145	307 921
Diamond export duty	12 973	54 849
State's share of profits under mining leases	43 867	43 867
Loan portion of tax, net	8 022	21 331
Share of profits payable to a subsidiary	6 344	
State's share of profits in a subsidiary		1
Acquisition of mining rights	293	293
Expenditure on mining assets capitalised	22 922	22 946
Expenditure on other plant and machinery		11 075
Purchase of diamond mining investments		24 850
Purchase of other investments	532	25 250
Expenditure on property		17 590
Financing increase in diamond stocks	5 886	34 097
Financing increased stores and materials	1 176	[illegible] 705
Reduction of long-term liability	4 522	4 522
De Beers preference dividends	1 829	1 820
De Beers deferred dividends	233 863	233 863
Dividends paid by subsidiaries to minority shareholders		8 040
Increase in net current assets	293 340	390 911
	727 714	1 210 931

The source and application of funds statements deal with the flow of actual funds during the year. Changes in the rand equivalent of the values of foreign assets and liabilities caused by changes in currency exchange rates between one accounting date and another are ignored, and the movements shown are expressed in terms of rands at the currency exchange rates ruling at the balance sheet date.

Consolidated balance sheet

31st December 1978

De Beers Consolidated Mines Limited and subsidiary companies

1977 R'000			Notes	R'000	
		Share capital	2		
		Authorised:			
4 000		800 000 40 per cent cumulative preference shares of R5 each		4 000	
3 000		3 000 000 8 per cent cumulative second preference shares of R1 each		3 000	
18 750		375 000 000 deferred shares of 5 cents each		18 750	
25 750				25 750	
		Issued:			
4 000		800 000 40 per cent cumulative preference shares of R5 each		4 000	
22		*Less:* 4 481 preference shares held by subsidiary companies		22	
3 978				3 978	
2 867		2 866 929 8 per cent cumulative second preference shares of R1 each		2 867	
17 989		359 789 042 deferred shares of 5 cents each		17 989	
	24 834				24 834
		Non-distributable reserves	12		
71 067		Capital reserve		71 067	
67 980		Funds appropriated for expenditure on fixed assets		106 689	
5 947		Capital redemption reserve fund		5 947	
31 254		Currency reserve		30 782	
230		Legal reserve		306	
	176 478				214 791
		Distributable reserves	13		
880 752		General reserve		1 256 544	
21 085		Stores reserve		25 825	
25 000		Reserve for development in South West Africa/Namibia		25 000	
326 202		Unappropriated profit		395 280	
	1 253 039				1 702 649
	1 454 351				1 942 274
	27 572	*Less:* Excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition			24 824
	1 426 779				1 917 450
	72 070	**Outside shareholders' interests in subsidiary companies**			75 351
		Long-term liabilities	8		
22 609		U.S. $27 500 000 6½ per cent 15 year loan of 1967		18 087	
18 277		Other amounts owing		52 763	
	40 886				70 850
		Current liabilities			
117 930		Tax		146 105	
126 836		Dividends		162 815	
282 333		Creditors	9	336 240	
	527 099				645 160
	2 066 834				2 708 811

	Notes	R'000	R'000	1977 R'000	1977 R'000
Fixed assets	5				
Claims, mining interests and property		94 196		72 205	
Plant, permanent works and buildings		51 177		42 127	
Unlisted trade investments	6	80 211		56 195	
			225 584		170 527
Stores and materials	1		34 876		26 888
Diamond stocks	1				
Mining companies		35 446		38 962	
Other companies		220 184		181 783	
			255 630		220 745
Investments at cost less amounts written off	6				
Listed		417 717		395 489	
Market value R817 489 000 (1977: R612 446 000)					
Unlisted		76 596		77 540	
Long-term loans		69 046		72 425	
			563 359		545 454
Loan portion of tax			95 245		73 915
Current assets					
Loan portion of tax		14 831		4 901	
Fixed deposits and short-term loans		1 527		1 860	
Debtors		222 861		339 397	
Cash		1 294 898		683 147	
			1 534 117		1 029 305
			2 708 811		2 066 834

Consolidated income statement
for the year 1978

De Beers Consolidated Mines Limited and subsidiary companies

	Notes			1977	
		R'000		R'000	
Diamond account			956 389		734 765
Interest and dividend income	14		234 123		169 079
Other revenue			29 114		22 470
Surplus on realisation of fixed assets			246		67
			1 219 872		926 381
Deduct:					
Prospecting and research		29 385		25 854	
General charges		28 661		18 879	
Interest payable	15	4 461		3 618	
Amounts written off investments less surplus on realisation of investments		899		6 313	
			63 406		54 664
Group profit before tax			1 156 466		871 717
Deduct:					
Tax	11	401 635		311 105	
State's share of profits under mining leases		43 867		17 593	
		445 502		328 698	
Less: Loan portion of tax transferred to balance sheet		39 615		30 501	
			405 887		298 197
Group profit after tax			750 579		573 520
Deduct:					
Outside interests in subsidiary companies			9 339		10 174
Group profit after tax attributable to De Beers Consolidated Mines Limited			741 240		563 346
Appropriations					
Transfers to reserves:					
Funds appropriated for expenditure on fixed assets—					
in respect of fixed mining assets		22 922		13 255	
in respect of diamond mining investments		37 000		—	
in respect of other fixed assets		1 740		1 623	
Other transfers, net		315 790		176 980	
Dividends:					
On preference shares — R2,00 per share		1 591		1 591	
On second preference shares — 8 cents per share		230		230	
On deferred shares — 65 cents per share		233 863		188 889	
			613 136		382 56[illegible]
			128 104		180 778
Unappropriated profit 31st December 1977		266 393		170 396	
Deduct:					
Adjustment thereto arising from changes in currency exchange rates		286		190	
Lump sum contribution to staff pension fund in respect of prior years		—		5 757	
Adjustment in respect of previous year's taxation		38		40	
De Beers' interest in the unappropriated profits of former subsidiaries		—		16 985	
De Beers' interest in the accumulated loss of a subsidiary previously written off		2 342		—	
		263 727		145 424	
Add:					
Currency translation adjustment by a foreign subsidiary		3 449		—	
			267 176		145 424
Unappropriated profit 31st December 197[illegible]			395 280		326 202
Earnings per equity share	20		205,5 cents		156,1 cents

Income statement

for the year 1978

De Beers Consolidated Mines Limited

	Notes		R'000		1977 R'000
Diamond account			269 510		113 696
Interest and dividend income	14		475 557		270 919
Other revenue			656		807
Surplus on realisation of fixed assets			1		109
			745 724		385 531
Deduct:					
Prospecting and research		14 146		10 145	
General charges		8 671		5 569	
Interest on capital of leased subsidiary companies		193		193	
Interest payable	15	1 297		1 476	
Loss on realisation of investments		—		1 025	
Deficit on revaluation of foreign assets and liabilities		21		39	
Less: Transferred from currency reserve		21		39	
			24 307		18 408
Profit before tax			721 417		367 123
Deduct:					
Tax	11	118 008		46 320	
State's share of profits under mining leases		43 867		17 593	
		161 875		63 913	
Less: Loan portion of tax transferred to balance sheet		12 891		4 202	
			148 984		59 711
Profit after tax			572 433		307 412
Deduct:					
Share of profits payable to a subsidiary company			6 344		2 343
Net profit			566 089		305 069
Add: Transferred from reserve for capital expenditure			59 809		44 955
			625 898		350 024
Appropriations					
Transfers to reserves:					
General reserve		375 000		70 000	
Funds appropriated for expenditure on fixed assets —					
In respect of mining assets		22 922		13 254	
In respect of other fixed assets		220		995	
Dividends:					
On 40 per cent cumulative preference shares:					
R1 per share, declared 30th May 1978		800		800	
R1 per share, declared 21st November 1978		800		800	
On 8 per cent cumulative second preference shares:					
4 cents per share, declared 30th May 1978		115		115	
4 cents per share, declared 21st November 1978		115		115	
On deferred shares:					
Interim, 20 cents per share, declared 22nd August 1978		71 958		62 963	
Final, 45 cents per share, declared 6th March 1979		161 905		125 926	
			633 835		274 968
			(7 937)		75 056
Unappropriated profit, 31st December 1977		46 040		35 955	
Lump sum contribution to staff pension fund in respect of prior years		—		5 162	
			46 040		30 793
Unappropriated profit, 31st December 1978			38 103		105 849

Balance sheet
31st December 1978

De Beers Consolidated Mines Limited

1977 R'000			Notes	R'000	
		Share capital	2		
		Authorised:			
4 000		800 000 40 per cent cumulative preference shares of R5 each		4 000	
3 000		3 000 000 8 per cent cumulative second preference shares of R1 each		3 000	
18 750		375 000 000 deferred shares of 5 cents each		18 750	
25 750				25 750	
		Issued:			
4 000		800 000 40 per cent cumulative preference shares of R5 each		4 000	
2 867		2 866 929 8 per cent cumulative second preference shares of R1 each		2 867	
17 989		359 789 042 deferred shares of 5 cents each		17 989	
	24 856				24 856
		Non-distributable reserves	12		
71 067		Capital reserve		71 067	
44 843		Funds appropriated for expenditure on fixed assets		45 063	
138		Currency reserve		117	
	116 048				116 247
		Distributable reserves	13		
200 000		General reserve		575 000	
9 644		Stores reserve		10 608	
105 849		Unappropriated profit		38 103	
	315 493				623 711
	456 397				764 814
		Long-term liabilities	8		
22 609		U.S. $27 500 000 6½ per cent 15 year loan of 1967		18 087	
	22 609				18 087
		Current liabilities			
7 450		Tax		70 792	
6 144		Amounts due to subsidiary companies		8 604	
126 841		Dividends		162 820	
29 860		Creditors		59 619	
	170 295				301 835
	649 301				1 084 736

	Notes	R'000		1977 R'000	
Fixed assets	5				
Diamond production and administration:					
Claims, mining interests and property			14 136		13 884
Plant, permanent works and buildings, at nominal value, R1			—		—
Shares in subsidiary companies		30 617		30 617	
Loan to subsidiary company		310		342	
			30 927		30 959
			45 063		44 843
Property and development, South West Africa/Namibia			—		958
Diamond trading:					
Shares in subsidiary company		84 923		84 923	
Unlisted trade investments	6	3 857		3 325	
			88 780		88 248
			133 843		134 049
Stores and materials	1		10 830		9 653
Diamond stocks	1		26 268		20 332
Investments					
Listed, at cost:					
Subsidiary companies		14 170		14 170	
Market value R64 724 000 (1977: R41 822 000)					
Other companies		10 947		10 947	
Market value R32 430 000 (1977: R24 846 000)					
		25 117		25 117	
Unlisted, at cost less amounts written off:					
Subsidiary companies		11 641		11 641	
Other companies	6	1 147		1 147	
			37 905		37 905
Loans with interest accrued					
Subsidiary company		7 702		9 627	
Others		10 915		13 292	
			18 617		22 919
Loan portion of tax			22 114		14 092
Current assets					
Loan portion of tax		4 042		1 656	
Amounts due by subsidiary companies		311 603		180 075	
Fixed deposits		1 014		705	
Debtors		12 618		13 752	
Loan at call with subsidiary company		504 619		212 839	
Cash		1 263		1 274	
			835 159		410 301
			1 084 736		649 301

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

91st Annual Report

to 31st December 1978

Directors

H. F. Oppenheimer *Chairman*
Sir Keith Acutt, K.B.E. (British)
E. T. S. Brown
E. M. Charles (British)
P. J. L. Crokaert (Belgian)
E. G. J. Dawe (British)
Baron E. de Rothschild (French)
Evelyn de Rothschild (British)
Dr H. B. Dyer
G. C. Fletcher, M.C.
F. M. Hodgson
Dr L. G. Murray
N. F. Oppenheimer
Sir Philip Oppenheimer (British)
G. W. H. Relly
S. Spiro, M.C.
J. Ogilvie Thompson
A. Wilson

Head Office Administration

J. D. B. Engels *Secretary*
J. R. Best *Group Accountant*

Technical Consultants

Anglo American Corporation of South Africa Limited
Consulting Engineers S. F. Gandar
T. Lee-Jones
J. C. Martens *Jwaneng Project*
Consulting Geologist Dr L. G. Murray

Management – Group Mining Operations

General Managers

W. K. Hartley *Kimberley Division*
J. O. Richards *CDM*
A. N. Shand *Premier*
D. J. van Jaarsveld *Namaqualand Division*
A. P. Brittz *Orapa and Letlhakane*

Manager

T. K. Whitelock *Letseng-la-Terai*

Head Office
36 Stockdale Street, Kimberley, South Africa

'n Afrikaanse vertaling van hierdie verslag is op aanvraag verkrygbaar

Notice to members

Notice is hereby given that the ninety-first 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, 29th May 1979, at 14h30, for the following business:

to receive and consider the annual financial statements of the Company and of the Group for the year ended 31st December 1978;

to elect directors in accordance with the provisions of the articles of association of the Company;

to consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution:

"That the directors be and they are hereby authorised to allot and issue all or any portion of the unissued 133 071 eight per cent cumulative second preference shares of R1 each and 15 210 958 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."

A member entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the Company.

The transfer registers and registers of members of the Company will be closed from 25th May to 29th May 1979, both days inclusive.

Holders of 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.

By order of the board

J. D. B. ENGELS
Secretary
36 Stockdale Street, Kimberley
P.O. Box 616, Kimberley, 8300

26th April 1979

Chairman's statement

Sales by the Central Selling Organisation in 1978 at US $2 552 million reached a record level for the third year in succession and exceeded the 1977 figure by 23 per cent. The Group's net attributable profit at R741 million compared with R563 million increased by 32 per cent and deferred dividends were raised from 52,5 cents to 65 cents per share, an increase of 24 per cent. Net current assets at 31st December 1978, after providing for the dividends, amounted to R889 million, an increase of 77 per cent over the 1977 figure of R502 million. Stocks of diamonds at the mining companies' cost of production and at the lower of cost or directors' valuation in other companies increased by R35 million to R256 million. The book value of the Group's investments and long-term loans increased during the year by R18 million to R563 million. The value of these investments and loans, taking market value for listed, directors' valuation for unlisted, and book cost for loans was R1 073 million as compared with R815 million last year. After deducting those foreign loans that have been used for investment purposes the net value of the Group's investments was R1 046 million. Allowing for minority interests the total value of net investments, loan levy at R95 million, and net current assets attributable to De Beers at 31st December, was R1 908 million, or 530 cents per deferred share as compared with 351 cents the previous year.

In accordance with a change in accounting practice which is referred to in the directors' report, maintenance capital expenditure is deducted in the diamond account and export duty is now included in the general provision for tax instead of being deducted, as was past practice, from the diamond account. I believe that these changes will help to give shareholders a clearer picture of the situation of the Company. In the accounts the 1977 figures have been adjusted so as to be directly comparable with

Mr D. J. van Jaarsveld, General Manager of De Beers' Namaqualand Division Mines, shows Mr Oppenheimer the mining plan for Koingnaas at its official opening in August 1978. Behind the Chairman are Mr T. Lee-Jones, Consulting Engineer, and Mr A. Wilson, Director.

those for the year under review.

In my statement for 1977 I drew attention to an excessive level of speculation in the market for rough diamonds which had resulted in high premiums above CSO prices being paid in the secondary markets. These premiums were related to fears about the instability of currencies and the increasing use of diamonds as a store of value. While the use of diamonds as a store of value is, I believe, likely to continue at a higher level than in the past, the trading of diamonds at prices quite unrelated to those that can be currently sustained in the jewellery market is a threat to the stability of the trade which it is the prime objective of the CSO to maintain. The CSO did not therefore raise its basic prices until it could be satisfied that a higher level would be maintained in the long term, and it dealt with the abnormal trading conditions which had developed by introducing temporary surcharges on top of the basic selling prices which were held at levels judged to be in a sound relationship with conditions in the jewellery trade. Accordingly, at the March sight last year, at the height of the speculative boom, a surcharge of 40 per cent was introduced and as the market gradually returned to more normal conditions the surcharge was progressively reduced to 25 per cent, 15 per cent and 10 per cent for the three successive sights. By August a situation had been reached in the markets for rough and polished diamonds in which it was judged right to cancel the surcharge and replace it with a price increase on a permanent basis. In view of the fact that stocks of polished had built up in the cutting centres we decided on the substantial average increase of 30 per cent in order to encourage the liquidation of these stocks, and in the knowledge that this might result in some temporary reduction in the level of our sales. In practice the demand for rough has continued at a high level but the market is now much quieter and the Christmas jewellery sales were lower than many people had expected. This represents a return to normality in the market and although in 1979 we are unlikely to experience the hectic boom conditions of 1978, I believe it will still prove to be a satisfactory year for De Beers.

The demand for industrial diamonds has remained strong and sales in 1978 were higher than in the previous year. Synthetic grit sales also increased and substantial expansion programmes are underway to increase the Group's productive capacity particularly in higher qualities and coarser sizes.

Total diamond production by the Group (including the Orapa and Letlhakane mines which are owned jointly by De Beers and the Government of Botswana) was 12 million carats as compared with 11,8 million carats in 1977. The increase was due to higher production from Finsch, Namaqualand and Botswana, offset by slightly lower production from the Kimberley mines, Koffiefontein and CDM. The major capital programmes, to which I referred last year, undertaken in order to increase the Group's productive capacity, are making good progress. In Namaqualand the new Koingnaas mine is now operating at its planned capacity of 500 000 carats per annum and it is of interest to note that production from the Namaqualand mines now exceeds that from CDM. Work is in progress to increase the productive capacity of Koingnaas to 750 000 carats a year by 1980 and the Finsch mine's productive capacity of 2,6 million carats a year is due to be increased to over 3,5 million carats by 1980. The expansion of Orapa is now complete and production from this mine, which amounted to 2,5 million carats last year, will reach an annual rate of 4,1 million carats in the course of 1979 while Letlhakane, which produced 330 000 carats in 1978 will bring its production to the rate of 400 000 carats a year, by the year end. The agreement with the Government of Botswana for the opening of the Jwaneng mine has now been concluded and work which is estimated to cost about Pula 260 million at this very important property is actively going forward. Altogether our expansion programme is designed to raise the Group's present productive capacity of 12 million carats a year to 19 million carats in 1983.

A large-scale prospecting programme was continued in Africa and also in Brazil and Australia. In South West Africa/Namibia a special effort is being made to establish new reserves which might extend the life of CDM's mining operations. CDM accounts for nearly 20 per cent of the De Beers Company's profits and will be of major importance to the economy of the emergent state of Namibia. CDM is also participating with the Anglo American Corporation group in prospecting for other minerals in the territory.

Good progress has been made towards the elimination of the remaining elements of discrimination in regard to conditions of employment on the mines of the Group. By the end of this year all conditions of service in South Africa and South West Africa/Namibia should be aligned on an integrated wage scale on the basis of the Paterson system of evaluation. Participation by black employees in the Company's home ownership scheme has been steadily expanded and it is planned to widen the scheme this year to include the Premier and Namaqualand divisions for the first time. Training programmes for all employees, which are part of an on-going long-term plan, continue to show encouraging results and it is intended to broaden their scope.

As I write this statement the Minister of Finance has announced in his budget the removal of the 2,5 per cent discriminatory surcharge on the taxation paid by diamond (and gold) mining companies and a lowering by one-third of the loan portion of taxation on all companies. Both these changes are greatly to be welcomed.

Mr G. W. H. Relly was appointed a director of the Company on the 18th December. Mr Relly is a deputy chairman of the Anglo American Corporation of South Africa Limited, in which we hold a 33 per cent interest and is chairman of that corporation's executive committee. He will undoubtedly be a most valuable member of our board.

Mr A. S. Hall, the resident director in Kimberley, retired on the 6th March 1979 after fifty years with the Company. Mr Hall has rendered us most distinguished services and is an old and valued friend. I would like to put on record our sense of gratitude to him and to wish him every happiness in the future. Mr Hall's position has been filled by the election to the board of Mr F. M. Hodgson who for five years has held with outstanding success the appointment of Group Secretary. I would like to extend a very special welcome to Mr Hodgson in his new role.

HF Oppenheimer

Chairman

30th March 1979

Annual financial statements

The annual financial statements which appear on pages 7 to 18 and 29 to 44 have been approved by the board of directors and are signed on its behalf by:

H. F. OPPENHEIMER
A. WILSON

Kimberley
6th March 1979

Report of the auditors

To the members of
De Beers Consolidated Mines Limited

We have examined the annual financial statements and Group annual financial statements set out on pages 7 to 18 and 29 to 44. The audits of certain subsidiaries have been carried out by other firms.

In our opinion, the statements fairly present the financial position of the Company and of the Group at 31st December 1978, and the results of their operations for the year then ended, in the manner required by the Companies Act, 1973, as amended.

PIM WHITELEY & CLOSE
Chartered Accountants (S.A.)

Kimberley
6th March 1979

Report of the directors

The directors have pleasure in submitting their report for the year ended 31st December 1978.

SHARE CAPITAL

There was no change in the authorised or issued share capital of the Company during the year under review.

The issued share capital comprises:

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	2 867 000
359 789 042 deferred shares of 5 cents each	17 989 000
	R24 856 000

The 40 per cent preference shares rank as regards capital in priority to the second preference and deferred shares for the sum of R40 per share.

Of the 359 789 042 deferred shares in issue, 32 608 600 are in bearer form and the remaining 327 180 442 are in the hands of some 49 000 registered shareholders. Of the 40 per cent preference shares in issue, 738 990 are held by about 1 800 registered holders and 61 010 are in bearer form, while the second preference shares are held by some 1 300 registered shareholders.

There are 15 210 958 unissued deferred shares and 133 071 unissued second preference shares. In terms of the Companies Act, 1973, as amended, the general authority granted to the directors to allot and issue these shares at their discretion 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.

COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

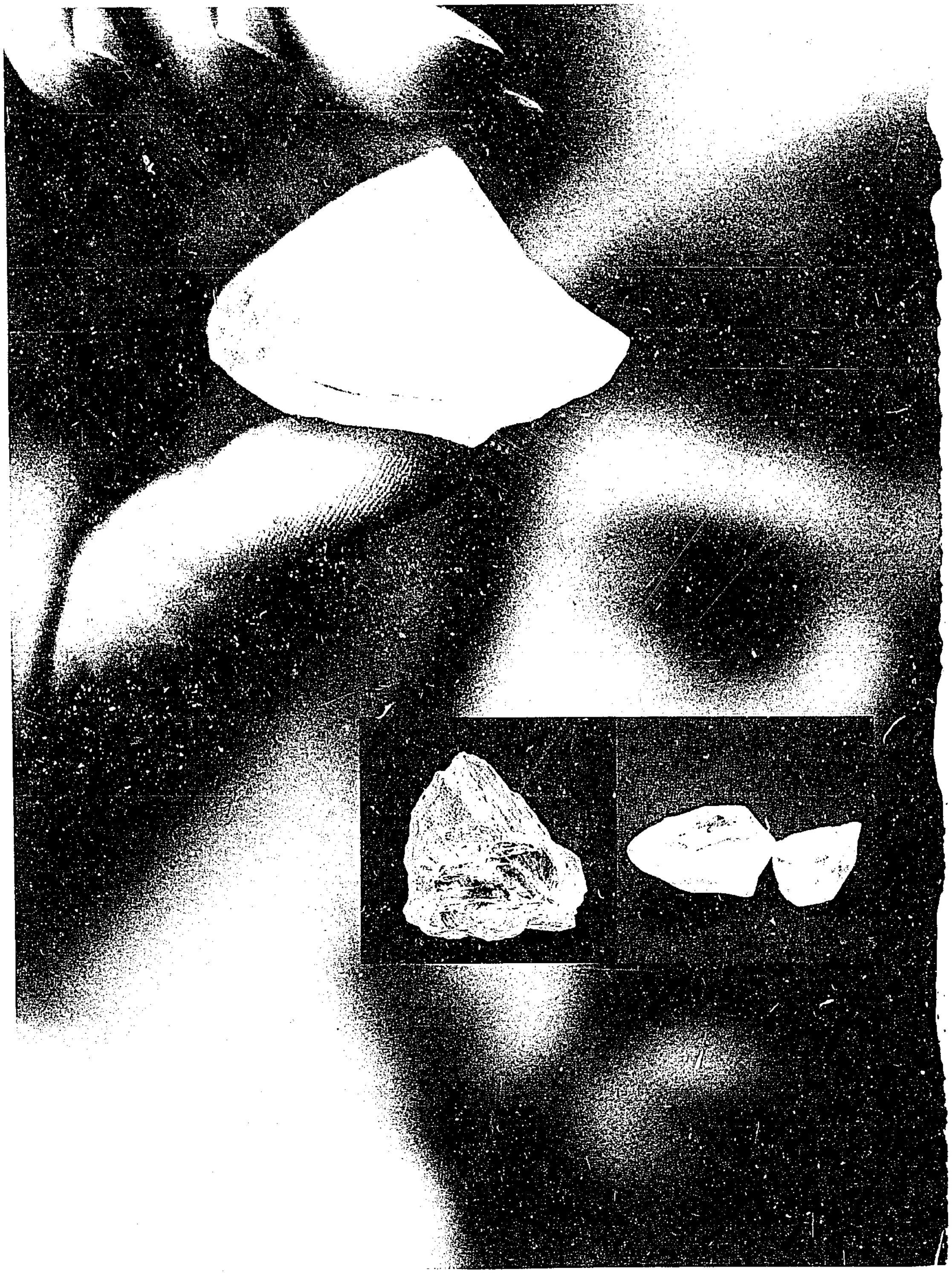
The formalities in regard to the acquisition from our wholly-owned subsidiary, Premier (Transvaal) Diamond Mining Company (Proprietary) Limited, of its 40 per cent interest in the Premier mine with effect from 1st January 1977, and the leasing of the State's 60 per cent interest from the same date, have been completed.

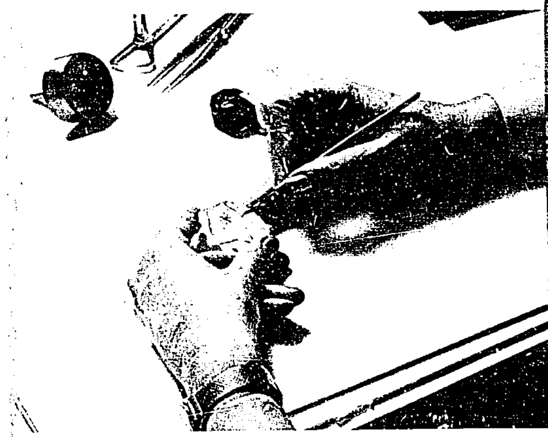
In accordance with the indication given in the Chairman's Statement last year, a surcharge of 40 per cent was imposed in March 1978 on the price of rough gem diamonds marketed by the Central Selling Organisation. The surcharge was progressively reduced to 10 per cent by July and was followed in August by an increase in the price of rough gem diamonds of 30 per cent. These factors together with the effect on a full year's sales of

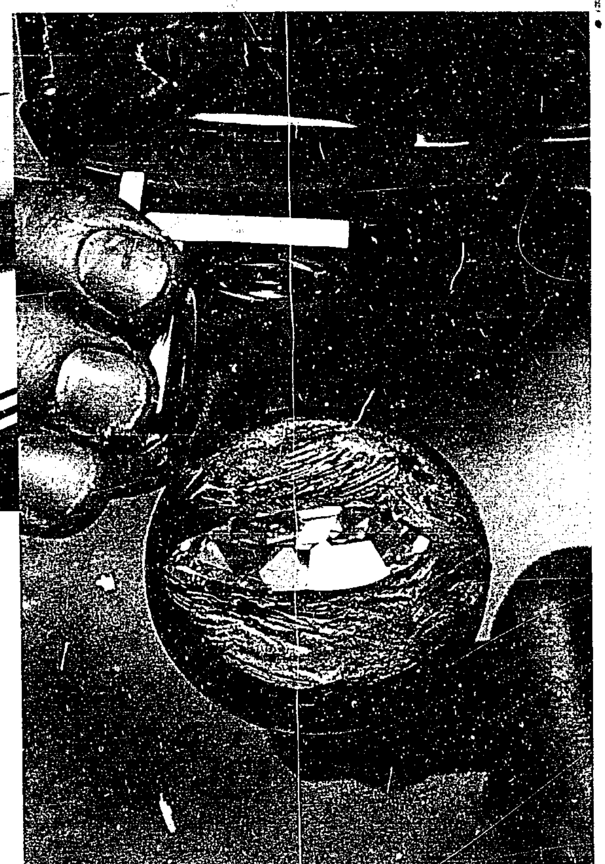
Features of the consolidated financial statements

Year ended 31st December	1978 R	1977 R
Issued capital of De Beers Company	24 834 000	24 834 000
Reserves†	1 892 616 000	1 401 945 000
Book value of listed investments*	417 717 000	395 489 000
Market value of listed investments*	817 489 000	612 446 000
Book value of unlisted investments and loans*	145 642 000	149 965 000
Directors' valuation of unlisted investments and loans*	255 604 000	202 526 000
Net current assets	888 957 000	502 206 000
Diamonds on hand	255 630 000	220 745 000
Profit after tax attributable to De Beers Company‡	741 240 000	563 346 000
Preference dividends	1 821 000	1 821 000
Net earnings attributable to deferred shares‡	739 419 000	561 525 000
Per share	205c	156c
Dividends	233 863 000	188 889 000
Per share	65c	52,5c

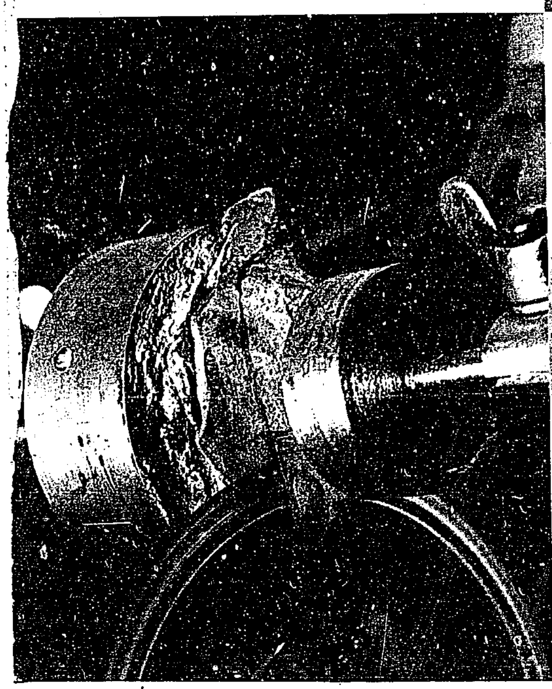
†After deducting excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition.
*In companies outside the diamond industry.
‡After charging the capital expenditure referred to in Note 1 (b) (ii) on page 36.

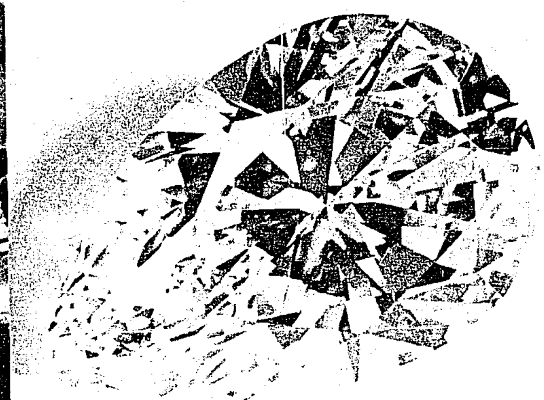






It is because of one pipe, the Premier, that South Africa continues to produce more very large gem diamonds than any other country in the world. None has equalled in quality or size (3 106 carats) the Cullinan, discovered in 1905, but in the years since then the pipe has produced some superb diamonds. In 1978, within a comparatively short time, a stone of 250 carats was found (inset left)*, a good quality stone of 321,9 carats, and a magnificent one of 353,90 carats* (opposite)*. Named the Premier Rose, its transformation into a pear-shaped gem of 137,02 carats was a long and delicate task. The major cut* (bottom left) *took two months and the faceting* (top right) *another eight weeks. The result is a jewel of truly exceptional quality* (bottom right)*. The remaining pieces of rough* (inset right) *produced a further pear-shaped stone of 31,48 carats, and a brilliant of 2,11 carats.*





magnified x 2,4

the 1977 price increases and a larger volume of gem diamond sales, contributed to the Company's significantly higher net diamond account of R269 510 000 (1977: R113 696 000) which is arrived at before the deduction of export duty which now forms part of the tax charge. As set out in note 1 (b) (ii) to the financial statements, "maintenance" capital expenditure is now charged against the diamond account.

Income from dividends (which is largely a function of what the Company chooses to take from its subsidiaries) and interest amounted to R475 557 000 (R270 919 000). Other revenue totalled R656 000 (R807 000) and there was a surplus of R1 000 (R109 000) from the disposal of fixed assets.

Expenditure on prospecting and research amounted to R14 146 000 (R10 145 000) while general charges totalled R8 671 000 (R5 569 000) and interest payable R1 490 000 (R1 669 000). Net profit before tax at R721 417 000 was R354 294 000 higher than the previous year.

Taxation, which includes diamond export duty, and the State's share of profits under mining leases amounted to R148 984 000 (R59 711 000). After deducting R6 344 000 (R2 343 000) payable to a subsidiary company in respect of its share of the profits of the Finsch mine, the net profit was R566 089 000 compared with R305 069 000 in 1977.

In order to give effect to the change in accounting policy set out in note 1 (b) (i) on the financial statements, R59 809 000 being the balance in the reserve for capital expenditure was released and an amount of R22 922 000 was appropriated from profits to cover the expenditure incurred during the year on new mining facilities or expanding existing facilities. Other appropriations of profit included R375 000 000 (R70 000 000) transferred to general reserve, R220 000 appropriated for expenditure on fixed assets representing largely the transfer duty paid on the mining rights acquired in the Premier mine and R235 693 000 (R190 719 000) for dividends on the preference and deferred shares.

The unappropriated profit at 31st December 1978, including R46 040 000 brought forward from the previous year, amounted to R38 103 000.

BALANCE SHEET

The increase of R252 000 in the book value of claims, mining interests and property reflects largely the transfer duty paid in respect of the mining rights acquired in the Premier mine.

The disposal of the Company's fixed property in South West Africa/Namibia to its wholly-owned subsidiary, CDM (Proprietary) Limited (formerly The Consolidated Diamond Mines of South West Africa (Proprietary) Limited), accounts for the elimination of that item under "Fixed assets".

The book value of unlisted trade investments increased by R532 000 as a result of the Company's participation in a rights issue of ordinary shares made by Banque Diamantaire Anversoise S.A.

The increase in the value of stores and materials is attributable to an increase in the level of stocks held at the Namaqualand Division and to generally higher prices of all goods.

Net current assets at 31st December 1978 amounted to R533 324 000, an increase of R293 318 000 over the previous year-end.

DIVIDENDS

An interim dividend of 20 cents a share was declared on the deferred shares in August 1978, and a final dividend of 45 cents a share was declared in March 1979, making a total in respect of the year ended 31st December 1978 of 65 cents (1977: 52,5 cents).

Dividends of R2,00 and 8 cents a share were declared on the 40 per cent preference and 8 per cent second preference shares respectively.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

The net diamond account, which as stated earlier, is arrived at before the deduction of export duty, and which now takes account of "maintenance" capital expenditure, increased by R221 624 000 to R956 389 000 compared with the previous year. The increase is attributable to the surcharge imposed in the earlier part of the year on the price of rough diamonds and the increases in the price of rough gem diamonds, referred to earlier. Mining expenditure, which now includes "maintenance" capital expenditure, increased by R46 712 000 to R260 577 000, reflecting mainly the expenditure of the newly commissioned Koingnaas and Langhoogte mines in Namaqualand, a full year's expenditure at the Letseng-la-Terai mine and the effects of wage increases and of inflation.

Income from interest and dividends at R234 123 000 was R65 044 000 higher than in 1977, attributable to both higher interest and dividend income. Other revenue was higher at R29 114 000 (1977: R22 470 000), and there was a surplus of R246 000 (R67 000) on the realisation of fixed assets.

Expenditure on prospecting and research increased by R3 531 000 to R29 385 000 and general charges increased by R9 782 000 to R28 661 000. Interest payable was R843 000 higher at R4 461 000, and there was a net deficit of R899 000 (R6 313 000) from amounts written off investments less surplus from the realisation of investments.

Group profit before tax increased by R284 749 000 to R1 156 466 000.

The State's share of profits under mining leases increased by R26 274 000 to R43 867 000, as a result of higher profits earned from the Namaqualand Division, Finsch and Premier mines. Taxation, including export duty which is no longer deducted from the diamond account, amounted to R362 020 000, which was R81 416 000 higher than in 1977.

After deducting outside interests in the profits of subsidiary companies, the Group profit after tax attributable to the De Beers Company amounted to R741 240 000 compared with R563 346 000 in 1977.

Details of movements in the Group reserves are set out in the notes on the financial statements.

Dividends on the deferred and preference shares absorbed R235 684 000 (R190 710 000).

The unappropriated profit brought forward from the previous year was increased by R783 000 as a result of various adjustments which are set out in the consolidated income statement.

The unappropriated profit at 31st December 1978, including the adjusted amount of R267 176 000 brought forward from 1977, amounted to R395 280 000.

CONSOLIDATED BALANCE SHEET

The consolidated balance sheet shows a net increase of R55 057 000 in the book value of fixed assets. The changes are:

an increase of R21 991 000 in claims, mining interests and property attributable mainly to the acquisition of fixed property in Europe and South West Africa/Namibia;

an increase of R9 050 000 in plant, permanent works and buildings representing largely the acquisition of aircraft by a subsidiary and capital expenditure incurred by the industrial diamond division; and

an increase of R24 016 000 in unlisted trade investments arising mainly from the subscription for new shares in De Beers Botswana Mining Company (Proprietary) Limited and Banque Diamantaire Anversoise S.A.

The increase of R7 988 000 in the value of stocks of stores and materials is attributable partly to certain higher stock levels and partly to generally higher prices of goods.

The book value of diamond stocks increased by R34 885 000 to R255 630 000.

The book value of listed investments increased by R22 228 000 to R417 717 000 during the year, and their market value at 31st December 1978 was R817 489 000 compared with R612 446 000 at the end of 1977.

The book value of unlisted investments fell by R944 000 to R76 596 000, and the directors' valuation of these investments at 31st December 1978 was R186 558 000 (R130 101 000).

Long-term loans dropped by R3 379 000 to R69 046 000 at 31st December 1978 as a result of repayments received during the year.

Details of the Company's interests in major subsidiaries appear on pages 43 and 44. Particulars of the Group's principal interests in subsidiaries and other companies, and summaries of their activities are given in the section entitled "Principal interests of the Group" beginning on page 45.

At the end of 1978 current assets exceeded current liabilities by R888 957 000 compared with R502 206 000 at the end of 1977. Current assets increased by R504 812 000 to R1 534 117 000, which included an increase of R611 751 000 in cash, while debtors decreased by R116 536 000.

Current liabilities at R645 160 000 were R118 061 000 higher than at 31st December 1977, and included dividends declared but not paid at the year-end of R162 815 000 (R126 836 000).

Long-term liabilities increased by R29 964 000 to R70 850 000 as a result of a loan raised by an overseas subsidiary partly offset by repayments made against long-term loans in accordance with their original terms of issue.

The interest of De Beers' shareholders in share capital and reserves increased by R490 671 000 to R1 917 450 000 at 31st December 1978.

INVESTMENTS OUTSIDE THE DIAMOND INDUSTRY

The Group's investments and loans, at a book value of R563 359 000 (1977: R545 454 000), are almost entirely in companies outside the diamond business, though some of the companies themselves have investments in the diamond business.

The value of these investments and loans, taking market value for listed investments and directors' valuation (which includes that part of the Group's interest in AECI, held by Afex Holdings (Proprietary) Limited, at market value) for unlisted investments and loans, was R1 073 093 000 (R814 972 000) or 90 per cent above the book value. The income from all of these investments was R60 574 000 (R45 754 000).

An analysis by prime source of the investments and the

Analysis of investments (including loans) in companies outside the diamond industry

	*Value of investments and loans				Investment income			
	1978		1977		1978		1977	
	R'm	%	R'm	%	R'm	%	R'm	%
Industrial .	428	40	326	40	24,5	41	21,3	47
Gold.....	267	25	182	22	9,8	16	7,4	16
Finance...	151	14	126	16	11,0	18	8,9	19
Diamonds†	114	10	59	7	10,2	16	3,4	8
Property ..	28	3	31	4	1,2	2	1,6	3
Copper ...	9	1	19	2	0,3	1	0,8	2
Platinum..	12	1	17	2	0,3	1	0,5	1
Coal......	35	3	27	3	2,7	4	0,9	2
Other mining....	29	3	28	4	0,5	1	1,0	2
	1073	100	815	100	60,5	100	45,8	100

*Listed investments at market value, unlisted investments at directors' valuation and loans at book value.
†Arising from companies that have interests in the diamond business.

income therefrom in 1978 and 1977 is given above. It will be appreciated that a strictly accurate analysis of this kind cannot be made owing to the complicated spread of the underlying investments of the companies in which the Group has an interest. However, the percentages in the table give a fair indication of the diversification of such investments.

PRODUCTION

Diamond production by companies of the Group, including the production of De Beers Botswana Mining Company in which the Group has a 50 per cent interest, amounted to 11 994 610 carats in 1978 compared with 11 808 195 carats in 1977.

Total production from the Kimberley Division mines increased to 4 054 107 carats (1977: 3 920 240), lower production from the four Kimberley mines and Koffiefontein mine being offset by higher production from Finsch mine. Since November 1978 part of the mine feed to the central treatment plant in Kimberley has been replaced with material from certain of the older mine dumps in Kimberley. While this will result in a small drop in the value of annual production from the Kimberley mines, it will have the effect of increasing production in the longer term and of prolonging the life of the mines by about 12 years to at least 20 years. At a cost of some R59 million, including escalation, Finsch mine capacity is being increased from a production rate of 2,6 million to over 3,5 million carats a year by 1980.

The Namaqualand mines division increased production by 62 200 carats as a result of the commissioning in mid-1978 of the Koingnaas mine and the small Langhoogte mine. Work is in progress to start mining further south in the Mitchells Bay area and to increase production through the Koingnaas plant from the present level of 500 000 carats a year to about 750 000 carats a year during 1980.

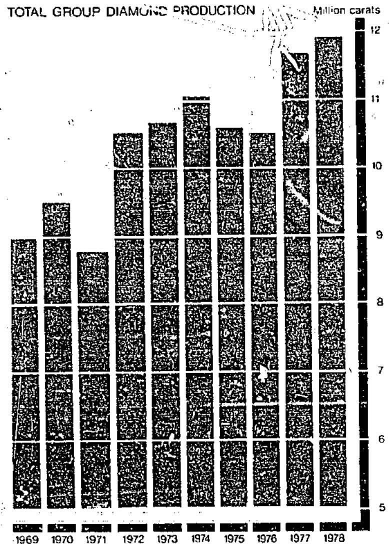
Premier mine produced 1 983 435 carats (2 010 307), and production by CDM was slightly lower at 1 898 211 carats (2 001 217).

The Orapa mine in Botswana produced 2 454 405 carats (2 345 010), while production from the Letlhakane mine was 330 523 carats (345 981). The production of Orapa mine is expected to increase to some 4,1 million carats a year in 1979, while production from the Letlhakane mine is expected to increase by the end of 1979 by some 25 per cent to about 400 000 carats a year when mining moves from the overlying gravels to the kimberlite. Capital expenditure of some R70 million has been incurred in bringing Orapa mine to its present level of production, while the establishment of the Letlhakane mine and its expansion will cost about R30 million.

The agreement with the Government of Botswana on the financial and other terms for the opening of the new mine at Jwaneng in southern Botswana was signed on 11th April 1978. The cost of bringing the mine into production in 1982 is currently estimated to be R270 million. The Government has an option to subscribe up to 20 per cent of the equity share capital required for the project and has exercised this option in respect of the first Pula 190 million and is entitled to follow its rights in respect of expenditure in excess of that sum. Geological work is continuing in order to provide more detailed information on the level of annual carat production at a treatment rate of 4,8 million tons a year.

The Letseng-la-Terai mine in Lesotho which was brought into full production in September 1977 at a cost of R37 million, produced 48 977 carats in 1978 compared with 22 688 carats in 1977. Its plant capacity which was increased from 100 000 to 120 000 tons a month in February 1978 is being further increased to 150 000 tons a month to cater for the treatment of kimberlite from a satellite pipe. The sampling results

TOTAL GROUP DIAMOND PRODUCTION



from this pipe still require confirmation, but a significant increase in ore reserves seems probable. Although the deposit at Letseng is of low grade, some larger stones of high quality and value are produced.

Capital expenditure incurred on expansion projects by Group mining companies, including De Beers Botswana Mining Company, totalled R62 109 000 in 1978 compared with R31 646 000 the previous year.

The Group's synthetic diamond factories in South Africa, Ireland and Sweden are all undergoing major expansion programmes, which will be completed in the next two years. The expansion incorporates a SYNDITE factory at Shannon and facilities for increased production of synthetic grits at all three plants.

The Group continued its prospecting activities in southern Africa, certain parts of central Africa and on other continents, incurring R19 376 000 thereon compared with R18 220 000 in 1977.

Technical matters are dealt with in detail in the mining and prospecting section beginning on page 19.

RESEARCH

A report on the work undertaken at the Diamond Research Laboratory appears on page 27.

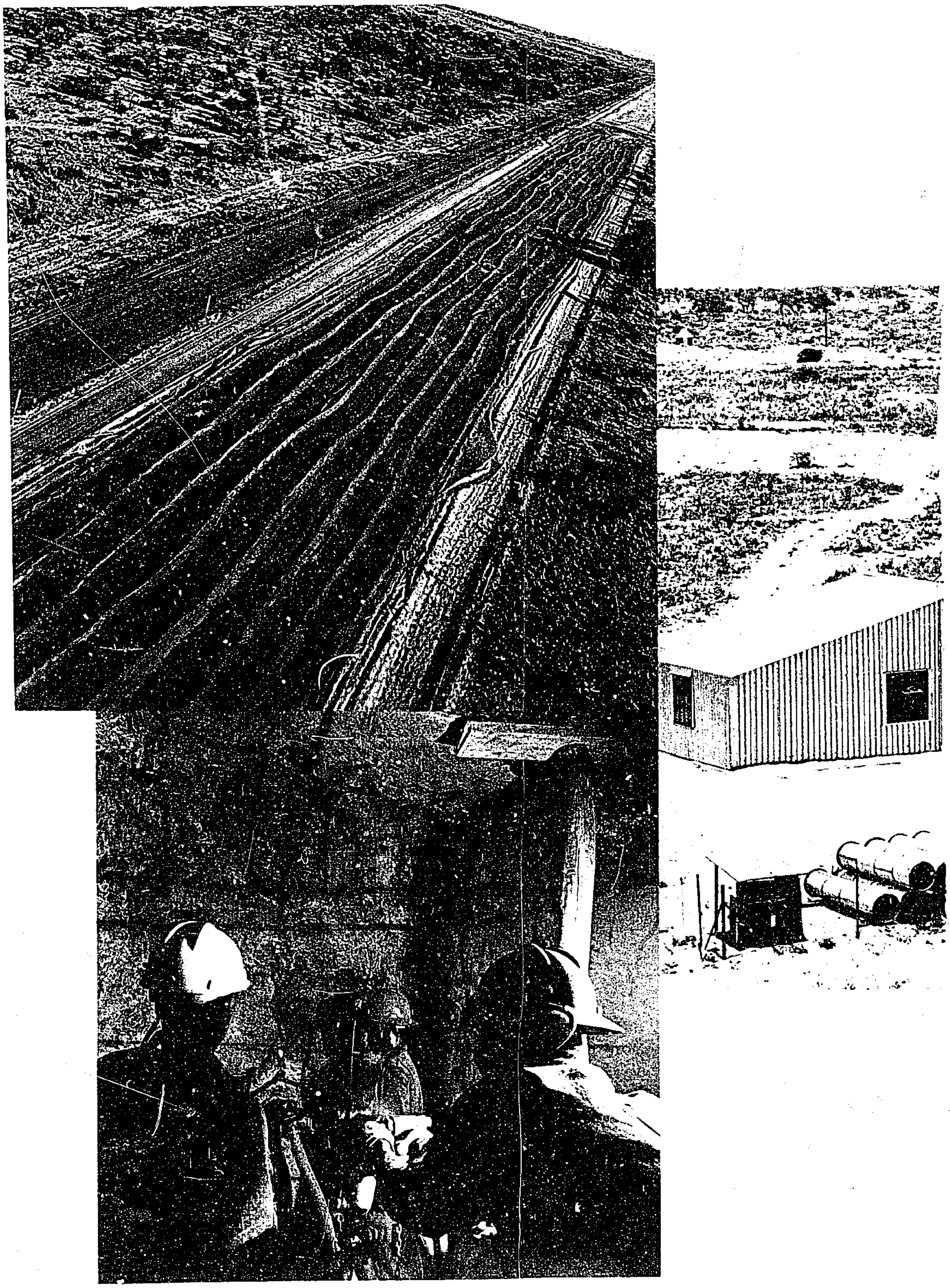
EMPLOYMENT PRACTICES

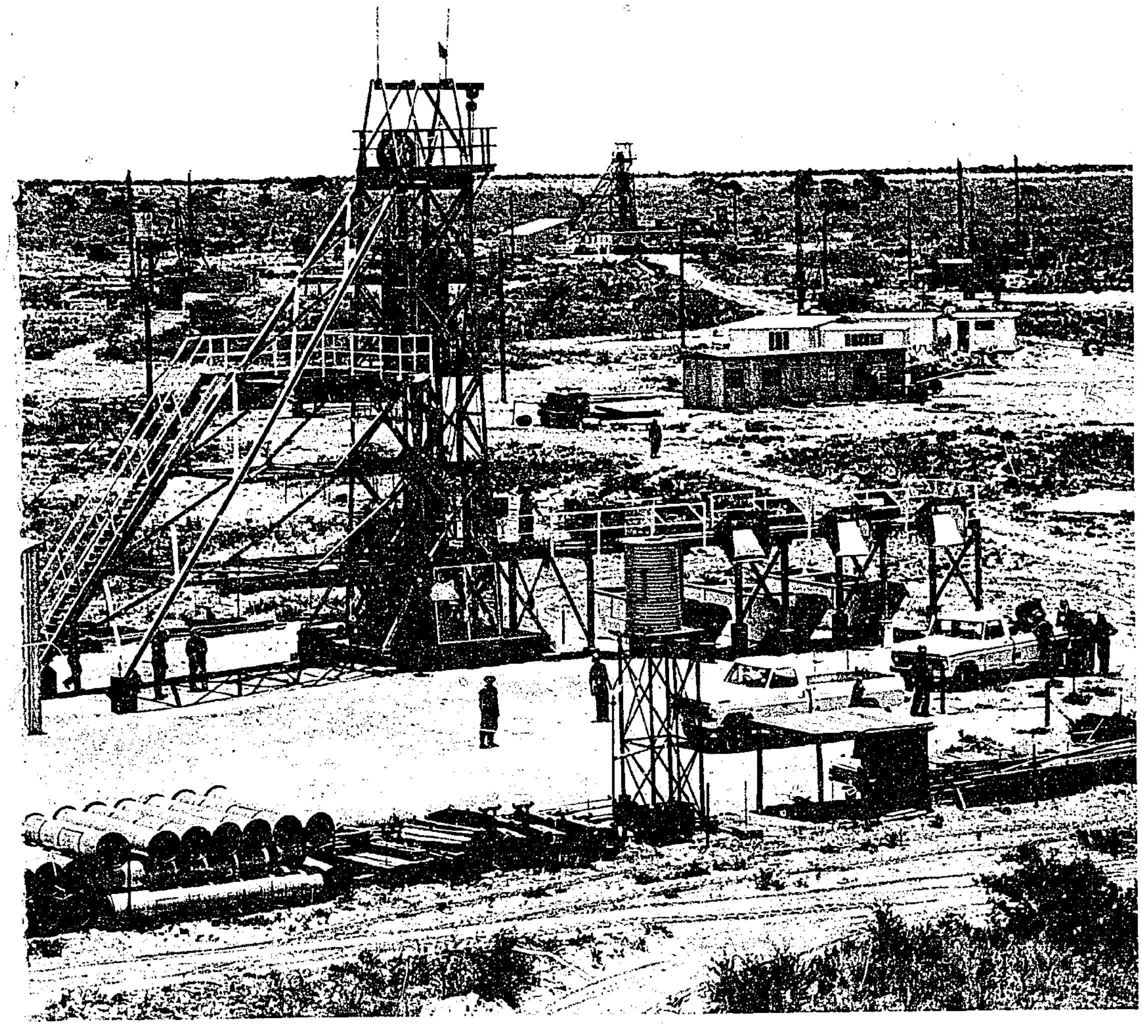
In furtherance of the objective of achieving fully integrated conditions of service for employees of all races on the Group's mines in South Africa and South West Africa/Namibia, a comprehensive job grading system was adopted early in 1978 and is steadily being implemented on the mines. These steps were accompanied by the alignment of various fringe benefits including overtime pay and shift allowances, annual leave and allowances, sick leave and in-service death benefits.

Increases in the standard wage rates of the white employees at Kimberley and Premier mines were negotiated with the Council of Mining Unions. The process of introducing a 5-day week at the Kimberley and Premier mines was completed with the conclusion of negotiations at Premier with the Federation of Mining Unions representing the artisan trades. Wages for black employees on the mines in South Africa and South West Africa/Namibia were increased, in most cases substantially. Wages for the lowest-paid employees in South Africa and South West Africa/Namibia have for a number of years exceeded the minimum living levels established by the University of South Africa. Substantial increases for local employees at Orapa and Letlhakane were negotiated with the relevant branch of the Botswana Mine Workers' Union.

Close attention is being paid to the training and development of employees on all of the mines and good progress has been achieved, notably with the training of metallurgical plant operators. At Kleinzee the programme of employee development has enabled white operators to qualify as artisans and coloured foremen to be appointed in both the plant and mining sections. Here, as elsewhere, these programmes can only advance because of the support of management and the co-operation of all employees.

A scheme for the training of semi-skilled artisan mechanics has produced good results at CDM. At a cost of approximately R1,5 million, CDM has financed the construction of a technical training college at Ongwediva in Ovamboland, to be known as the Valombola Technical Centre, which came into service early in 1979. At Orapa, new courses have been introduced for the training of administrative staff. In addition, an apprentice training centre has been established at Orapa to meet the needs of the Orapa, Letlhakane and Jwaneng mines, where both theoretical and practical skills will be taught. At Letseng in Lesotho, local artisans employed on the mine, who are drawn from the Lerotholi Training Institute near Maseru, have been placed on a two-year training programme to supplement the three-year basic training received at the Institute.

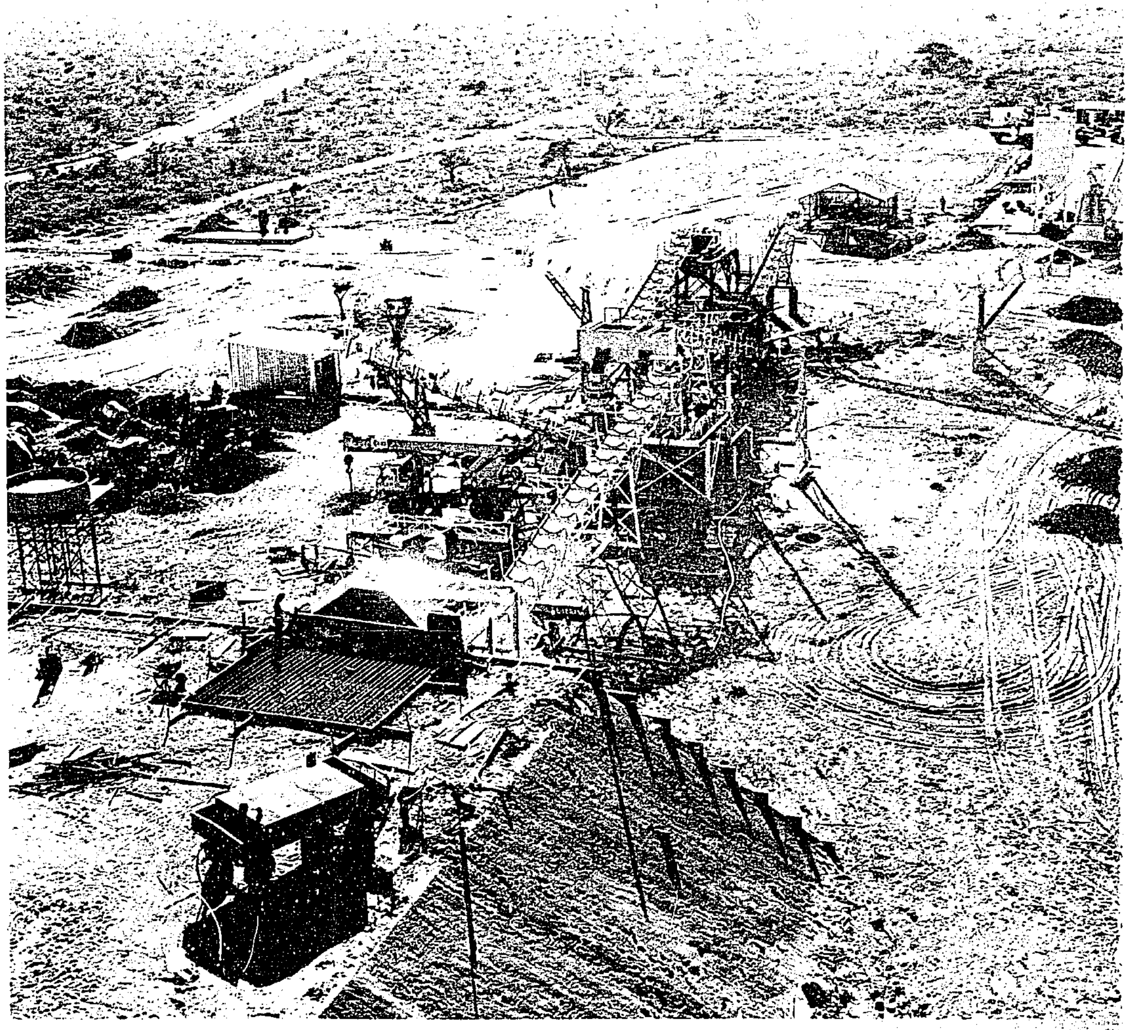


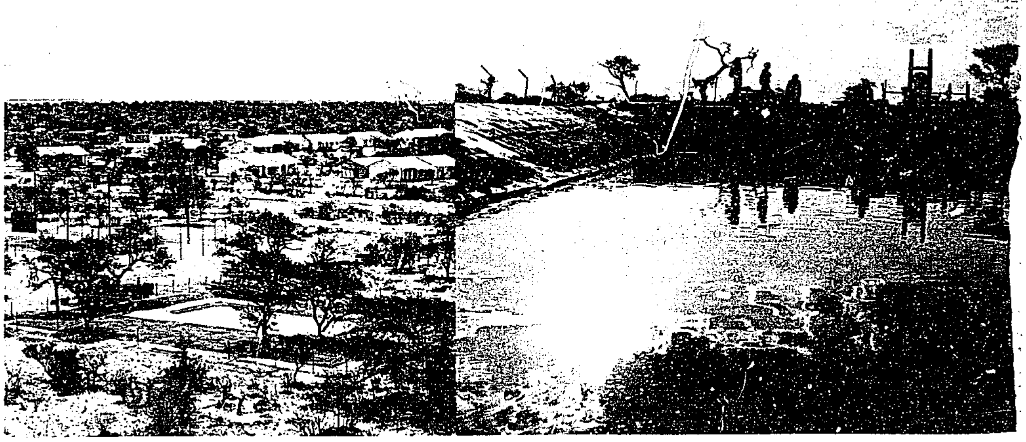


Development of the Jwaneng mine in south-eastern Botswana, a joint venture of the Government and De Beers, is on schedule. Commercial production is due to start in mid-1982.

Above, *two of the prospecting shafts that are being sunk to assist in detailed evaluation of the pipe.* **Left,** *drilling a development end from one of the shafts.* **Top left,** *the 80 kilometre road to Kanye, which is to be tarred, is well advanced; completion is due by the end of 1979.*

The next page *shows the aggregate and block plant in the early stages of construction; it produces building material for mine installations and the newly established township* **(bottom left).** *Water for roadbuilding is pumped from underground boreholes into storage dams. The mine and the township will be supplied from a major wellfield some 50 kilometres to the north of Jwaneng.*





Industrial relations training courses for senior management from the mines were conducted in Johannesburg, while similar courses relating to the particular industrial relations requirements of the individual mines were held at CDM and will be extended to the other mines during 1979.

As a result of agreement reached with the authorities during 1978, it became possible to extend to black and coloured employees at Kimberley and Koffiefontein, facilities to buy their own homes. Initially demand was slow, but since the full range of houses offered under the scheme became available for inspection, some seventy applications have been received and forty houses are already under construction.

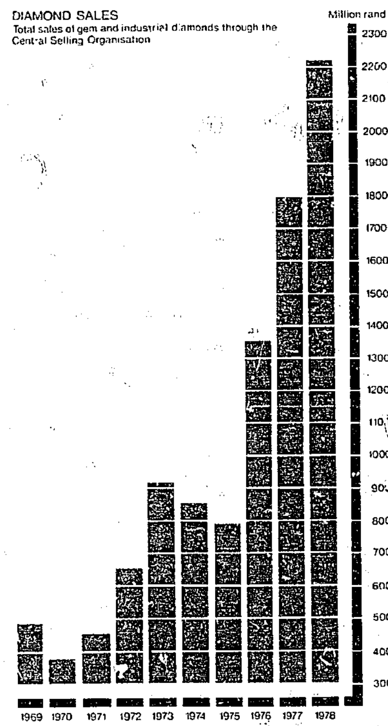
SALES AND MARKETING

Total sales of rough gem and industrial diamonds through the Central Selling Organisation reached a record level for the third year in succession with sales of R2 219 million, (equivalent to U.S. $2 552 million). This represented an increase of 23 per cent over the figures for 1977 of R1 803 million, (U.S. $2 073 million).

In the first quarter of 1978 there was unprecedented demand for most rough diamonds marketed by the Central Selling Organisation. This meant that the prices at which rough diamonds were being traded in the cutting centres were often well in excess of the prices being received by the producers. To rectify the situation the Central Selling Organisation introduced a surcharge of 40 per cent on the price of rough diamonds offered at the March sight. This policy continued with further surcharges of 25 per cent at the May sight, 15 per cent in June and 10 per cent in July. For the August sight the surcharge policy was superseded by an overall price increase of 30 per cent. These measures did much to help the return of more normal market conditions.

Industrial diamond sales were higher in 1978 than in the previous year. In natural diamond the emphasis was placed upon producing those qualities for which synthetic substitution is still not technically possible. Synthetic diamond sales increased markedly, reflecting the sustained growth in market demand for all synthetic grit products and particularly those in the coarser sizes and better qualities.

In furtherance of the policy of promoting the industrial uses of diamond by disseminating technical information, several seminars were held throughout the world. The largest of these was the two-day industrial diamond seminar held in Kyoto in November 1978 as part of the 30th anniversary celebrations of the Industrial Diamond Association of Japan. Scientists from the diamond research laboratory and the De Beers technical service centre at Charters, England, presented technical papers on the properties and application of industrial diamond and related products to an audience of 700, representing a wide cross-section of Japanese industry.



DIRECTORATE

Mr G. W. H. Relly was appointed a director of the Company on 18th December 1978. On 6th March 1979, Mr F. M. Hodgson was appointed to the Board in place of Mr A. S. Hall who retired from active business on that date after 50 years of service with the Company which included nine years as a director. His wealth of intimate knowledge of the complex affairs of the Group will be sorely missed.

In terms of the Company's articles of association Mr Relly and Mr Hodgson retire at the forthcoming annual general meeting together with Mr E. G. J. Dawe.

Dr H. B. Dyer, Dr L. G. Murray and Mr S. Spiro who retire by rotation. They are all eligible and offer themselves for re-election.

Mr H. F. Oppenheimer is the registered holder of 222 250 deferred shares, Mr Evelyn de Rothschild is the registered holder of 4 230 deferred shares and Mr F. M. Hodgson is the registered holder of 100 deferred shares in the capital of the Company in which they have no beneficial interest. Each of the other directors, except Baron Edmond de Rothschild and Mr Evelyn de Rothschild, is the registered holder of 80 000 deferred shares in which they have no beneficial interest.

The undermentioned directors hold the following shares beneficially:

Baron Edmond de Rothschild	240 000 deferred shares
Mr Evelyn de Rothschild	80 000 deferred shares
Dr H. B. Dyer	3 000 deferred shares
Dr L. G. Murray	1 000 deferred shares
Mr N. F. Oppenheimer	1 300 deferred shares
Sir Philip Oppenheimer	103 500 deferred shares

There has been no change in these holdings since the year-end.

No service contracts have been granted by the Company, or any of its subsidiaries, to any director of the Company.

SUBSTANTIAL SHAREHOLDINGS

According to the records of the Company, no shareholder is registered as holding 5 per cent or more of the share capital of the Company, other than Societe Interprofessionnelle Pour La Compensation Des Valeurs Mobilieres (Sicovam) which is the registered holder of 28 803 120 deferred shares and Anglo American Investment Trust Limited (Anamint) which is the registered holder of 89 000 000 deferred shares. However, according to Anamint's latest annual report for the year ended 31st March 1978, it was the beneficial owner of 94 862 330 deferred shares at that date.

Kimberley

6th March 1979

Mining and prospecting

The consulting engineers and consulting geologists submit their report on Group operations for the year ended 31st December 1978.

DE BEERS CONSOLIDATED MINES LIMITED

KIMBERLEY DIVISION MINES

The combined output of the Kimberley Division mines was 11 822 100 tons yielding 4 054 107 carats. This compares with 11 861 225 tons and 3 920 240 carats in 1977.

In terms of the policy of extending the life of the Kimberley mines by re-treating dump material, 4 500 tons per day of reclaimed tailings were fed to the treatment plant from the beginning of November and production from the four underground mines correspondingly reduced.

At the De Beers mine, production for the year amounted to 704 800 tons at a grade of 15,85 carats per 100 tons yielding 111 720 carats compared with 113 963 carats recovered from 725 497 tons in 1977. The 745-metre block cave was brought into production in May 1978 and by the end of the year was producing 800 tons per day. The 785-metre level automatic haulage is operating successfully. Tonnage from the 500-metre and 620-metre block caves was reduced and there were considerably fewer mud pushes than in 1977. The opening up of the ore body below the 500-metre block cave for a sub-level cave mining operation progressed well and production is scheduled to start in April 1979. Slope stability monitoring continued throughout the year but no indications of movement were observed.

The Dutoitspan mine produced 792 500 tons at a grade of 16,18 carats per 100 tons yielding 128 214 carats compared with 112 143 carats from 792 806 tons in 1977. Limited production from the 555-metre level block cave continued until this block was completed at the end of October. After clearing the water and mud from the previous year's inrush, production from the 575-metre block cave was resumed. At the beginning of December, however, there was another mud rush and the cave had to be stopped. Production from the 760-metre level block cave was temporarily increased to cover the loss until the dump retreatment programme commenced in November. Bulkhead doors were installed in the 760-metre haulage to protect the joint shaft system in the event of another inrush of water from the block caves. Water tunnel development continued on the northern side of the mine for slope stability control, and drainage is satisfactory.

At the Bultfontein mine the production was 883 800 tons at a grade of 32,35 carats per 100 tons yielding 285 885 carats compared with 1 042 240 tons and 329 729 carats in 1977. Ore production was reduced for two months during the installation of bulkhead doors in the main haulage to protect the joint shaft system. Production from the 580-metre block cave continued throughout the year, while the 595-metre block cave was stopped in January and the 610-metre block cave in April as planned, following depletion of ore reserves. The 700-metre block cave was brought into full production in October. Water tunnel development on the 20-metre elevation was completed and on the 30-metre level development continued on the western side of the mine with visible reduction of water flow into the open mine.

At the Wesselton mine production was 1 807 800 tons at a grade of 27,59 carats per 100 tons yielding 498 733 carats compared with 528 817 carats recovered from 1 948 348 tons in 1977. The 730-metre rim loading continued to produce satisfactorily and development on the east side of the mine for the 695-metre rim loading made good progress.

At the Kimberley mine the drainage tunnel for the slope stability project is progressing on schedule and monitoring indicates improved stability.

The Dump retreatment programme started in November and a total of 187 400 tons was treated from the Bultfontein floors at a grade of 30,18 carats per 100 tons yielding 56 556 carats.

At the Finsch mine production was 3 757 900 tons at a grade of 69,99 carats per 100 tons yielding 2 630 166 carats compared with 3 639 640 tons and 2 425 799 carats in 1977. Ore was mined between the 136- and 196-metre levels in the open pit with the kimberlite on the lower levels containing an amount of inclusive waste material.

Good progress was made on the uprating of the Finsch treatment plant during the year and a large portion of the civil construction work was completed. The modified plant is due to be commissioned in mid-1980 and is now expected to cost about R58,7 million. It will provide a 40 per cent increase in throughput and much improved recovery efficiency. This increase in plant capacity will shorten the life of the open pit and preparation for the move to underground mining has started. Precementation of the vertical shaft site is in progress, with completion scheduled for early 1979 and this will be followed by construction of the headgear and sinking of the shaft. An inclined ramp from surface, primarily to gain early access to the upper mining levels, has been started.

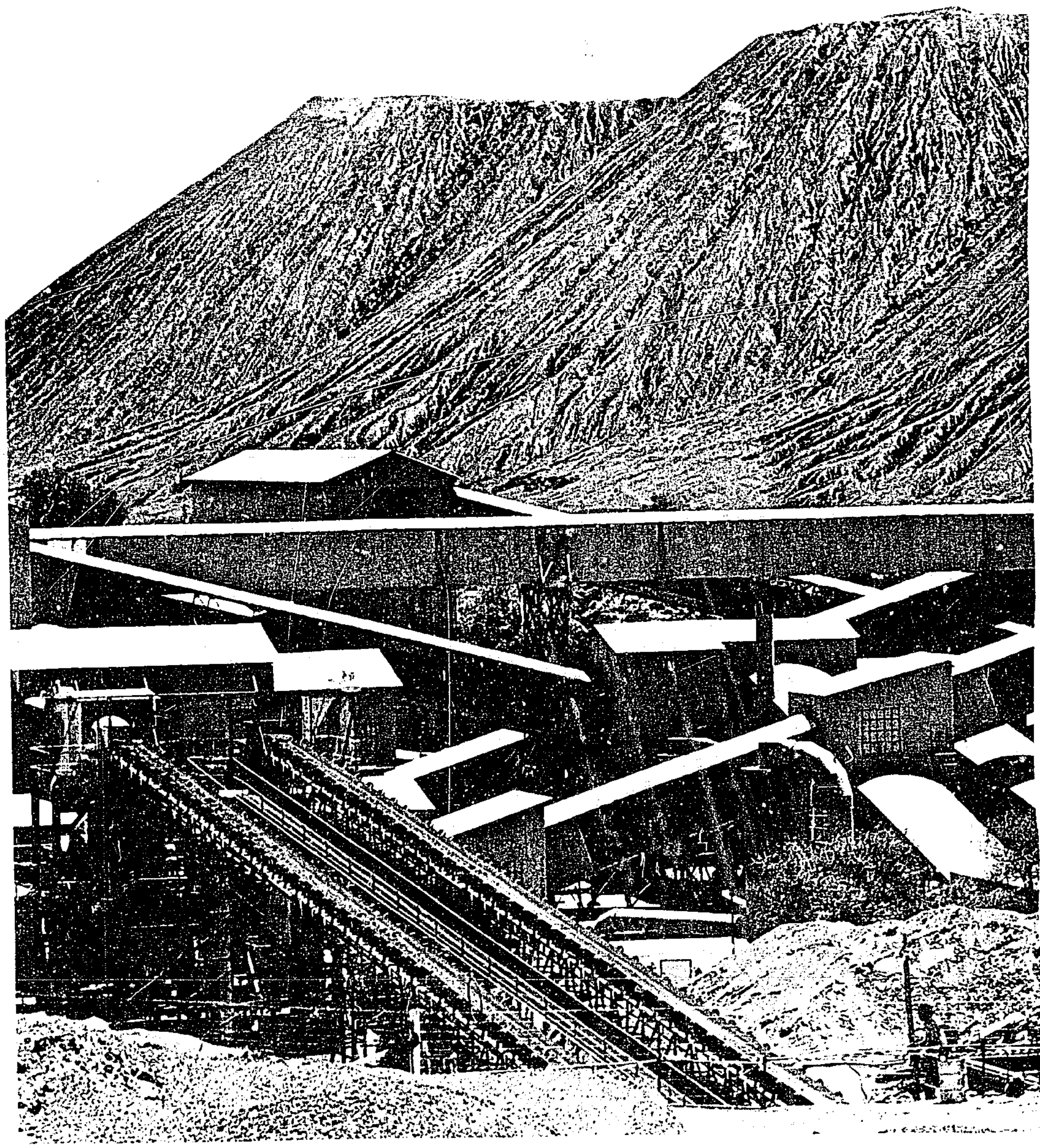
Core drilling from the old 348-metre sampling level is in progress to examine possible changes in the kimberlite type and to establish the shape of the pipe at depth.

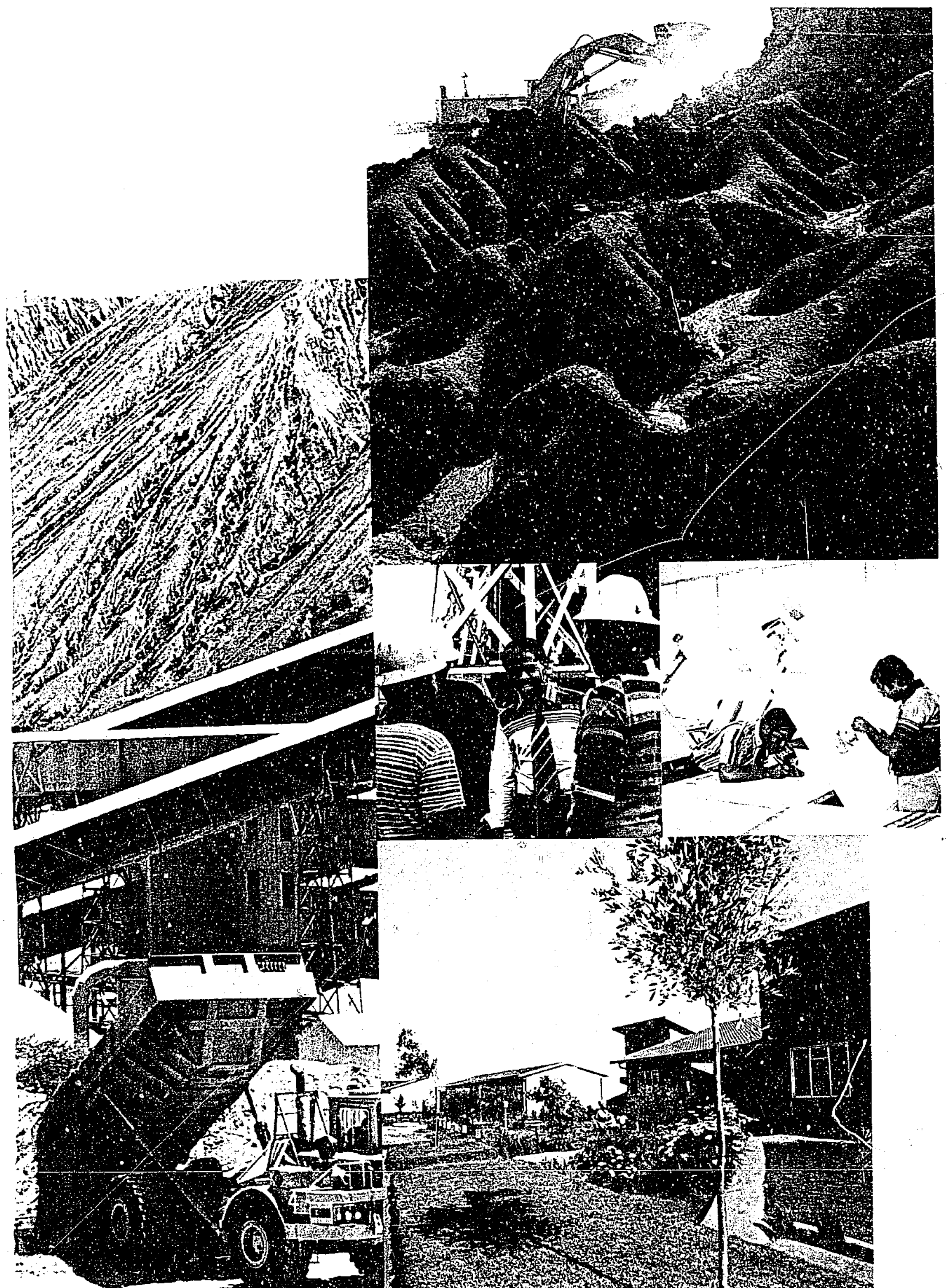
The Koffiefontein mine produced 3 687 900 tons at a

A R39 million scheme for the retreatment of old dumps in Kimberley will extend the life of the four operating mines until at least the end of the century. Initially the material is being processed in the central treatment plant but the outlying dumps will be treated in three small plants to be built in 1980.

Deliveries from the dumps to replace part of the present mine feed for the central treatment plant began in late 1978 (top right).

Considerable attention is being paid to the training and development of employees on all the mines: a Personnel Officer talks to mine workers (centre) *and final-year students at work in the design centre, part of a training scheme for draughtsmen of all races established in Kimberley* (centre right). *Over 60 per cent of the black employees in Kimberley live locally with their families. To relieve the shortage of housing De Beers built the village of Ipopeng* (bottom right) *for its more senior married workers, many of whom are now buying their houses.*





Group production

	Metric tons treated 1978	1977	Carats recovered 1978	1977	Carats per 100 metric tons 1978	1977
De Beers mine	704 800	725 497	111 720	113 963	15,85	15,71
Dutoitspan mine	792 500	792 806	128 214	112 143	16,18	14,15
Bultfontein mine	883 800	1 042 240	285 885	329 729	32,35	31,64
Wesselton mine	1 807 800	1 948 348	498 733	528 817	27,59	27,14
Dump retreatment	187 400	—	56 556	—	30,18	—
Finsch mine	3 757 900	3 639 640	2 630 166	2 425 799	69,99	66,65
Koffiefontein mine	3 687 900	3 712 694	342 833	409 789	9,30	11,04
Kimberley Division total	11 822 100	11 861 225	4 054 107	3 920 240		
Namaqualand mines	4 964 800	4 066 711	1 224 952	1 162 752	24,67	28,59
Premier mine	7 527 800	7 074 403	1 983 435	2 010 307	26,35	28,42
CDM	15 136 300	14 899 997	1 898 211	2 001 217	12,54	13,43
Letseng-la-Terai mine	1 417 000	680 000	48 977	22 688	3,46	3,34
Orapa mine	3 585 400	3 449 565	2 454 405	2 345 010	68,45	67,98
Letlhakane mine	1 111 200	1 087 310	330 523	345 981	29,74	31,82
Totals	45 564 600	43 119 211	11 994 610	11 808 195		

grade of 9,30 carats per 100 tons yielding 342 833 carats compared with the production of 409 789 carats from 3 712 694 tons in 1977. The lower diamond production was in accordance with the forecast mining programme and resulted from mining in the lower grade contact area of the pipe. Waste stripping was completed but small amounts of waste arising from variations in the pipe limits will continue to be mined. An ore stockpile is being created to cater for any shortfall during the change-over from open pit to underground mining in 1981.

In the underground mine, development continued off the No. 2 main rock shaft throughout the year. Poor ground conditions on the 268-metre level and intersections of high pressure water on the 488- and 522-metre levels hampered progress. Conventional grouting techniques proved inadequate in the highly permeable strata and a delay of some four months resulted. Improved grouting methods and materials have been introduced and development has recommenced. Three air passes from the open pit to the 522-metre level and two ore passes from the 268-metre level to the 522-metre level were completed by raise boring.

NAMAQUALAND DIVISION MINES

Diamond production from the Namaqualand Division mines increased by 62 200 carats to 1 224 952 carats compared with 1977, despite a decrease of 100 106 carats from the Annex Kleinzee and Dreyers Pan operations as a result of the mine plan requiring the mining of lower grade blocks. The decrease, however, was more than offset by the production of 132 901 carats from the Koingnaas and Langhoogte mines which came into production in August 1978, as well as an increase of 29 405 carats from improved bulk sampling operations.

At Annex Kleinzee terrace treated increased from 2 621 343 to 2 675 100 tons in 1978. Carat production totalled 505 061 carats, at an average grade of 18,88 carats per 100 tons compared with 23,05 carats per 100 tons in 1977. Overburden stripped at 10 033 900 tons was slightly lower than the 10 236 074 tons stripped the previous year.

At Dreyers Pan the average grade dropped from 38,64 to 34,31 carats per 100 tons, and the 1 605 200 tons of terrace treated yielded 550 739 carats compared with 558 500 carats recovered from 1 445 368 tons in 1977. It was again necessary to increase the overburden stripped in order to expose the deeper deposits and 13 731 400 tons of overburden were removed compared with 11 731 517 tons the previous year. Minor modifications, and three-shift operation of the bulk sampling plant resulted in an increase in throughput to

256 200 tons compared with 181 602 tons in 1977. The plant, which treated samples from production faces to monitor grades, and prospecting trench material from Tweepad, produced a total of 36 251 carats.

The small Langhoogte mine was recommissioned during the year after rehabilitation and modifications had been completed. After rectifying the initial teething problems the plant achieved its planned tonnage. However, the grade was disappointingly low at about 12 carats per 100 tons, and steps are being taken to mine higher grade areas. The throughput for the year was 90 400 tons yielding 10 339 carats.

The new Koingnaas mine situated 70 km south of Kleinzee treated its first ore on schedule in July 1978. Difficulties were encountered in treating the varying types and sizes of ore fed to the plant and modifications to the screens and crushers had to be carried out. However, in December 51 287 carats were produced against the monthly target of 45 000 carats. The plant treated a total of 337 900 tons at a grade of 36,27 carats per 100 tons yielding 122 562 carats. Overburden stripped amounted to 5 434 400 tons.

Construction of the new Tweepad plant, which is to replace the Dreyers Pan plant during the latter half of 1980, was on schedule at the year end.

The change-over of electrical energy supply from the Company's diesel generating station to the national grid of ESCOM was completed in April, and the diesel generating sets have been placed on standby.

PREMIER MINE DIVISION

The total tonnage treated at Premier mine increased from 7 074 403 tons in 1977 to 7 527 800 tons in 1978, but owing to a lower underground grade diamond production decreased from 2 010 307 to 1 983 435 carats.

Production from the underground mine was slightly higher at 5 340 000 tons compared with 5 332 663 tons in 1977, but the grade was lower at 30,37 carats per 100 tons compared with 31,45 carats in 1977, resulting in a lower diamond production of 1 621 580 carats compared with 1 677 271 the previous year.

Dump retreatment tonnage was higher at 2 187 800 tons compared with 1 741 740 tons in 1977, so that in spite of a decrease in the grade of material treated diamond production increased to 361 855 carats compared with 333 036 carats in 1977.

Access development to the L1 block below the sill progressed well, but exceptionally bad ground conditions were encountered in the area of contact between the pipe and the surrounding country rock. Stoping in this area, which was due to commence early in 1980, will be delayed by some months.

Deepening of the sub-vertical shaft was completed during the year. This shaft will provide access to the new haulage system on the 763-metre level and a base for the extension of the existing man and materials shaft to this level. Mining of the two conveyor declines has commenced. Production from this deeper area below the sill is due to start in 1986.

During 1978 modifications were made to the water reticulation system of the plant permitting full-scale flocculation. The consequent increase in recirculated water has greatly reduced the usage of raw water with the result that the present slimes dam is now expected to have a 25-year life.

A prototype X-ray sorting machine designed to handle material between 45 mm and 75 mm in size has been under test during the year. Following this test-work a plant, designed to treat all ore arising in this size fraction prior to secondary crushing, is being installed and will be commissioned in mid-1979.

CDM (PROPRIETARY) LIMITED

Diamond production for the year totalled 1 898 211 carats compared with 2 001 217 carats in 1977.

Modifications and improvements effected during the year to the four conglomerate plants enabled more efficient operations to be achieved, with the result that the treatment targets for the year for each of the four conglomerate plants were exceeded. Terrace treated increased to 15 136 300 tons compared with 14 899 997 tons during 1977. The recovery grade, however, dropped from 13,43 carats per 100 tons to 12,54 carats per 100 tons. Bedrock cleaning productivity increased slightly from 17,01 to 18,3 square metres per man shift.

The quantity of overburden stripped decreased from 58 703 562 tons in 1977 to 54 939 700 tons in 1978. A shortage of married accommodation had an adverse effect on artisan recruitment which was reflected in low scraper fleet availabilities causing the reduction in the quantity of overburden stripped. With the completion of additional houses and flats the position improved towards the end of the year.

The output of the bucketwheel excavator averaged 1 540 tons per hour compared to 1 570 tons per hour during 1977. Replacement of a main slewing bearing, the bucketwheel bearing, and one of the conveyor belts destroyed by a fire reduced the mechanical availability to 73 per cent.

The commissioning problems associated with the 50G sampling plant were overcome early in 1978 and the plant is now operating at full throughput. Work continued during the year on the sampling of potential ore reserves in the central and western blocks in order to increase ore reserve information, and improvements in mega-trench sampling techniques have resulted in a faster sampling operation. Several modifications to the plant are planned for 1979 in anticipation of the plant being available for production purposes as the sampling requirement decreases.

An electrical fire extensively damaged the bus-bars and transformers of the main power station in mid-April, but connection to the ESCOM supply was completed within four days, enabling full production to be resumed. The power station has been rehabilitated so as to provide standby power for the town and hostels, and four redundant 3,3 MW diesel generators were sold. As planned, the existing power distribution system at the mine was considerably altered in order to improve its reliability and flexibility. As part of this programme the installation of power factor correction equipment has resulted in considerable savings in power cost.

DE BEERS BOTSWANA MINING COMPANY (PROPRIETARY) LIMITED

At Orapa mine production for the year totalled 3 585 400 tons at a recovery grade of 68,45 carats per 100 tons yielding 2 454 405 carats. This compares with 3 449 565 tons treated in 1977 which yielded 2 345 010 carats at a grade of 67,98 carats per 100 tons. Although the tonnage treated through the existing plant was on target for the first nine months of 1978, a two month delay in the construction of the expansion project together with subsequent commissioning problems resulted the total tonnage treated for the year being 18 p ent less than the original annual target of 4 375 000

Major construction work on the expansion he Orapa plant was completed during September and commissioning started in October 1978. During the three month commissioning period modifications had to be carried out in the primary feed section to obviate damage to the scalper grizzly from large rocks in the head feed, and operations generally were adversely affected by difficulties experienced in tying in new sections with existing operating plant. However, by the year end only minor modifications were still in progress, and full production should be achieved early in 1979.

As a result of the expansion programme the demand for electrical power increased from 7,45 to 10,60 MW during 1978. The electrical energy, which increased by 18,51 per cent to 43,528 GWh, was generated by diesel alternators at the Orapa power station. As part of the expansion programme one 3,3 MW generating set was installed during 1978 in a new extension to the power station. Three further sets are to be installed and commissioned during 1979 to increase the total permanent generating capacity to 18,25 MW, sufficient to meet the power requirements for both the Orapa expansion and Letlhakane Stage II.

At Letlhakane mine the mining of the ferruginous gravels surrounding the D/K1 and D/K2 pipes continued, and preparatory work was undertaken to enable mining of the D/K1 pipe itself to commence during the latter half of 1979.

Unseasonal, heavy rains during the first quarter of 1978 interrupted operations, but the 1 111 200 tons treated compared favourably with the 1977 tonnage of 1 087 310. At a grade of 29,74 carats per 100 tons, 330 523 carats were produced against a target of 320 000 carats for the year.

At the year end progress on the construction of the second stage of the Letlhakane plant was on schedule. Civil works were 90 per cent complete and structural/mechanicals 50 per cent complete. Construction work is scheduled for completion during the first half of 1979 and commissioning to full production is planned during the latter half of the year.

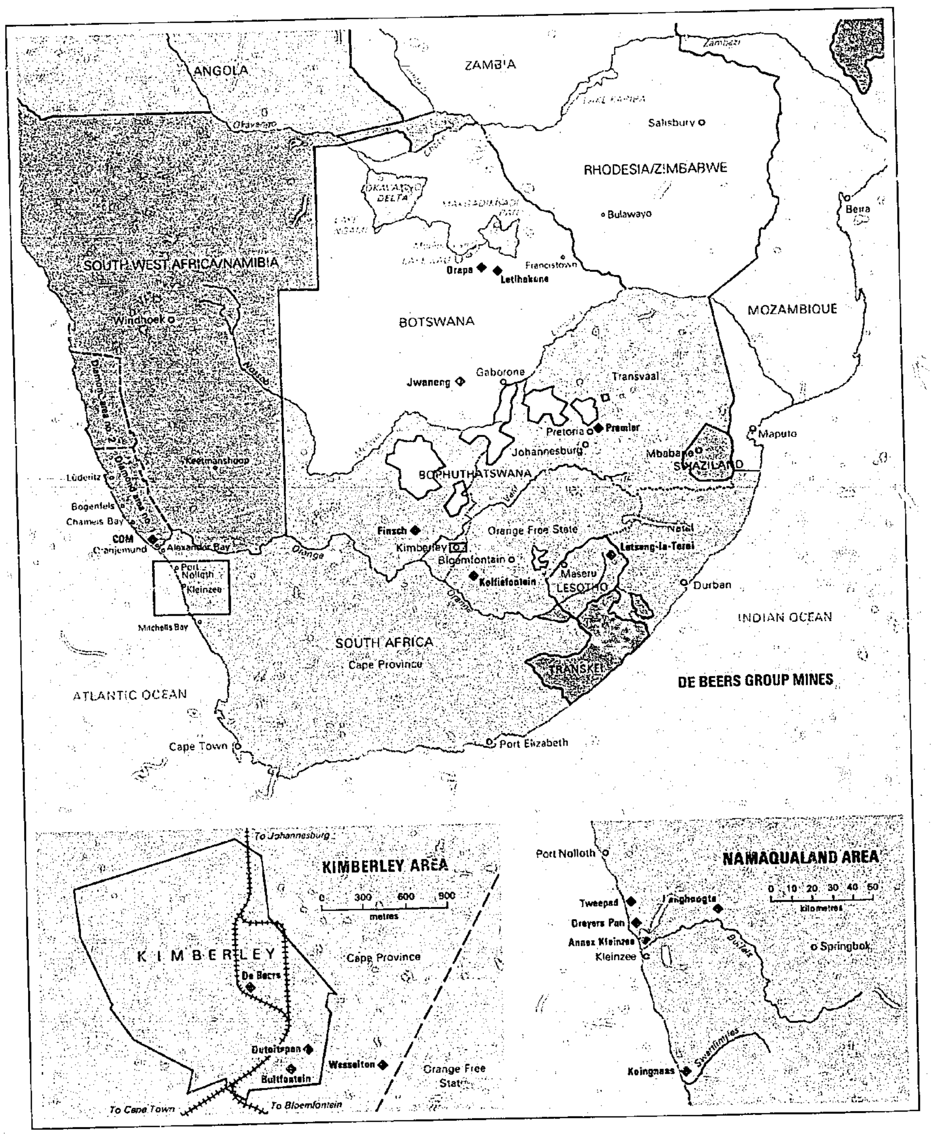
An agreement between the Government of the Republic of Botswana and De Beers relating to the establishment of the new Jwaneng mine in southern Botswana was signed on 11th April 1978. The mine will be developed and operated by De Beers Botswana Mining Company. A Project Management Committee has been formed and a feasibility study relating to the mine and infrastructure has been prepared by Anglo American Corporation of South Africa Limited, based on a treatment rate of 400 000 tons a month and on bringing the mine into commercial production in mid-1982. A bulk sampling plant will be erected on site during 1979 to assist with the more detailed evaluation of the ore reserves. Investigations conducted during 1978 have confirmed the existence of a major groundwater resource which, on present information, is sufficient for the foreseeable needs of the mine.

At the year end, work was in progress on the Kanye-Jwaneng main access road, an airfield and telecommunications facilities. A quarry and aggregate and block-making plants have been commissioned and work has started on the construction of 100 houses. To date, the project is on schedule.

DE BEERS LESOTHO MINING COMPANY (PROPRIETARY) LIMITED

In its first full year of production the Letseng-la-Terai mine produced 48 977 carats from the treatment of 1 417 000 tons of ore, compared with 22 688 carats and 680 000 tons during 1977, when operations commenced.

Modifications to the plant were completed in February, enabling throughput to be increased from 100 000 to 120 000 tons per month. In the pit, ore to meet plant



ANGOLA
ZAMBIA
Salisbury
RHODESIA/ZIMBABWE
Bulawayo
Beira
SOUTH WEST AFRICA/NAMIBIA
Orapa
Letlhakane
Francistown
MOZAMBIQUE
BOTSWANA
Windhoek
Jwaneng
Gaborone
Transvaal
Premier
Pretoria
Johannesburg
Maputo
Mbabane
SWAZILAND
Keetmanshoop
BOPHUTHATSWANA
Lüderitz
Bogenfels
Chamais Bay
CDM
Oranjemund
Alexander Bay
Orange
Finsch
Orange Free State
Natal
Kimberley
Bloemfontein
Letseng-la-Terai
Port Nolloth
Kleinzee
Maseru
LESOTHO
Koffiefontein
Durban
Mitchells Bay
INDIAN OCEAN
SOUTH AFRICA
Cape Province
TRANSKEI
DE BEERS GROUP MINES
ATLANTIC OCEAN
Cape Town
Port Elizabeth
To Johannesburg
KIMBERLEY AREA
0 300 600 900
metres
KIMBERLEY
Cape Province
De Beers
Dutoitspan
Bultfontein
Wesselton
Orange Free State
To Cape Town
To Bloemfontein
Port Nolloth
NAMAQUALAND AREA
0 10 20 30 40 50
kilometres
Tweepad
Dreyers Pan
Annex Kleinzee
Kleinzee
Springbok
Koingnaas

demand was drawn from the 25- to 45-metre benches in the K6 kimberlite body. Overburden removed, including low grade kimberlite, totalled 2 026 000 tons giving a waste to ore mined ratio of 1,43:1. The provision of an ore stockpile ensured that plant operations continued during periods when mining operations had to be suspended due to bad weather which during the year amounted to 60 days in all.

During the year the permanent tailings disposal conveyor was completed and good progress made with the wall of coarse tailings being constructed in the valley below the plant to contain the fine tailings fraction.

In order to obtain a more accurate evaluation of the low-grade non-K6 kimberlite in the main pipe and of the satellite pipe, samples of some 50 000 tons from each source were processed through the main plant. The grade of the non-K6 kimberlite sample was 2,29 carats per 100 tons, with size distribution and quality similar to the K6 kimberlite. The satellite pipe sample grade was 3,58 carats per 100 tons, again with a similar size distribution to the K6, but of somewhat better quality. The satellite pipe contains some 11 million tons of kimberlite to a depth of 140 metres, which compares with less than 6 million tons remaining in the main pit. While the sampling results require confirmation, a very substantial increase in the ore reserve seems probable. It is believed that a further increase in the capacity of the treatment plant from 120 000 to 150 000 tons per month can be obtained by minor modifications to the crushing plant, and this work has started.

PROSPECTING

Exploration policy remained unchanged during 1978 and an active programme was pursued in the search for new diamond deposits in Africa, South America, Australia and elsewhere. In countries where conditions permitted, evaluation work proceeded on deposits discovered in previous years.

In the Jwaneng area of Botswana, sampling of the major kimberlite pipe, 2424 D/K2, was continued. The results obtained largely confirm earlier results from this important pipe but sampling will continue until stripping of the overburden commences in the latter part of 1979. Prospecting in the surrounding area led to the discovery of further kimberlite pipes that require testing, but initial indications are that none of these pipes is of appreciable size. Testing of three small kimberlites in the Orapa area to the north neared completion. In the extreme south of the country, further kimberlites were found but those tested so far have proved to be barren.

In South Africa, wide spread reconnaissance prospecting ran concurrently with the examination of prospects and the systematic sampling of kimberlites. None of these proved to be of economic importance. During the year, other new kimberlite bodies were discovered, and will in due course also be tested. In Namaqualand prospecting continued along the coast, with the emphasis on a search for extensions to the known ore deposits.

Large portions of the northern half of South West Africa/Namibia were covered by reconnaissance prospecting to delineate favourable areas for follow-up work. In the south of the country, similar work resulted in the discovery of several kimberlite pipes, but initial indications are that none of them is of economic interest. In the diamond mining area, large-scale sampling continued in an effort to find extensions to the known ore reserves. A programme of prospecting the residual surface deposits, which lie inland from the present-day beach, was started in the area some 170 km to the north of the mine, near Bogenfels. On the beach itself, a strip some 60 km long, which lies midway between the mine and the town of Luderitz, was surveyed by seismic means in preparation for a large sampling programme. Systematic sampling at sea continued to make good progress. Earlier in the year a detailed geological, geochemical and airborne geophysical survey for minerals other than diamonds commenced over selected areas in the eastern part of the country. In December the first results from this survey were placed on open file with the Geological Survey of South West Africa/Namibia, where they are available to the public. CDM is also participating in various Anglo American Corporation group syndicates involved in prospecting for other minerals in the territory.

In Swaziland the Ehlane deposit has been abandoned and the surface area restored as a result of investigations having shown that it is clearly uneconomic. No further work was done on the Dokolwayo kimberlite pipe after the first quarter of the year. The pipe is very small and the sampling to date shows that further prospecting will only be warranted if satisfactory arrangements can be concluded with the Swaziland authorities; negotiations to this end are continuing.

Prospecting continued in other countries on the African continent but no discoveries of importance were made.

Numerous kimberlite pipes were discovered in Brazil, and several in Australia. Systematic testing of these discoveries is proceeding, but none has so far proved to be of economic importance.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

Per: S. F. GANDAR *Consulting Engineer*
T. LEE-JONES *Consulting Engineer*
L. G. MURRAY *Consulting Geologist*

6th March 1979

Research

The design of specialised equipment for the recovery of diamonds and the production of industrial diamonds is an increasingly important facet of the activities at the De Beers Diamond Research Laboratory. Research in this field is typified by the development of improved X-ray sorting equipment for use on Group diamond mines and by the development of larger, more efficient high pressure diamond synthesis systems.

An investigation into problems experienced at Premier mine with sporadic outbreaks of corrosion in the ferrosilicon heavy medium has been successfully concluded and early warning devices signalling a transition to the corrosion condition have been developed to enable immediate corrective measures to be taken.

Following the successful optimisation of fine diamond recovery at Finsch mine by the Laboratory's metallurgists a heavy medium reconcentration plant was commissioned to handle the expected increased volume of concentrates and a full evaluation of the fine diamond pan circuit is being carried out.

The diamond liberation characteristics of 20-ton samples of Jwaneng ore from various levels in the pipe are being studied to provide data for the economic design of the treatment plant. The analysis involves a series of progressively finer crushing steps, followed by exhaustive recovery by heavy medium separation, grease, X-ray and other techniques.

Continuing research into equipment for the synthesis of diamond has resulted in the development of an improved high pressure system. This new equipment is designed to be used both in the existing large production presses and in the new generation of high capacity presses which were designed as a joint-venture between the Laboratory and engineers at our synthetic factories. The first of the new presses has been successfully commissioned at the Laboratory and over the next two years 25 units will be installed in Springs, Shannon and Robertsfors as part of a major expansion programme.

Traditionally abrasive grits have ranged in size from the finest at 400 mesh up to a limit of 20 mesh, coarser material being the domain of natural drilling stones. For the first time synthetic diamond has been made commercially available throughout the full grit size range by the development of 20/25 and 20/30 mesh SDA100S and SDA100 for use in saws and impregnated drilling bits in the stone and construction industries. Although the grit range has now been completed, the emergence of several new producers of synthetic diamond has given added impetus to the continual monitoring and reviewing of existing products by the Laboratory in order to maintain competitive superiority. One result has been the development of a new, high impact strength product, MDA100, to augment the already successful MDAS and MDA ranges which are used in impregnated metal bonds for grinding glass and ceramics.

Further improvements in the quality of amber boron nitride in both the unclad, ABN300, and nickel clad, ABN360, varieties have substantially increased market acceptance of these two superhard non-diamond abrasives in the grinding of high speed steels.

The SYNDITE product range has been extended to five grades, each based on average grain size. The coarser grades are recommended for rock drilling applications, whilst the finer grades are suitable for incorporation in cutting tools for turning a wide range of non-ferrous metals including copper and aluminium, and as dies for the drawing of fine wires.

Full-scale production of SYNDITE wire drawing dies began at the Springs factory in 1978 and field tests carried out in Europe on the material produced have been most encouraging. Commercial availability of this product was announced in January 1979.

To accommodate the ever increasing range of research activities, a new physical metallurgy laboratory specifically designed for research into powder metallurgy was opened during the year. The E.T.S. Brown Building also became available for research purposes and was extensively re-modelled internally to house application research in the fields of sawing and drilling.

Collaborative research with South African and overseas universities continues. Of particular interest has been the development of an X-ray technique for "fingerprinting" both cut and uncut diamonds by obtaining an X-ray topograph of crystal defects and microscopic imperfections unique to each particular stone. Research into the potential use of this technique for identifying growth irregularities in synthetic diamonds is being investigated.

Financial statistics 1969—1978

FROM THE CONSOLIDATED FINANCIAL STATEMENTS

	CAPITAL AND RESERVES			INVESTMENTS (INCLUDING LOANS) OUTSIDE THE DIAMOND INDUSTRY				PROFITS AND DIVIDENDS ON DEFERRED SHARES			
				Listed		Unlisted		†Profit after tax and preference dividends		Dividends	
Year	Issued capital	Reserves*	Total	Book value	Market value	Book value	Directors' valuation	Amount	Per share	Amount	Per share
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	cents	R'000	cents
1969	21 013	463 839	484 852	196 335	448 290	94 826	—‡	112 672	33,0	47 699	14
1970	21 821	513 581	535 402	191 714	357 480	124 138	—‡	77 038	21,6	49 153	14
1971	21 821	551 718	573 539	195 754	343 542	125 228	—‡	100 723	28,2	53 531	15
1972	21 821	629 173	650 994	198 113	477 073	128 298	—‡	161 450	45,2	64 236	18
1973	21 821	751 789	773 610	202 881	463 861	135 810	196 603	235 954	66,1	85 649	24
1974	21 821	822 247	844 068	203 902	391 687	149 416	172 076	199 723	56,0	89 217	25
1975	24 834	920 826	945 660	225 062	377 618	174 095	198 000	218 371	60,7	100 507	28
1976	24 834	1 067 900	1 092 734	267 088	342 308	194 839	231 064	306 695	85,2	125 926	35
1977	24 834	1 401 945	1 426 779	395 489	612 446	149 965	202 526	561 525	156,1	188 889	52,5
1978	24 834	1 892 616	1 917 450	417 717	817 489	145 642	255 604	739 419	205,5	233 863	65

*Including share premium and after deducting excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition.

‡Not available.

†From 1978 the capital expenditure referred to in Note 1 (b) (ii) on page 36 has been charged against revenue, and the 1977 figures have been restated to reflect the position which would have obtained had this policy been adopted in that year.

The geographical analysis of Group profit after tax is as follows:

	1978	1977
	Percentage	
South Africa	33	29
South West Africa/Namibia	20	22
Elsewhere	47	49
	100	100

Source and application of funds statements
for the year 1978

	R'000 Company	R'000 Group
Funds derived from:		
Profit before tax	721 417	1 156 466
Add charges against profits not involving the flow of funds:		
Amounts written off investments and loans		1 121
Increase in stores reserve	964	4 740
Depreciation and other amounts written off		2 162
Provision for shares in prospecting companies		1 127
	722 381	1 165 616
Deduct:		
Profit on realisation of fixed assets		246
Profit on realisation of investments		222
Funds derived from net income	722 381	1 165 148
Prospecting expenditure recovered		5 134
Proceeds of fixed assets realised	1 000	986
Proceeds of investments realised		1 214
Loans, net	4 333	38 449
	727 714	1 210 931
Funds applied to:		
Tax	92 345	307 921
Diamond export duty	12 973	54 849
State's share of profits under mining leases	43 867	43 867
Loan portion of tax, net	8 022	21 331
Share of profits payable to a subsidiary	6 344	
State's share of profits in a subsidiary		1
Acquisition of mining rights	293	293
Expenditure on mining assets capitalised	22 922	22 946
Expenditure on other plant and machinery		11 075
Purchase of diamond mining investments		24 850
Purchase of other investments	532	25 250
Expenditure on property		17 590
Financing increase in diamond stocks	5 886	34 097
Financing increased stores and materials	1 176	7 705
Reduction of long-term liability	4 522	4 522
De Beers preference dividends	1 629	1 820
De Beers deferred dividends	233 863	233 863
Dividends paid by subsidiaries to minority shareholders		8 040
Increase in net current assets	293 340	390 911
	727 714	1 210 931

The source and application of funds statements deal with the flow of actual funds during the year. Changes in the rand equivalent of the values of foreign assets and liabilities caused by changes in currency exchange rates between one accounting date and another are ignored, and the movements shown are expressed in terms of rands at the currency exchange rates ruling at the balance sheet date.

Consolidated balance sheet

31st December 1978

De Beers Consolidated Mines Limited and subsidiary companies

1977 R'000			Notes	R'000	
		Share capital	2		
		Authorised:			
4 000		800 000 40 per cent cumulative preference shares of R5 each		4 000	
3 000		3 000 000 8 per cent cumulative second preference shares of R1 each		3 000	
18 750		375 000 000 deferred shares of 5 cents each		18 750	
25 750				25 750	
		Issued:			
4 000		800 000 40 per cent cumulative preference shares of R5 each		4 000	
22		*Less:* 4 481 preference shares held by subsidiary companies		22	
3 978				3 978	
2 867		2 866 929 8 per cent cumulative second preference shares of R1 each		2 867	
17 989		359 789 042 deferred shares of 5 cents each		17 989	
	24 834				24 834
		Non-distributable reserves	12		
71 067		Capital reserve		71 067	
67 980		Funds appropriated for expenditure on fixed assets		106 689	
5 947		Capital redemption reserve fund		5 947	
31 254		Currency reserve		30 782	
230		Legal reserve		306	
	176 478				214 791
		Distributable reserves	13		
880 752		General reserve		1 256 544	
21 085		Stores reserve		25 825	
25 000		Reserve for development in South West Africa/Namibia		25 000	
326 202		Unappropriated profit		395 280	
	1 253 039				1 702 649
	1 454 351				1 942 274
	27 572	*Less:* Excess of cost of shares in subsidiary companies over book value of net assets at dates of acquisition			24 824
	1 426 779				1 917 450
	72 070	**Outside shareholders' interests in subsidiary companies**			75 351
		Long-term liabilities	8		
22 609		U.S. $27 500 000 6¼ per cent 15 year loan of 1967		18 087	
18 277		Other amounts owing		52 763	
	40 886				70 850
		Current liabilities			
117 930		Tax		146 105	
126 836		Dividends		162 815	
282 333		Creditors	9	336 240	
	527 099				645 160
	2 066 834				2 708 811

	Notes	R'000		1977 R'000	
Fixed assets	5				
Claims, mining interests and property		94 196		72 205	
Plant, permanent works and buildings		51 177		42 127	
Unlisted trade investments	6	80 211		56 195	
			225 584		170 527
Stores and materials	1		34 876		26 888
Diamond stocks	1				
Mining companies		35 446		38 962	
Other companies		220 184		181 783	
			255 630		220 745
Investments at cost less amounts written off	6				
Listed		417 717		395 489	
Market value R817 489 000 (1977: R612 446 000)					
Unlisted		76 596		77 540	
Long-term loans		69 046		72 425	
			563 359		545 454
Loan portion of tax			95 245		73 915
Current assets					
Loan portion of tax		14 831		4 901	
Fixed deposits and short-term loans		1 527		1 860	
Debtors		222 861		339 397	
Cash		1 294 898		683 147	
			1 534 117		1 029 305
			2 708 811		2 066 834

Consolidated income statement
for the year 1978

De Beers Consolidated Mines Limited and subsidiary companies

	Notes	R'000	R'000	1977 R'000	1977 R'000
Diamond account			956 389		734 765
Interest and dividend income	14		234 123		169 079
Other revenue			29 114		22 470
Surplus on realisation of fixed assets			246		67
			1 219 872		926 381
Deduct:					
Prospecting and research		29 385		25 854	
General charges		28 661		18 879	
Interest payable	15	4 461		3 618	
Amounts written off investments less surplus on realisation of investments		899		6 313	
			63 406		54 664
Group profit before tax			1 156 466		871 717
Deduct:					
Tax	11	401 635		311 105	
State's share of profits under mining leases		43 867		17 593	
		445 502		328 698	
Less: Loan portion of tax transferred to balance sheet		39 615		30 501	
			405 887		298 197
Group profit after tax			750 579		573 520
Deduct:					
Outside interests in subsidiary companies			9 339		10 174
Group profit after tax attributable to De Beers Consolidated Mines Limited			741 240		563 346
Appropriations					
Transfers to reserves:					
Funds appropriated for expenditure on fixed assets—					
in respect of fixed mining assets		22 922		13 255	
in respect of diamond mining investments		37 000		—	
in respect of other fixed assets		1 740		1 623	
Other transfers, net		315 790		176 980	
Dividends:					
On preference shares — R2,00 per share		1 591		1 591	
On second preference shares — 8 cents per share		230		230	
On deferred shares — 65 cents per share		233 863		188 889	
			613 136		382 568
			128 104		180 778
Unappropriated profit 31st December 1977		266 393		170 396	
Deduct:					
Adjustment thereto arising from changes in currency exchange rates		286		190	
Lump sum contribution to staff pension fund in respect of prior years		—		5 757	
Adjustment in respect of previous year's taxation		38		40	
De Beers' interest in the unappropriated profits of former subsidiaries		—		18 985	
De Beers' interest in the accumulated loss of a subsidiary previously written off		2 342		—	
		263 727		145 424	
Add:					
Currency translation adjustment by a foreign subsidiary		3 449		—	
			267 176		145 424
Unappropriated profit 31st December 1978			395 280		326 202
Earnings per equity share	20		205,5 cents		156,1 cents

Income statement
for the year 1978

De Beers Consolidated Mines Limited

	Notes	1978	1978 R'000	1977	1977 R'000
Diamond account			269 510		113 696
Interest and dividend income	14		475 557		270 919
Other revenue			656		807
Surplus on realisation of fixed assets			1		109
			745 724		385 531
Deduct:					
Prospecting and research		14 146		10 145	
General charges		8 671		5 569	
Interest on capital of leased subsidiary companies		193		193	
Interest payable	15	1 297		1 476	
Loss on realisation of investments		—		1 025	
Deficit on revaluation of foreign assets and liabilities		21		39	
Less: Transferred from currency reserve		21		39	
			24 307		18 408
Profit before tax			721 417		367 123
Deduct:					
Tax	11	118 008		46 320	
State's share of profits under mining leases		43 867		17 593	
		161 875		63 913	
Less: Loan portion of tax transferred to balance sheet		12 891		4 202	
			148 984		59 711
Profit after tax			572 433		307 412
Deduct:					
Share of profits payable to a subsidiary company			6 344		2 343
Net profit			566 089		305 069
Add: Transferred from reserve for capital expenditure			59 809		44 955
			625 898		350 024
Appropriations					
Transfers to reserves:					
General reserve		375 000		70 000	
Funds appropriated for expenditure on fixed assets —					
In respect of mining assets		22 922		13 254	
In respect of other fixed assets		220		995	
Dividends:					
On 40 per cent cumulative preference shares:					
R1 per share, declared 30th May 1978		800		800	
R1 per share, declared 21st November 1978		800		800	
On 8 per cent cumulative second preference shares:					
4 cents per share, declared 30th May 1978		115		115	
4 cents per share, declared 21st November 1978		115		115	
On deferred shares:					
Interim, 20 cents per share, declared 22nd August 1978		71 958		62 963	
Final, 45 cents per share, declared 6th March 1979		161 905		125 926	
			633 835		274 968
			(7 937)		75 056
Unappropriated profit, 31st December 1977		46 040		35 955	
Lump sum contribution to staff pension fund in respect of prior years		—		5 162	
			46 040		30 793
Unappropriated profit, 31st December 1978			38 103		105 849

Balance sheet
31st December 1978

De Beers Consolidated Mines Limited

1977 R'000	1977 R'000		Notes	R'000	R'000
		Share capital	2		
		Authorised:			
4 000		800 000 40 per cent cumulative preference shares of R5 each		4 000	
3 000		3 000 000 8 per cent cumulative second preference shares of R1 each		3 000	
18 750		375 000 000 deferred shares of 5 cents each		18 750	
25 750				25 750	
		Issued:			
4 000		800 000 40 per cent cumulative preference shares of R5 each		4 000	
2 867		2 866 929 8 per cent cumulative second preference shares of R1 each		2 867	
17 989		359 789 042 deferred shares of 5 cents each		17 989	
	24 856				24 856
		Non-distributable reserves	12		
71 067		Capital reserve		71 067	
44 843		Funds appropriated for expenditure on fixed assets		45 063	
138		Currency reserve		117	
	116 048				116 247
		Distributable reserves	13		
200 000		General reserve		575 000	
9 644		Stores reserve		10 608	
105 849		Unappropriated profit		38 103	
	315 493				623 711
	456 397				764 814
		Long-term liabilities	8		
22 609		U.S. $27 500 000 6½ per cent 15 year loan of 1967		18 087	
	22 609				18 087
		Current liabilities			
7 450		Tax		70 792	
6 144		Amounts due to subsidiary companies		8 604	
126 841		Dividends		162 820	
29 860		Creditors		59 619	
	170 295				301 835
	649 301				1 084 736

	Notes	R'000		1977 R'000	
Fixed assets	5				
Diamond production and administration:					
Claims, mining interests and property			14 136		13 884
Plant, permanent works and buildings, at nominal value, R1			—		—
Shares in subsidiary companies		30 617		30 617	
Loan to subsidiary company		310		342	
			30 927		30 959
			45 063		44 843
Property and development, South West Africa/Namibia			—		958
Diamond trading:					
Shares in subsidiary company		84 923		84 923	
Unlisted trade investments	6	3 857		3 325	
			88 780		88 248
			133 843		134 049
Stores and materials	1		10 830		9 653
Diamond stocks	1		26 268		20 382
Investments					
Listed, at cost:					
Subsidiary companies		14 170		14 170	
Market value R64 724 000 (1977: R41 822 000)					
Other companies		10 947		10 947	
Market value R32 430 000 (1977: R24 846 000)					
		25 117		25 117	
Unlisted, at cost less amounts written off:					
Subsidiary companies		11 641		11 641	
Other companies	6	1 147		1 147	
			37 905		37 905
Loans with interest accrued					
Subsidiary company		7 702		9 627	
Others		10 915		13 292	
			18 617		22 919
Loan portion of tax			22 114		14 092
Current assets					
Loan portion of tax		4 042		1 656	
Amounts due by subsidiary companies		311 603		180 075	
Fixed deposits		1 014		705	
Debtors		12 618		13 752	
Loan at call with subsidiary company		504 619		212 839	
Cash		1 263		1 274	
			835 159		410 301
			1 084 736		649 301

Notes on the financial statements

(All figures are in rand thousands unless otherwise stated.)

1. ACCOUNTING POLICIES

(*a*) The consolidated annual financial statements deal with the Company and all its subsidiaries.

(*b*) The Company's mining assets are of a wasting nature, and in order to recognise this the Company policy is:

(i) 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.

(ii) to charge against revenue, within the diamond account, in the year in which it is incurred, expenditure on mining assets (including renewals and replacements) designed 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.

(*c*) Foreign currencies are converted at the rates ruling at the balance sheet date.

(*d*) Diamond stocks are valued at average cost of production in the case of mining companies, using the "last in first out" basis where this is permitted by tax legislation and at the lower of cost or valuation in the case of other companies.

(*e*) Stores and materials are valued at cost, using varying methods appropriate to the various types of business, and in the case of the Company and a mining subsidiary, are reserved against in full.

(*f*) The source and application of funds statements deal with the flow of actual funds during the year. Changes in the rand equivalent of the values of foreign assets and liabilities caused by changes in currency exchange rates between one accounting date and another are ignored, and the movements shown are expressed in terms of rands at the currency exchange rates ruling at the balance sheet date.

These policies are consistent with those of the previous year, except for item (*b*). An additional change in accounting methods is that diamond export duty is now treated as part of the tax charge, instead of being deducted from the diamond account as in the past. In order to achieve comparability the 1977 financial statements have been restated to show the position that would have obtained had these changes in policy occurred in that year.

2. SHARE CAPITAL

The directors are empowered, by resolution of the shareholders, and until the forthcoming annual general meeting, to dispose of the unissued share capital for any purpose and upon such terms and conditions as they may deem advisable. At 31st December 1978, 15 210 958 deferred shares of 5 cents each and 133 071 8 per cent cumulative second preference shares of R1 each remained unissued.

3. COMMITMENTS AND CONTINGENT LIABILITIES

There are commitments and contingent liabilities in respect of the Company and the Group on account of:

(*a*) A guarantee with others to a diamond mining company in respect of an agreement between that company and a subsidiary company.

(*b*) A guarantee with Anglo American Corporation of South Africa Limited for the servicing and repayment of a foreign loan to Highveld Steel and Vanadium Corporation Limited amounting to U.S. $20 000 000. The servicing and repayment of the loan is covered by a forward exchange contract with the South African Reserve Bank.

(*c*) A guarantee to the holders of 150 000 6% cumulative redeemable preference shares, Series A, and 100 000 6¼% cumulative redeemable preference shares, Series B, all with a par value of Canadian $100 each, issued by Debhold (Canada) Limited, for the payment of dividends, capital, and redemption premiums (if any) thereon.

(*d*) Guarantees to others of R47 281 000 (1977: R12 395 000) in respect of the Company and R20 730 000 (1977: R25 155 000) in respect of the Group.

(*e*) An uncalled balance on shares of R458 000 (1977: R458 000) in respect of the Company and R618 000 (1977: R608 000) in respect of the Group.

(*f*) Undrawn loan facilities of R140 710 000 (1977: R145 952 000) in respect of the Group.

(*g*) A surety bond executed by the Company in respect of half of an associated company's liability under an insurance contract covering pension commitments to that company's employees.

(*h*) Guarantees by the Company for the due performance by subsidiaries of their obligations under building contracts relating to the construction of office buildings.

4. CAPITAL EXPENDITURE

Capital expenditure authorised by the directors but not yet incurred at 31st December 1978, including expenditure contracted for, amounted to the following: The Company: R196 655 000 (1977: R102 901 000).

The Group: R233 786 000 (1977: R146 467 000).

In addition the Group has undertaken to finance the capital expenditure of an associated company. The expenditure authorised by the directors of that company at 31st December 1978 amounted to R216 030 000 (1977: R36 345 000).

The method of financing mining capital expenditure is set out in Note 1 (*b*).

It is estimated that expenditure in 1979 will amount to R134 913 000 in the Company and R175 733 000 in the Group.

5. FIXED ASSETS

(*a*) 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 registered office.

(*b*) In accordance with accounting policy (*b*) (i) the assets described as "Claims, mining interests and property" and "Plant, permanent works and buildings" are provided for by certain mining companies of the Group by means of the funds appropriated for expenditure on fixed assets. Consequently "Claims, mining interests and property" continue to be shown at the amount standing in the books at 31st December 1952, with additions since at cost, less sales, and "Plant, permanent works and buildings" continue to be shown at a written down value arrived at as follows:

	Company	Group
Book value at 31st December 1952	R1	R1
Mining and allied capital expenditure since then, at cost less recoupments	242 531 000	530 767 000
	242 531 001	530 767 001
Less: Transferred from funds appropriated for expenditure on fixed assets	242 531 000	479 590 001
	R1	R51 177 000

(*c*) Shares in subsidiary companies and unlisted trade investments are shown at cost less amounts written off.

6. INVESTMENTS

(i) The directors' valuation of the unlisted investments is as follows:

	Company		Group	
	1978	1977	1978	1977
Unlisted trade investments	88 998	91 732	353 772	294 462
Unlisted investments	6 544	5 876	186 558	130 101
	95 542	97 608	540 330	424 563

(ii) A subsidiary has subordinated a loan to the extent of R575 505.

(iii) A list of material investments is given on pages 40 to 42.

7. INTERESTS IN SUBSIDIARIES

	1978	1977
Shares	141 351	141 351
Loans	8 012	9 969
Other amounts owing	527 981	392 914
	677 344	544 234

The consolidated financial statements include the income and reserves of certain subsidiaries which, on distribution as dividends, will be subject to withholding taxes.

8. LOANS

(i) U.S. $6 700 000 of the U.S. $27 500 000 loan of 1967 had been redeemed at 31st December 1978. The remaining U.S. $20 800 000 is repayable at par by annual instalments of U.S. $5 200 000 between 1979 and 1982, but may in certain circumstances be repaid earlier.

(ii) The long term liabilities of R52 763 000 (1977: R18 277 000) shown in the consolidated balance sheet include the following:

(*a*) A 22,71 per cent participation in a loan of U.S. $47 000 000 — R40 870 000 (1977: U.S. $48 500 000 — R42 174 000) which bears interest at the rate of 8,59 per cent per annum. The loan is repayable at par by annual instalments of U.S. $1 500 000 between 1979 and 1981, U.S. $2 500 000 in 1982 and U.S. $8 000 000 between 1983 and 1987, but may in certain circumstances be repaid earlier.

(*b*) A revolving loan of U.S. $10 000 000 — R8 696 000 (1977: U.S. $10 000 000 — R8 696 000) which bears interest at 1¼ per cent above the London Interbank offered rate.

9. BANK OVERDRAFTS

Included in creditors are bank overdrafts amounting to R11 219 000 (1977: R4 240 000).

10. INCOME FROM SUBSIDIARIES

	1978	1977
Dividends	421 471	244 961
Interest	24 082	7 378
Commission	218	191
Fees	493	2
	446 264	252 6[illegible]

11. TAX

(*a*) Provision for tax has been made as follows:

	Company 1978	Company 1977	Group 1978	Group 1977
South African company tax	91 968	30 664	142 522	109 920
State's share of profits under mining leases	43 867	17 593	43 867	17 593
Diamond export duty	12 973	11 380	54 849	43 579
Foreign taxes	176	74	164 649	127 105
	148 984	59 711	405 887	298 197

(*b*) A dispute has arisen between De Beers Holdings (Proprietary) Limited and the Secretary for Inland Revenue in connection with the alteration by the Secretary of his previous practice regarding the assessment of that company, as a result of which, company tax in respect of the year 1975 has been paid under protest. Objections have also been lodged with the Secretary for the years 1976 and 1977 and the company again intends to object should tax be assessed in the same way for the year 1978. Provision has however been made in the financial statements for taxation according to the revised practice of the Secretary.

12. NON-DISTRIBUTABLE RESERVES

	Company 1978	Company 1977	Group 1978	Group 1977
(i) Capital reserve	71 067	71 067	71 067	71 067
(ii) Funds appropriated for expenditure on fixed assets	45 063	44 843	106 689	67 980
Balance 31st December 1977	44 843	43 848	67 980	66 7[illegible]9
Adjustment thereto arising from changes in currency exchange rates			2	7
Transferred from income statement	23 142	854	61 662	29 700
Transferred from reserve for capital expenditure		45 146		45 146
	67 985	89 848	129 644	141 642
Applied in writing down plant, permanent works and buildings	22 92[illegible]	45 005	22 955	73 6[illegible]
(iii) Capital redemption reserve fund			5 947	5 947
Balance 31st December 1977			5 947	4 132
Transferred from income statement				1 815
(iv) Currency reserve	117	138	30 782	31 254
Balance 31st December 1977	138	177	31 254	30 860
Adjustment thereto arising from changes in currency exchange rates			13	33
			31 267	30 893
Adjustment in respect of the reserves of former subsidiaries				121
Transferred to income statement			(275)	240
Applied in writing off deficits on revaluation of foreign assets and liabilities	(21)	(39)	(210)	
(v) Legal reserve			306	230
Balance 31st December 1977			230	190
Adjustment thereto arising from changes in currency exchange rates			(7)	(3)
Transferred from income statement			83	43
Total	116 247	116 048	214 791	176 478

13. DISTRIBUTABLE RESERVES

	Company 1978	Company 1977	Group 1978	Group 1977
(i) General reserve	575 000	200 000	1 256 544	880 752
Balance 31st December 1977	200 000	130 000	880 752	689 663
Transferred from income statement	375 000	70 000	375 792	195 610
Deduct De Beers' interest in the reserve of a former subsidiary				(4 521)
(ii) Stores reserve	10 608	9 644	25 825	21 085
Balance 31st December 1977	9 644	5 814	21 085	17 935
Increase therein, charged to mining expenditure	964	1 509	4 740	1 757
Increase arising from the acquisition of a subsidiary's mining stores		2 321		1 393
(iii) Reserve for capital expenditure	—	59 809	—	59 809
Balance 31st December 1977	59 809	44 955	59 809	44 955
Transferred to income statement	(59 809)	60 000	(59 809)	60 000
		104 955		104 955
Transferred to funds appropriated for expenditure on fixed assets		45 146		45 146
(iv) Reserve for development in South West Africa/Namibia			25 000	25 000
(v) Unappropriated profits	38 103	46 040	395 280	266 393
Total	623 711	315 493	1 702 649	1 253 039

14. INTEREST AND DIVIDEND INCOME

	Company 1978	Company 1977	Group 1978	Group 1977
Income from:				
Subsidiaries	445 553	252 340		
Listed investments	1 861	1 004	45 463	30 626
Unlisted investments	26 361	15 843	68 072	49 202
Interest received	1 782	1 732	120 588	89 251
	475 557	270 919	234 123	169 079

15. INTEREST PAID

	Company 1978	Company 1977	Group 1978	Group 1977
On U.S. dollar bonds	1 297	1 476	1 297	1 476
On loans			1 263	1 487
Other			1 901	655
	1 297	1 476	4 461	3 618

16. DIRECTORS' REMUNERATION

	1978	1977
Emoluments in respect of services as directors	172	164
Emoluments in respect of other services	19	17
Pension in respect of past director	16	15

17. AUDITORS' REMUNERATION

	Company 1978	Company 1977	Group 1978	Group 1977
Audit fees	30	30	126	108
Expenses	2	1	6	6

18. TURNOVER

The Group's many activities are of such a diverse nature that any attempt to define or state its turnover or that of the Company would, in the opinion of the directors, be meaningless.

19. REMUNERATION OTHER THAN TO EMPLOYEES

Payments for technical, administrative and secretarial services made to persons other than employees amounted to the following:

	1978	1977
Company	3 869	3 476
Group	7 255	6 500

20. EARNINGS PER SHARE

The calculation of earnings per share is based on the consolidated net profit for the year, after tax, and after deducting outside shareholders' interests and preference dividends.

List of material investments

	Units held		Market value R'000	
Listed investments of the Group	1978	1977	1978	1977
Mining finance and investment			566 988	430 708
Anglo American Corporation of South Africa Limited	73 889 702	73 889 702	486 607	372 207
Anglo American Gold Investment Company Limited	163 673	163 673	5 565	4 943
Botswana RST Limited	162 464	162 464	67	50
Charter Consolidated Limited	2 892	2 892	12	10
Johannesburg Consolidated Investment Company Limited	651 369	651 369	19 476	14 004
Minerals and Resources Corporation Limited	8 904 539	8 870 088	18 446	15 227
Selection Trust Limited	657 213	657 213	5 222	4 384
Sibeka Societe d'Enterprise et d'Investissements	191 200	191 200	28 464	19 883
Other			3 129	—
Gold mining			39 499	34 726
East Rand Gold and Uranium Company Limited	4 533 828	4 533 828	28 336	26 523
Elandsrand Gold Mining Company Limited	339 465	226 310	1 344	628
Western Deep Levels Limited	670 949	670 949	9 819	7 575
Copper, coal and platinum			4 709	3 647
Anglo American Coal Corporation Limited	250 960	250 960	3 513	2 309
The Messina (Transvaal) Development Company Limited	437 367	437 367	550	781
Vierfontein Colliery Limited	838 506	838 506	562	470
Zambia Copper Investments Limited	253 401	253 401	36	40
Other			48	47
Diamonds			388	308
Anglo American Investment Trust Limited	8 000	8 000	388	308
Companhia De Diamantes De Angola S.A.R.L.	29 975	29 975	—	—
Industrial and commercial			132 810	96 685
AECI Limited	20 886 860	20 886 860	69 971	48 951
Anglo American Industrial Corporation Limited	3 135 182	3 135 182	37 309	27 590
Barlow Rand Limited	763 744	763 744	3 628	2 826
Highveld Steel and Vanadium Corporation Limited	10 583 773	10 583 773	21 697	16 405
Stewarts & Lloyds of South Africa Limited	110 271	110 271	198	169
Other			7	744
Banking			19 244	14 093
Barclays National Bank Limited	2 674 753	2 674 753	13 106	9 629
Nedbank & Syfrets – UAL Holdings Limited	1 611 562	1 611 562	4 915	3 658
Standard Bank Investment Corporation Limited	259 114	244 299	1 223	806
Property			2 126	2 602
Anglo American Properties Limited — Ordinary	2 504 261	2 504 261	451	476
— Preference	6 443 433	6 443 433	1 675	2 126
Sundry portfolio			51 725	29 677
Government and Local Authority Securities			32 852	28 765
Other			18 873	912
Total market value			817 489	612 446
Listed investments of the Company				
Mining finance and investment			26 612	20 319
Anglo American Corporation of South Africa Limited	3 982 109	3 982 109	26 600	20 309
Charter Consolidated Limited	2 892	2 892	12	10
Banking			4 464	3 322
Nedbank & Syfrets – UAL Holdings Limited	1 463 564	1 463 564	4 464	3 322
Sundry			1 354	1 205
Government and Local Authority Securities			1 354	1 205
Total market value			32 430	24 846

Unlisted investments of the Group	Units held 1978	Units held 1977	Directors' valuation R'000 1978	Directors' valuation R'000 1977
Mining finance and investment			25 123	22 113
Anglo American Corporation of Canada Limited	2 867 555	2 867 555		
Anglo American Corporation Rhodesia Limited	748 752	748 752		
Australian Anglo American Limited	4 400 000	4 400 000		
Meadow Investments Limited	8 000	8 000		
Mining			104	78
Morupule Colliery (Proprietary) Limited	4	4		
Swaziland Iron Ore Development Company Limited	102 400	102 400		
Vierfontein Coal Holdings Limited	50 000	50 000		
Industrial and commercial			126 350	81 571
Afex Holdings (Proprietary) Limited	500 000	500 000		
Cardium Holdings Limited	1 333	1 333		
Conway Johnson Limited	24 600	24 600		
Covenant Industries Limited	14 820	14 820		
Diamond Abrasive Products Limited	15 000	15 000		
Hodgetts Timbers (Proprietary) Limited	10 000	10 000		
International Pipe and Steel Investments South Africa (Proprietary) Limited	739 939	739 939		
Kimberley Engineering Works (Proprietary) Limited	400 000	400 000		
Mainstraat Beleggings (1965) Beperk	136 875	136 875		
Middelburg Steel and Alloys (Proprietary) Limited	766 614	766 614		
Mondi Paper Company Limited	3 527 939	3 527 939		
Northern Cape Brick Company Limited	88 440	88 440		
RFF Limited — Ordinary	1 158 570	478 976		
— Preference	—	670 160		
Shaft Sinkers (Proprietary) Limited	478 500	478 500		
Soetvelde Farms Limited	300 000	300 000		
Union Carriage and Wagon Company (Proprietary) Limited	113 700	113 700		
Unionmod Buildings (Proprietary) Limited	22 620	22 620		
General finance			6 522	4 280
Astron Investments (Proprietary) Limited	—	25 271		
Blackbird Investments Limited — A shares	2 000	2 000		
— B shares	1 000	1 000		
Egret Investments Limited	2 733	2 733		
Epoch Investments Limited	250 000	250 000		
Euranglo (Proprietary) Limited	120 000	120 000		
Flotsam Investments Limited	227 468	227 468		
Banking			6 395	5 771
Central Reserves (Proprietary) Limited	50	50		
Consolidated Reserves Limited	1 000	1 000		
Commonwealth Development Finance Company Limited	100 000	100 000		
Discount House of South Africa Limited	217 500	217 500		
Industrial Finance Corporation of South Africa Limited	436 186	436 186		
National Finance Corporation of South Africa	525 000	450 000		
Property			4 164	4 099
Amaprop McCarthy Investments Limited	100	100		
Anglo American (O.F.S.) Housing Company Limited	637 500	637 500		
Anglo American Properties Limited — Deferred	2 667 001	2 667 001		
Botsalano Properties (Proprietary) Limited	75	75		

Unlisted investments of the Group	Units held 1978	Units held 1977	Directors' valuation R'000 1978	Directors' valuation R'000 1977
Carlton Centre Limited	1 504 229	1 504 229		
Creative Homes Limited	388 539	388 539		
Historical Homes of South Africa Limited	20 000	20 000		
Kenilworth Centre (Proprietary) Limited	1 114	1 114		
Main Place Holdings Limited	215	215		
Marina da Gama Limited	1 875	1 875		
West End Property (Proprietary) Limited	2 500	2 500		
Trade investments			353 772	294 462
Abrasive Grit Sales Limited — A shares	5 400	5 400		
— B shares	20 700	20 700		
Banque Diamantaire Anversoise S.A.	64 592	40 370		
De Beers Botswana Mining Company (Proprietary) Limited	14 325 000	10 025 000		
Firban Enterprises Limited — Ordinary	1 925 000	1 925 000		
— A shares	5 000	5 000		
Industrial Distributors (1946) (Proprietary) Limited	960 000	960 000		
Industrial Grit Distributors (Shannon) Limited	18 500	18 500		
International Diamond Products Limited — Ordinary	375 000	375 000		
— Preference	50 000	50 000		
Sociedade Portuguesa de Lapidacao de Diamantes	20 000	20 000		
Ultra High Pressure Units (Ireland) Limited	375 204	375 204		
Ultra High Pressure Units (Proprietary) Limited	2 350 000	2 350 000		
The Diamond Purchasing and Trading Company (Proprietary) Limited	1 250 000	1 250 000		
Other				
Sundry			17 900	12 189
Total directors' valuation			540 330	424 563

Unlisted investments of the Company	Units held 1978	Units held 1977	Directors' valuation R'000 1978	Directors' valuation R'000 1977
Industrial and commercial			234	204
Hodgetts Timbers (Proprietary) Limited	10 000	10 000		
Soetvelde Farms Limited	300 000	300 000		
Banking			6 310	5 672
Central Reserves (Proprietary) Limited	50	50		
Discount House of South Africa Limited	217 500	217 500		
Industrial Finance Corporation of South Africa Limited	436 186	436 186		
National Finance Corporation of South Africa	525 000	450 000		
Trade investments			88 998	91 732
Banque Diamantaire Anversoise S.A.	32 296	20 185		
Industrial Distributors (1946) (Proprietary) Limited	568 000	568 000		
The Diamond Purchasing and Trading Company (Proprietary) Limited	952 500	952 500		
Total directors' valuation			95 542	97 608

Interests in major subsidiary companies

31st December 1978

Company	Issued ordinary share capital unless otherwise stated 1978 R'000	1977 R'000	Percentage held directly or indirectly 1978	1977	Book value of Company's direct interest 1978 R'000	1977 R'000	Amount owing by or (to) subsidiary company 1978 R'000	1977 R'000
Incorporated in the Republic of South Africa								
Mineral rights holders								
Consolidated Company Bultfontein Mine Limited	1 443	1 443	67,04	67,02	901	901	(23)	(26)
Finsch Diamonds (Proprietary) Limited	1	1	80,00	80,00			(6 344)	(2 343)
Griqualand West Diamond Mining Company Dutoitspan Mine Limited	2 114	2 114	72,54	72,54	769	769		(3)
Investment								
De Beers Holdings (Proprietary) Limited	46 900	46 900	100,00	100,00	11 637	11 637	512 360	222 485
De Beers Industrial Corporation Limited	27 500	27 500	60,93	60,93	14 170	14 170	2 378	2 262
Preference	17 000	17 000						
Orama Holdings (Proprietary) Limited	5 851	5 851	100,00	100,00				
Preference	840	840	100,00	100,00				
Sea Diamond Corporation (Proprietary) Limited	1 100	1 100	100,00	100,00				
Preference	278	278	100,00	100,00				
Diamond trading								
The Diamond Corporation (Proprietary) Limited	44 000	44 000	100,00	100,00	84 923	84 923	205 908	118 206
Management and diamond trading								
De Beers Industrial Diamond Division (Proprietary) Limited	4 657	4 657	100,00	100,00	4 657	4 657	126	(284)
Marketing								
De Beers Industrial Diamonds (South Africa) (Proprietary) Limited	20	20	100,00	100,00				
Property owner								
Premier (Transvaal) Diamond Mining Company (Proprietary) Limited	79	79	100,00	100,00	124	124	(15)	(3 406)
Preference	75	75	100,00	100,00	1 752	1 752		
Incorporated in South West Africa/Namibia								
Diamond mining								
CDM (Proprietary) Limited (formerly The Consolidated Diamond Mines of South West Africa (Proprietary) Limited)	5 414	5 414	100,00	100,00	19 851	19 851	3 485	2 482
Mineral rights holders								
Marine Diamond Corporation (Proprietary) Limited	103	103	100,00	100,00				
The South West Finance Corporation (Proprietary) Limited	2 359	2 359	100,00	100,00	2 383	2 383	19 532	13 129
Marine Group Investments (Proprietary) Limited	16	16	100,00	100,00				
Prospecting								
CDM Prospecting (Proprietary) Limited (formerly De Beers Prospecting S.W.A. (Proprietary) Limited)	41	41	100,00	100,00				53
Property owner								
CDM Properties (Proprietary) Limited	—*		100,00					
Administration services								
De Beers Services (Proprietary) Limited	—*		100,00				12	

Company	Issued ordinary share capital unless otherwise stated 1978	1977	Percentage held directly or indirectly 1978	1977	Book value of Company's direct interest 1978 R'000	1977 R'000	Amount owing by or (to) subsidiary company 1978 R'000	1977 R'000
Incorporated in Ireland	£'000	£'000						
Administration and technical services								
De Beers Industrial Diamond Division (Ireland) Limited	478	478	100,00	100,00				
Marketing								
De Beers Industrial Diamonds (Ireland) Limited	100	100	100,00	100,00				
Incorporated in Botswana	P'000	P'000						
Prospecting								
De Beers Prospecting Botswana (Proprietary) Limited	483	483	100,00	100,00				
Diamond trading								
The Diamond Corporation Botswana (Proprietary) Limited	—*	—*	100,00	100,00			4	2
Incorporated in Lesotho	R'000	R'000						
Diamond mining								
De Beers Lesotho Mining Company (Proprietary) Limited	24 090	17 000	75,00	75,00			19	141
Diamond trading								
The Diamond Corporation Lesotho (Proprietary) Limited	—*	—*	100,00	100,00				
Incorporated in Luxembourg	US $'000	US $'000						
Investment								
De Beers European Holding S.A.	3 200	2 100	100,00	100,00				
Incorporated in Rhodesia/Zimbabwe	R$'000	R$'000						
Investment								
De Beers Rhodesia Investments Limited	7 000	7 000	100,00	100,00				
Incorporated in Canada	Can. $'000	Can. $'000						
Investment								
Debhold (Canada) Limited	5 164	5 164	100,00	100,00				
Preference A	15 000	15 000						
Preference B	10 000	10 000						

The aggregate profits and losses, after taxation, of subsidiaries which are taken into account in the profits attributable to the Company are:
Aggregate profits R603 686 000 (1977: R508 623 000).
Aggregate losses R379 000 (1977: R2 658 000).

*Nominal value

Principal interests of the Group

The principal activities and interests of the De Beers Group are

- the mining of gem and industrial diamonds and the manufacture of synthetic diamond for use in industry
- the marketing through the Central Selling Organisation of diamonds produced by the Group and by other producers
- a portfolio of international investments in mining, industrial and finance companies.

DIAMOND MINING

The mining operations of the Group are conducted by De Beers Consolidated Mines Limited and its wholly-owned subsidiary, CDM (Proprietary) Limited (formerly The Consolidated Diamond Mines of South West Africa (Proprietary) Limited), De Beers Lesotho Mining Company (Proprietary) Limited, a 75 per cent owned subsidiary, and by De Beers Botswana Mining Company (Proprietary) Limited, which is 50 per cent owned. In Kimberley where De Beers Consolidated Mines was registered on the 12th March 1888 to amalgamate the De Beers and Kimberley mines the Company owns the De Beers, Kimberley and Wesselton mines and leases the Bultfontein and Dutoitspan mines from its subsidiaries, Consolidated Company Bultfontein Mine Limited and Griqualand West Diamond Mining Company Dutoitspan Mine Limited. The Kimberley mine (The Big Hole) was closed in 1914. The De Beers mine was brought back into production in 1963 after being closed for 55 years. In the Northern Cape, De Beers operates the Finsch mine, which it brought into full production at a rate of some 2 million carats a year at the end of 1966. Its production will be increased to about 3,5 million carats a year by 1980. De Beers owns 30 per cent of the mine and leases the State's 70 per cent interest. In the Orange Free State, De Beers owns the Koffiefontein mine, which after being dormant for 40 years was brought into production in 1971 to replace Jagersfontein mine, which had reached the end of its economic life and was closed in the same year. At Cullinan near Pretoria De Beers operates the Premier mine, in which it has a 40 per cent interest, acquired from its wholly-owned subsidiary, Premier (Transvaal) Diamond Mining Company (Proprietary) Limited at 1st January 1977. De Beers leases the State's 60 per cent interest in the mine.

De Beers Namaqualand Division, which recovers high quality gem diamonds from alluvial deposits similar to those north of the Orange River in South West Africa/Namibia, is currently producing from the farms Annex Kleinzee, Dreyers Pan, Koingnaas and Langhoogte. The latter two came into production in mid-1978 at production rates of 500 000 and 60 000 carats a year, respectively. As owner of the mineral rights on these farms the State has a 25 per cent share in the profits, except from Annex Kleinzee where it has a 30,7 per cent share.

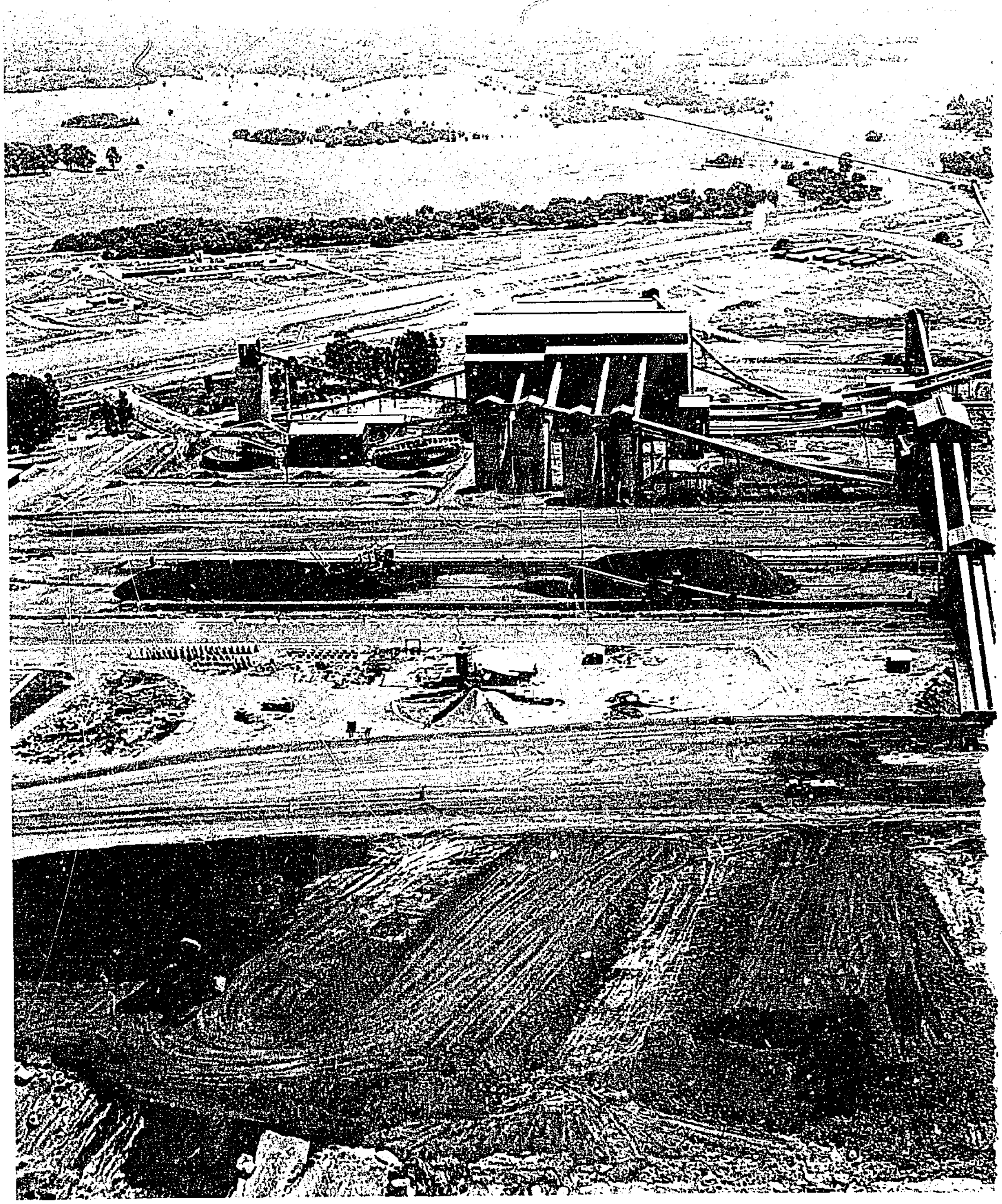
CDM conducts large-scale mining operations over the coastal area extending 100 km north of the Orange River, and is actively prospecting in other areas of its concession, where it holds the mineral rights until 31st December 2010. In terms of an agreement which expires on 31st December 1980, but which may be extended with official approval, CDM also leases from its fellow subsidiary, Marine Diamond Corporation (Proprietary) Limited, the right to prospect and to mine for diamonds in that corporation's foreshore area and sea concessions adjacent to the company's own concession.

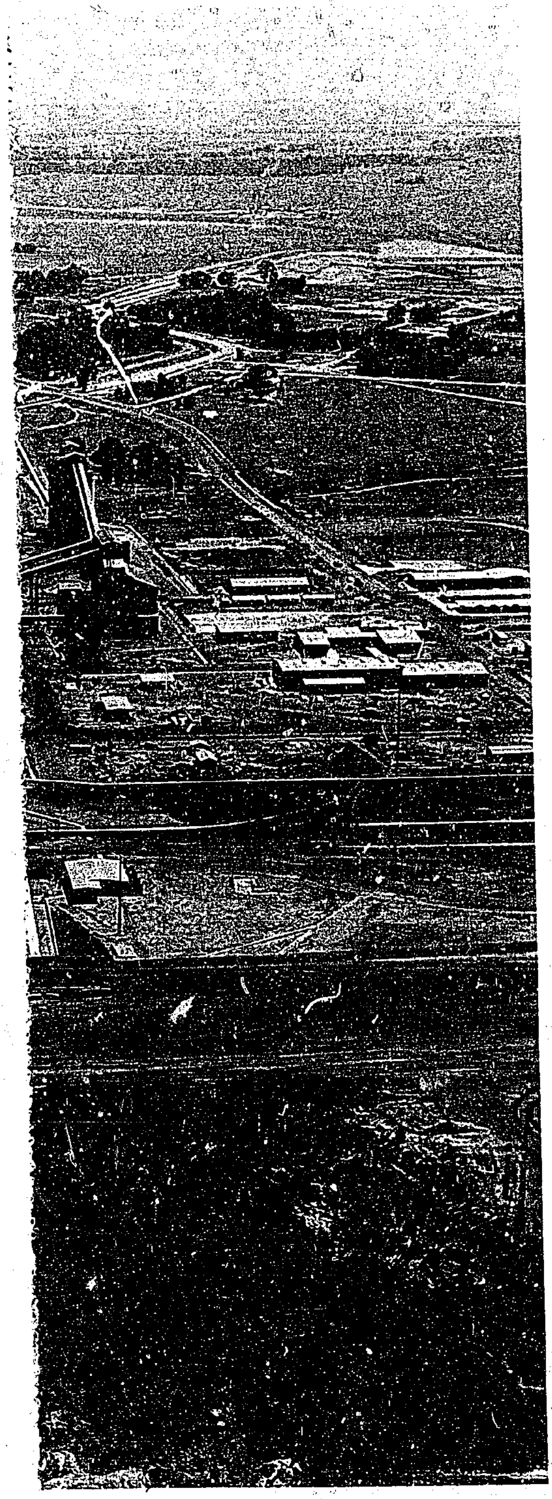
The Orapa mine in central Botswana, discovered by De Beers in 1967, was commissioned by De Beers Botswana Mining Company (Proprietary) Limited in mid-1971 at an annual production rate of 2,4 million carats. The Botswana Government initially received an interest of 15 per cent in the company, which was subsequently increased to an equal participation with De Beers. At the end of 1978, production of the Orapa mine had been increased to some 4,1 million carats a year. De Beers Botswana Mining Company also operates the Letlhakane mine 40 km south-east of Orapa, which De Beers discovered in 1971 in the course of its continuing prospecting programme in Botswana. Production from Letlhakane, which came into production at the end of 1976 at a rate of 320 000 carats a year, is to be increased to 400 000 carats by 1980. At Jwaneng, in southern Botswana, De Beers Botswana Mining Company is establishing a large new mine which De Beers discovered in 1973; it is expected to come into production during 1982 and on current estimates to achieve a production rate of the order of 4 million carats a year shortly thereafter.

The Letseng-la-Terai mine in north-eastern Lesotho was brought into full production in September 1977 at a rate of some 50 000 carats a year by De Beers Lesotho Mining Company (Proprietary) Limited, in which the Lesotho Government has an interest of 25 per cent.

MANUFACTURE OF SYNTHETIC DIAMOND AND RELATED HARD MATERIALS

The manufacture of diamond and related hard materials is undertaken by companies under the management of De Beers Industrial Diamond Division (Proprietary) Limited. A complete range of super-hard abrasive products, including synthetic diamond grit, cubic boron nitride and composites of these materials are manufactured at factories in Springs by Ultra High





Coal contributed 8 per cent of Anglo American Corporation's investment income in 1978. The new Kleinkopje mine near Witbank, an important Amcoal undertaking, will ultimately produce 3,5 million tons of steam coal, and some 700 000 tons of low-ash metallurgical coal. More than half of the steam coal will be exported.

Pressure Units (Proprietary) Limited, in Shannon by Ultra High Pressure Units (Ireland) Limited, and in Sweden by Scandiamant Aktiebolag; De Beers' interest in each of these companies is 50 per cent.

MARKETING

GEM DIAMONDS

The policy of De Beers, as leader of the diamond industry, is to maintain the long-term stability and prosperity of the industry as a whole. To that end De Beers established and built up the Central Selling Organisation, which on behalf of the various producers markets approximately 80 per cent of the world's diamond production, meeting so far as possible the preferences of the individual cutting centres for the rough diamonds that are produced. Diamonds from South Africa and South West Africa/Namibia are sold to the Central Selling Organisation through The Diamond Producers Association. Other producers who wish their diamonds to be marketed through the Central Selling Organisation enter into contracts with De Beers' wholly-owned subsidiary, The Diamond Corporation (Proprietary) Limited, or its subsidiaries, for the purchase of their production. Through associated companies the Central Selling Organisation also purchases diamonds offered on the open markets in Africa and elsewhere. The contractual arrangements between the members of The Diamond Producers Association, and the Association's agreement with the Central Selling Organisation for the disposal of its members' production, were renewed for a minimum period of five years from 1st January 1976.

To help meet the growing world demand for diamonds the De Beers Group alone has more than doubled its production to nearly 12 million carats a year over the last fifteen years partly by extending operations at established mines and partly through its successful efforts to discover and develop new diamond reserves. A further substantial enlargement of capacity is now in hand, to raise Group production to an annual rate of 15 million carats by the end of 1979, and to more than 19 million carats in 1983. Though the trend of demand is upwards there are setbacks in the world market from time to time, usually affecting sales of particular sizes or qualities of diamonds. During these periods the Central Selling Organisation maintains price stability by adjusting supply to demand, while maintaining its purchases from producers at a satisfactory level. Undue curtailment or closure of mining operations is thereby avoided, and the CSO, drawing on its large financial resources, holds the temporary excess of production in stock until demand improves.

Stability has always been recognised as essential to the diamond industry, simply because the price fluctuations that are accepted as normal in the case of most raw materials would be destructive of public confidence in the case of gem diamonds, which are a pure luxury, and of which the stock held by the public in the form of jewellery is infinitely greater than the world's new production. "Whether this measure of control amounts to a monopoly I would not know," Mr H. F. Oppenheimer has said, "But if it does it is certainly a monopoly of a most unusual kind. There is no one concerned with diamonds, whether as producer, dealer, cutter, jeweller or customer, who does not benefit from it. It protects not only the shareholder in the big diamond companies, but also the miners they employ and the communities that are dependent on their operations. The well-being of tens of thousands of individual diamond diggers of all races is dependent on its maintenance . . . ."

"We are very conscious of our responsibilities not only to our shareholders, not only to the industry as a whole and to the consuming public, but also to the governments of the countries in which we operate."

To sustain and broaden the demand for diamonds De Beers has for many years conducted extensive promotional campaigns for diamond jewellery in all the major markets of the world. There are full scale advertising campaigns, supported by information services for the Press and public and by promotional services for the jewellery trade, in the United States, Japan, throughout Europe and in Canada, Australia, Brazil, South Africa and Hong Kong and South-East Asia.

INDUSTRIAL DIAMOND

Industrial diamond grit and related hard materials are marketed by De Beers' wholly-owned subsidiary, De Beers Industrial Diamonds (Ireland) Limited, on behalf of the selling companies. The principal ones are Industrial Distributors (32 per cent De Beers-owned) for drilling diamond, Industrial Grit Distributors (Shannon) (10,28 per cent owned) for natural diamond grit, and Abrasive Grit Sales (13,21 per cent owned) for all synthetic hard materials. Development of the market is stimulated by national and international conferences to demonstrate and discuss advances in technology and new applications for De Beers' products, by advertising campaigns, by the work of the Diamond Research Laboratory, and by the technical advisory centres operating in London and Ascot, Dusseldorf, Milan, Tokyo, Hong Kong, Bombay and Melbourne.

INVESTMENTS

From the time of its formation by Cecil Rhodes, De Beers has participated in mining and industrial developments over a broad field. Rhodes saw the Company's role as a dynamic one, befitting its responsibility as one of the earliest industrial enterprises in southern Africa, and a means of strengthening De Beers' earnings base and thereby enhancing the security of the diamond trade. These investments, now highly diversified and international in scope, are held directly or through subsidiary companies, notably De Beers Holdings (Proprietary) Limited and De Beers Industrial Corporation Limited, whose major investment is in AECI Limited, and through the Group holding of 33,11 per cent in Anglo American Corporation of South Africa Limited. De Beers also holds direct investments in virtually all of Anglo American's major investment companies, in addition to the indirect interests through Anglo American itself.

DE BEERS HOLDINGS (PROPRIETARY) LIMITED

Share capital and reserves (consolidated) at 31st December 1978 totalled R378 084 000 (1977: R326 391 000).

De Beers Holdings has investments in mining, industrial and financial companies, and finances the Group's prospecting campaigns outside South Africa. Through De Beers Botswana Mining Company (Proprietary) Limited and a subsidiary, De Beers Lesotho Mining Company (Proprietary) Limited, it holds the Group interest in the diamond mines in Botswana and Lesotho. Through its shareholding in Finsch Diamonds (Proprietary) Limited it has an interest in the profits of the Finsch mine, and it holds the Group interest in companies having prospecting and mining concessions off-shore and on a portion of the foreshore of South West Africa/Namibia. It holds the Group's 12 per cent interest in Minerals and Resources Corporation Limited (Minorco) whose major investments are a 49,98 per cent interest in Zambia Copper Investments Limited and a 29 per cent interest in Engelhard Minerals & Chemicals Corporation. Minorco also has an effective interest of 43 per cent in Trend Exploration Limited a United States based international oil company and 50 per cent of the equity of Inspiration Consolidated Copper Company of Arizona.

A subsidiary of De Beers Holdings, Debhold (Canada) Limited, through its 28,88 per cent holding in Anglo American Corporation of Canada Limited (Amcan), has interests in several North American base metal companies, in particular Hudson Bay Mining and Smelting Co., Limited (Hudbay) which is 38 per cent-owned by Amcan, and Inspiration Consolidated Copper Company, in which Hudbay has a 50 per cent equity interest. Hudbay and Amcan hold 55 per cent and 28 per cent respectively in Francana Oil & Gas Limited, while Hudbay also has 62 per cent of Canadian Merrill Limited, another oil and gas producer. Francana Oil & Gas has an effective interest of 57 per cent in Trend Exploration Limited.

De Beers Holdings has an interest in Anglo American Corporation do Brasil Limitada, which has a number of prospecting ventures for gold and other minerals in Brazil, and owns 49 per cent of Mineracao Morro Velho S.A., a small gold producer in the State of Minas Gerais. Another subsidiary, De Beers European Holding S.A., has an interest in Australian Anglo American Limited, which manages prospecting activities in Australia.

DE BEERS INDUSTRIAL CORPORATION LIMITED

An industrial finance and investment company whose main investment is a direct and indirect holding through Afex Holdings (Proprietary) Limited of 39,91 per cent of the equity of AECI Limited. Further information on AECI is given below.

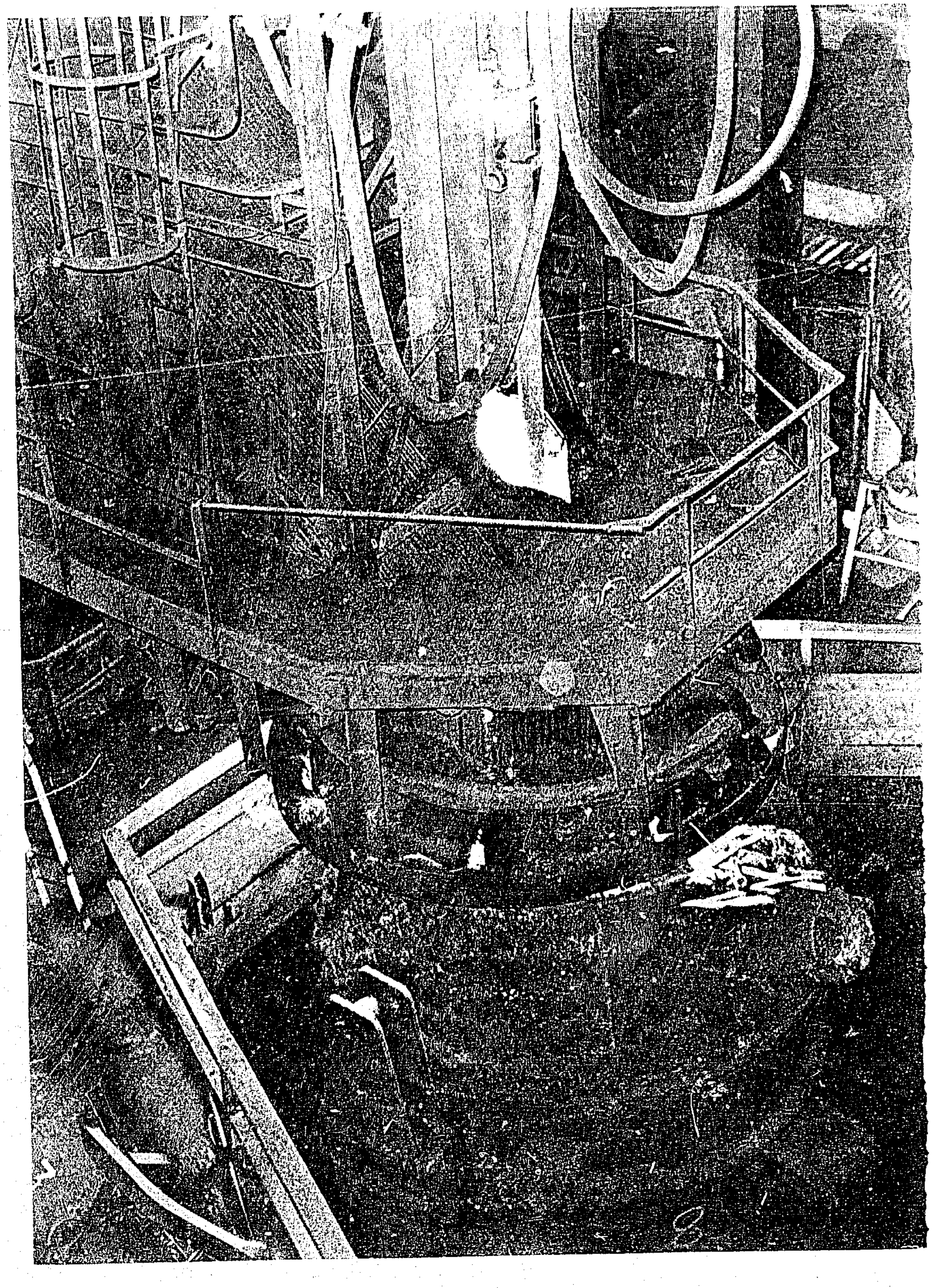
The corporation has a 9,16 per cent interest in Mondi Paper Company Limited, which has a production capacity of 260 000 tons of newsprint and fine paper a year, and a 5,13 per cent interest in Highveld Steel and Vanadium Corporation Limited, which is the largest privately owned steel producer in South Africa and a major world producer of vanadium pentoxide.

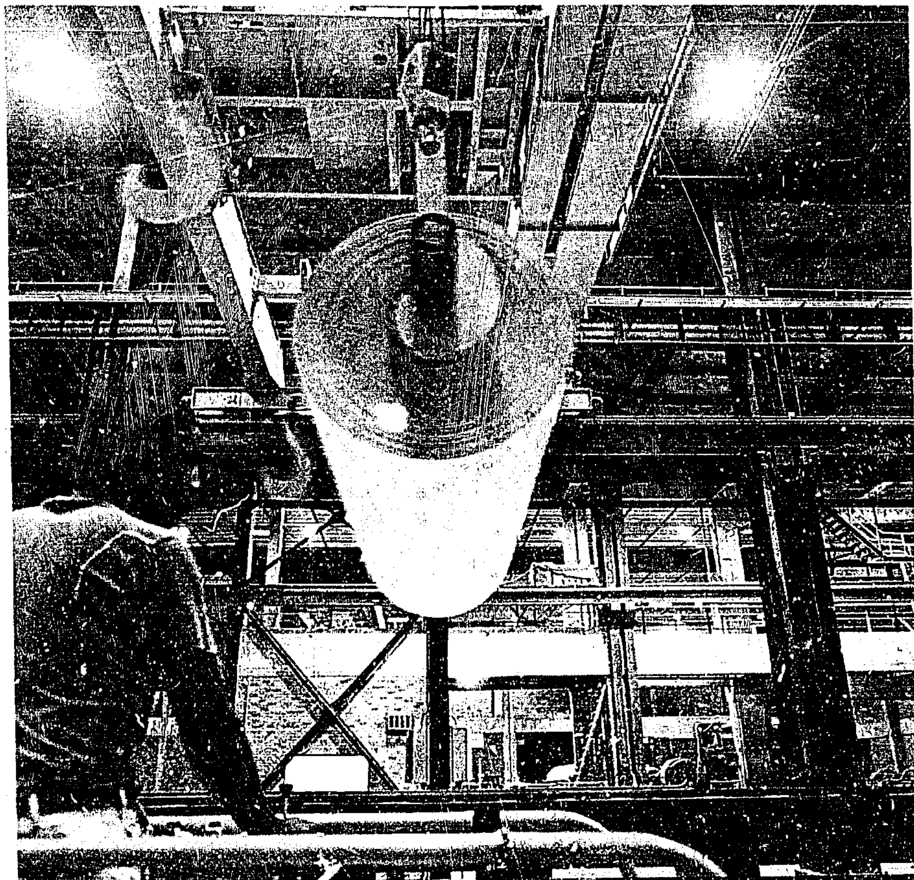
Year ended 31st December	1978 R'000	1977 R'000
Total share capital and reserves (consolidated)	[illegible] 881	84 017
Book value of unlisted investments	29 099	29 099
Directors' valuation of unlisted investments	123 302	79 638
Book value of listed investments	20 792	20 792
Market value of listed investments	81 535	58 432
Loans	36 398	37 052
Consolidated profit before tax	14 403	13 716
Tax	247	228
Preference dividends	1 948	2 237
Ordinary dividends — amount paid	11 344	10 313
— per share	82,5c	75c

AECI LIMITED

Administered outside the De Beers Group

De Beers' association with the explosives industry dates from the turn of the century, when its works at Somerset West near Cape Town supplied explosives to the diamond and gold mines. The amalgamation of this interest with similar interests of Nobel Industries (later Imperial Chemical Industries Limited) in 1924 led to the formation of the company now known as AECI Limited





Mondi Paper Company, now producing 260 000 tons of paper a year at its Durban mill, last year exported newsprint to the value of some R26 million. Mondi is a subsidiary of Anglo American Industrial Corporation.

The shaking ladle in Highveld Steel and Vanadium Corporation's Witbank plant. The Highveld group recently added ferrosilicon, metallurgical char and electrode paste to its existing product range by purchasing AECI's 68 per cent interest in Rand Carbide.

An incline shaft at the deep-level Morro Velho Gold Mine in the State of Minas Gerais; the Anglo American Corporation group and associates hold a 49 per cent interest in the mine, through Anglo American Corporation do Brasil.

in which De Beers' effective interest, arising from direct and indirect Group holdings of 42,89 per cent, is 27,30 per cent. AECI produces mining explosives and accessories, a wide range of plastics, heavy chemicals for industrial and agricultural use, vinyl products and animal feedstuffs.

Late in 1977 AECI commissioned a large coal-based chemical complex for the production of polyvinyl chloride and a range of chloro-chemical products. AECI contributed 60 per cent of the total cost of some R220 000 000, and Sentrachem Limited the balance.

AECI's wholly-owned subsidiary, South African Nylon Spinners (Proprietary) Limited, is the leading producer of synthetic fibres in South Africa, while another subsidiary manufactures phosphatic fertilizer and industrial chemicals in Rhodesia. Other important investments include Prolux Paint Holdings (Proprietary) Limited and Duropenta Holdings (Proprietary) Limited, which are wholly-owned, and Triomf Fertilizer (Proprietary) Limited which is 49 per cent owned.

Year ended 31st December	1978 R'millions	1977 R'millions
Total share capital and reserves (consolidated)	380,2	351,5
Loan capital	165,2	202,0
Book value of fixed assets	363,3	379,7
Trade investments at cost	45,7	44,9
Investment in foreign subsidiaries	16,2	15,6
Net current assets	167,3	166,7
Sales	703,5	590,2
Consolidated profit before tax	95,3	64,6
Tax	37,3	26,3
Preference dividend	0,3	0,3
Equity earnings	57,3	37,2
Per share	38,6c	25,1c
Ordinary dividend —		
amount paid	32,7	26,7
per share	22c	18c

Group turnover in 1978 totalled R703,5 million, an increase of R113,3 million, or 19,2 per cent, over 1977. This includes export sales of R45,2 million (1977: R39,6 million). Group net income before taxation for the year at R95,3 million showed an increase of 47,5 per cent over the corresponding figure for 1977. Earnings per share increased from 25,1 cents to 38,6 cents.

A further R5 million was charged against income to complete the funding of the company's share of increases in pensions and also its other supplementary pension commitments.

The main feature of the year's trading was an 11 per cent increase in the volume of local sales over 1977. Increases in sales were achieved in all areas of operation, particularly in agricultural products and synthetic filament yarns.

The improved rate of profit resulted mainly from higher production levels at the group's large capital intensive plants.

The loss on Coalplex was lower than forecast as operating efficiencies and production levels were above expectation and substantial export orders for PVC were secured.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

Administered outside the De Beers Group

Anglo American Corporation is the head of an international group of mining, industrial and investment companies. In mining, the corporation has important interests in the production of gold and uranium, diamonds, copper and nickel, coal, platinum, tin, lead, zinc and manganese. The industrial interests range from steel-making and heavy engineering to construction, motor vehicles, paper and textiles, chemicals, drilling tools, refractories and foodstuffs. Its principal commercial interests are property development, banking, insurance, freight and travel, and computer services in southern Africa. Through its 36 per cent holding in Charter Consolidated Limited, the London-based mining finance house, the corporation has further indirect interests in gold, diamonds, copper, asbestos, tin, wolfram, platinum, potash and other minerals, and in industrial enterprises in the United Kingdom.

The corporation's investments are held mainly through a number of specialised companies, such as Anglo American Gold Investment Company Limited, Anglo American Investment Trust Limited for the diamond mining and marketing interests, and Anglo American Industrial Corporation Limited. The majority of the coal mining interests are held by Anglo American Coal Corporation Limited. The Bermuda-based Minerals and Resources Corporation participates in the group's international mining and industrial interests, while on a geographic basis there are Anglo American Corporation of Canada Limited, Anglo American Corporation Rhodesia Limited, Zambia Copper Investments Limited, Australian Anglo American Limited and Anglo American Corporation do Brasil Limitada.

Following the merger with Rand Selection Corporation in May 1977, which took effect from 1st January 1977, Anglo American Corporation changed its financial year-end from 31st December to 31st March and reported the following consolidated results for the fifteen months ended 31st March 1978. Because of the different accounting periods and the merger the figures are not comparable with those for the twelve months ended 31st December 1976.

	(Post-merger) 31-3-78 (15 months) R'000	(Pre-merger) 31-12-76 (12 months) R'000
Group profit before taxation	258 678	93 865
Deduct: Taxation	17 027	4 647
Group profit after taxation	241 651	89 218
Deduct: Outside shareholders' interest	46 329	2 940
Group profit before extraordinary item attributable to Anglo American Corporation of South Africa Limited	195 322	86 278
Dividends	99 418	43 751
On preferred stock	286	286
On ordinary shares including a special dividend of 8,25 cents a share declared on 3rd May 1977	99 132	43 465
Retained profit before extraordinary item	95 904	42 527
Extraordinary provision against investment in Botswana RST Limited and S.M.T.F. copper project in Zaire — (1976: S.M.T.F.)	33 463	20 000
Retained profit after extraordinary item	62 441	22 527
Number of shares in issue at end of respective periods — 000's	222 965	131 725
Earnings per ordinary share before extraordinary item, based on number of shares effectively in issue during the periods — cents	89,9	65,3

The following is a summary of Anglo American Corporation's consolidated balance sheet:

	At 31-3-78 R'000	At 31-12-76 R'000
Capital and reserves	863 078	474 451
Loan capital	166 541	60 038
Life insurance funds	456 767	—
Outside shareholders' interests in subsidiary companies	92 231	63 008
Loans — associated companies and others	419 139	287 050
Deferred taxation	2 220	—
Creditors	129 660	54 007
	2 129 636	938 554
Listed general investments	713 779	411 009
Market value R1 996 731 000 (1976: R934 221 000)		
Unlisted general investments	121 796	114 679
Directors' valuation R272 296 000 (1976: R168 059 000)		

	31-3-78 R'000	31-12-76 R'000
Life insurance investments	572 057	—
Fixed assets	40 178	11 453
Leasing assets	10 401	—
Instalment debtors less deferred income	17 030	—
Loans — associated companies and others less provision	210 446	291 858
Goodwill	—	8 380
Other assets	443 949	101 175
	2 129 636	938 554

The following analysis by primary source and geographical location of Anglo American Corporation's direct investments and the underlying investments of the holding companies in which it is interested, was given in its 1978 annual report. These figures exclude the interests attributable to outside shareholders in subsidiary companies.

	Value of investments *Percentage*	Investment income *Percentage*
By prime source		
Gold	43	30
Diamonds	19	32
Copper	1	1
Coal	6	8
Platinum	2	1
Other mining	3	1
Industrial	17	17
Finance	7	8
Property	1	1
Oil and gas	1	1
	100	100
Geographical		
South Africa	75	70
South West Africa/Namibia	4	6
Rest of Africa south of the equator	6	8
North America	6	6
Elsewhere	9	10
	100	100

Anglo American Corporation reported unaudited attributable group profits after tax of R88 021 000 (39,5 cents per share) for the six months ended 30th September 1978 compared with R69 036 000 (33,2 cents per share) for the six months ended 30th June 1977. These results, however, are not comparable because income does not accrue evenly throughout the year and in particular the flow of income is higher than normal in the quarter to the end of March.

The market value of Anglo American Corporation group's listed general investments at 30th September 1978 was R2 678 million, an appreciation of R1 924 million over the book cost.

Un abrégé (traduction française) du rapport annuel et des comptes peut être obtenu auprès de:
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