

# **KIMCOR DIAMONDS PLC**

**(Registration number 05399993)**

**Report and Financial Statements  
Period ended 31 March 2007**

**CONTENTS**

The reports and statements set out below comprise the annual financial statements presented to the shareholders:

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**COMPANY INFORMATION**

<b>Directors</b>	Gordon Peterkin Riddler, <i>Non-Executive Chairman</i> Martyrn John Churchouse, <i>Chief Executive Officer</i> Manish Suresh Kotecha, <i>Finance Director</i> Roger Anthony Harris, <i>Non-Executive Director</i>
<b>Registered office</b>	18 Upper Brook Street London W1K 7PU
<b>Registration number</b>	05399993
<b>Company Secretary</b>	Manish Kotecha – resigned on 15 January 2007 Sarah Rossi – appointed on 15 January 2007
<b>Nominated Adviser and Broker</b>	Strand Partners 26 Mount Row London W1K 3SQ
<b>Registered Auditors</b>	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
<b>Legal advisers to the Company as to English law</b>	Nabarro Lacon House Theobald's Road London WC1X 8RW
<b>Legal advisers to the Company as to South African law</b>	Webber Wentzel Bowens 10 Fricker Road Illovo Boulevard Johannesburg 2196 South Africa
<b>Bankers</b>	HSBC plc 70 Pall Mall London SW1Y 5EZ
<b>Financial PR</b>	Bishopsgate Communications Ltd 4-5 North Mews London WC1N 2JP
<b>Registrars</b>	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

## CHAIRMAN'S STATEMENT

I am pleased to report to our shareholders on the progress made by KimCor Diamonds plc ("KimCor" or "the Company") during the past financial year.

### **New Acquisitions**

The Company informed shareholders at the time of listing that it intended to acquire further diamond assets as part of its medium and long-term growth strategy. It has also become obvious to the Board that consolidation in the diamond sector is both inevitable and necessary and we fully expect our pro-active approach in this regard to add shareholder value.

The proposed acquisition of the diamond assets of Dwyka Resources Limited, a company listed on the AIM (DWY) and ASX, through the purchase of Dwyka Holdings Limited ("DDH") to form an "Enlarged Group" will transform the Company from a small-scale producer to a multi-mine operation that has the scope to become a mid-tier producer of diamonds.

Completion of acquisition of DDH is conditional upon

- (i) the approval of the Company's shareholders in general meeting (including a waiver of Rule 9 of the City Code on Takeovers and Mergers);
- (ii) the approval of Dwyka Resources Limited' shareholders in accordance with the rules of the ASX;
- (iii) the placing agreement between the Company, Strand Partners Limited and Ambrian Partners Limited becoming unconditional in all respects; and
- (iv) admission of the Enlarged Group to trading on the AIM occurring by 8.00 am on 21 September 2007 (or such later date as the parties agree being no later than 12 October 2007).

KimCor has established a strategy for the development, re-organisation and management of the DDH assets specifically aimed at increasing diamond production through the expansion of existing processing plants and improving their efficiency.

For further details please refer to the admission document which was sent to shareholders today.

### **Mining and Production**

During the year, processing rates and diamond production at Bellsbank have been hampered by a shortage of water. The successful conclusion of a water supply agreement with a neighbouring producer has resolved this matter and provided sufficient water to allow the Board to approve the implementation of an expansion programme for the second half of 2007. This will involve the installation of a Dense Media Separation Unit ("DMS") and a pre-concentration plant which has the potential to enable Bellsbank to double processing rates to approximately 1.4 million tonnes per annum.

A new mining strategy was implemented at Bellsbank during the year in response to the fact that the feed grade from the dumps was lower than anticipated in the original (2005) Competent Persons Report produced by AMEC. Under the new strategy, the reduced operating costs allow the mine to process tailings feed profitably at a recoverable grade of between 4.0 and 4.3cpht. With the installation of the DMS unit, the mine can expect to improve recovered grades further as recoveries from the DMS are generally expected to exceed those achievable from conventional pans. In addition, as part of the programme to be adopted by the Enlarged Group, Bellsbank will cease final recovery of diamond production on site and, instead, transport its' concentrates to Kimberley, where the material will be processed by X-ray recovery using a Flowsort. This is expected to further improve final diamond recovery and security.

**CHAIRMAN'S STATEMENT** *(continued)*

**Future outlook**

Initiatives at Bellsbank will be undertaken in parallel with capital improvement programs planned for some of the DDH assets following the completion of the DDH acquisition.

The DDH assets will provide an opportunity to combine the production of diamonds from underground, dump and alluvial sources.

We also intend to capitalise on the expertise of Anmic, the cutting and polishing business in which KimCor holds a 50 per cent equity stake, to cut and polish a proportion of diamond production. The Board is of the opinion that, based on DDH's historic production, a much higher percentage of larger stones conducive to the value added process will be available to the Company going forward.

On completion of the acquisition of DDH, Melissa Sturgess, the current chief executive officer of Dwyka Resources, will be appointed as non-executive chairman of KimCor in addition to her role at Dwyka Resources Limited. Cedric Bredenkamp, the current managing director of the South African diamond operations of Dwyka Resources Limited, will be appointed as managing director of KimCor, reporting directly to the chief executive officer.

Finally, I would like to thank all the staff of the Company for their commitment to the implementation of the new mining regime and the successful completion of the first step in our acquisition strategy.

Gordon P Riddler  
*Chairman*

## REVIEW OF OPERATIONS

2007 proved to be the year of particular significance for the Group in light of the new opportunities presented by the proposed acquisition of DDH.

### **Acquisition of DDH**

The acquisition of DDH will transform the KimCor portfolio by adding two producing underground mines, a second tailing reclamation operation, an alluvial mine and a number of advanced exploration properties.

The expanded asset base will allow the Company to maintain its primary focus as a diamond producer and benefit from a number of synergies that exist within the expanded group.

### **Bellsbank production**

The Bellsbank dump mining operation has been severely hampered by a shortage of water for processing. This shortage not only limited production rates, but also prevented the Company from implementing a programme of expansion. In June 2007 an agreement was signed with a neighbouring mining company which secured sufficient water to allow the plant to operate at capacity and for the planned expansion to commence.

During the period of reduced production, mine management sought ways to reduce costs and improve both the productivity and efficiency of the operation. As a result, a new operating strategy was implemented in the second quarter of 2007 that addressed the critical areas of the operation, namely, contract mining costs, ore selection, tailings waste disposal, plant capacity and recovery. Each of these aspects have been tackled and new measures implemented.

### ***Contract mining***

A new contract mining agreement was signed reducing the cost per tonne for tailings delivered to the plant and allowing for a substantial saving to be made through the introduction of a new waste disposal method.

### ***Ore selection and economies of scale***

A detailed study of the numerous dumps present within the licence area revealed in excess of 12 different generations of tailing material showing diverse characteristics reflecting 60 years of mining from different sources and different processing techniques. Many of these dumps are too small to warrant bulk sampling for the purpose of estimating recoverable diamond grade.

Dumps comprise as many as 4 generations of tailing material deposited either randomly or in layers made up of different aged tailings mixed with a waste component.

Analysis of the cost of segregating ore and waste demonstrated that the heavy plant and manpower associated with this process could not be justified. As a result, a new mining regime was applied during mid-April 2007, whereby all tailing material is mined and processed regardless of its characteristics.

### ***Tailings waste disposal***

A new waste tailing conveyor system was designed and constructed that discharges waste tailing material directly from the site to a disposal site without any need for the previous truck haulage. As a result, it has been possible to amend the existing agreement with the mining contractor and achieve significant cost reductions.

Approximately 70 per cent. of the total feed input to the plant reports as a coarse waste tail product. Previously, this waste was removed from the plant site by the mining contractor, incurring both a fixed rate charge per tonne plus a fuel charge. The new conveyor, together with the savings resulting from the new mining policy (and reduced reliance on contracted heavy plant and equipment), has resulted in a lowering of the operating cost.

## REVIEW OF OPERATIONS *(continued)*

### ***Plant capacity***

Plans have been approved for the installation of an 8 tonne per hour Dense Media Separation plant that will be integrated into the existing facility, allowing production rates to increase to approximately 79,000 tonnes per month. In addition, plans have been approved for a stand-alone pre-concentration unit designed to process approximately 80 tonnes of tailings per hour, or an estimated 45,000 tonnes per month. These new additions are planned to be installed in the second half of 2007, and result in a processing rate of approximately 1.4 million tonnes per annum.

The implementation of the new measures is expected to reduce the life of the Bellsbank operation to 3 years.

### **Koffiefontein exploration**

Exploration results at Koffiefontein have been encouraging and assessment of the numerous geophysical targets identified has been started.

A drill programme has been planned to test the extent of the kimberlite delineated on the farm called Nooitgedacht.

### **Annic**

During the year 141 carats were cut and polished representing 3% of total production. As expected the opportunities for beneficiation of diamond production from the Bellsbank tailing operation have been limited as large stones from tailings are not common. However, with the addition of the Blaauwbosch and Newlands underground mines and the Nooitgedacht alluvial operation, there is ample opportunity to generate substantially more stones suitable for beneficiation and the creation of additional value for shareholders.

### **Results from operations**

The Group generated a loss for the year of £1,520,892 compared to a loss of £678,622 in the previous period. The loss per share for the year ended 31 March 2007 was 2.37 pence compared with loss per share of 2.07 pence for 2006.

Martyn Churchouse  
*Chief Executive Director*

## DIRECTORS' RESPONSIBILITIES

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The directors have chosen to prepare financial statements for the group and the company in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs)

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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

## DIRECTOR'S REPORT

The directors present their annual report and the audited group financial statements for the year ended 31 March 2007.

### **Principal activities**

The principal activity of the Group is diamond mining and exploration and the principal activity of the Company is a holding company.

### **Business review and future developments**

The purpose of this business review is to show how the Company assesses and manages risk and uncertainty and adopts appropriate policies and targets. Further details of the Group's business and expected future developments are also set out in the Chairman's Statement on pages 2 and 3 and in the Review of Operations on pages 4 and 5.

### **Principal risks and uncertainties**

The Group operates in an uncertain environment that may result in increased risk, costs pressures and unforeseen delays. The following are some of the key risks that face the Group:

#### **Exploration and development risk**

There is no assurance that the Group's exploration activities will be successful, and statistically few properties that are explored are ultimately developed into producing mines. Accordingly, the Group is seeking to balance this risk by building a portfolio of projects and prospects that carry a range of differing technical and commercial risks, and keeping under careful review the amount invested in any one project.

The Group's operations may also be curtailed, delayed or cancelled as a result of economic, environmental and political conditions in the area of operation.

#### **Competition**

There is strong competition within the mining industry for the identification and acquisition of suitable properties. The Group competes with other exploration and production companies, some of which have greater financial resources than the Group, for the acquisition of properties, leases and other interests as well as for the recruitment and retention of skilled personnel. The challenge to management is to secure suitable transactions without having to overpay as a result of competition.

#### **Financing**

The development of the Group's assets will depend upon the Group's ability to obtain financing primarily through the raising of new equity capital, but also by means of joint venture, debt financing or farm-ins. There is no assurance that the Group will be successful in obtaining required financing. If the Company is unable to obtain additional financing when needed, some interests or projects may be sold, relinquished and/or the scope of the operations reduced.

#### **Environmental and other regulatory requirements**

Existing and possible future environmental legislation, regulations and actions could trigger additional expense, capital expenditure, restriction and delay in the activities of the Group, the extent of which cannot be predicted. Before exploration and production can commence on any property, the Group must obtain regulatory approval and there is no assurance that such approval will be obtained. No assurance can be given that new rules and

## DIRECTOR'S REPORT *(continued)*

regulations will not be enacted, or existing rules and regulations will not be applied in a manner which could limit or curtail the Group's operations.

### Key performance indicators

The key performance indicators of the Group are as follows:

	2006/07	2005/06
Earnings/(loss) per share	(2.37)p	(2.07)p
Share price at 31 March	10p	17.75p
Cash at bank	£519,947	£2,533,137
Average grade (carats per hundred tonnes)	3.0	N/A
Tonnes processed	133,245	N/A

The increase in loss per share results from an increase in administrative expenses due to increased staff costs, and mining and treatment plant expenses incurred for the first time in the current year.

The movement in cash is attributable to the completion of the plant construction. There were no significant financing transactions during the year.

The average recoverable grade and tonnes processed for the period are not indicative of the plant's projected annual performance as the plant only commenced its operations in September 2006 and went through a commissioning process during the first few months exacerbated by a limited water supply.

The Group intends to include recoverable grades and tonnes processed as its non-financial KPIs going forward. These will however be reviewed again after the completion of the proposed acquisition of DDH.

### Results and dividends

The directors do not recommend payment of a dividend for the year (2006: nil). The loss will be transferred to reserves.

### Directors and Directors' interests

The directors at the date of these financial statements, and their interests in the ordinary shares in the Company are as follows:

	Ordinary shares of 0.5p held at 1 August 2007	Ordinary shares of 0.5p held at 31 March 2007	Ordinary shares of 0.5p held at 1 April 2006
Gordon Riddler	150,000	150,000	150,000
Martyn Churchouse*	8,750,000	8,750,000	8,750,000
Manish Kotecha	400,000	400,000	400,000
Roger Harris	–	–	–

\* The interests of Martyn Churchouse include beneficial ownership of shares held by International Mining Finance Group Limited and the shareholding of Heather Churchouse.

## DIRECTOR'S REPORT *(continued)*

The directors' interests in share options were as follows

	Options at 1.04.06 and at 31.03.07	Exercise Price	First date of exercise	Final date of exercise
Gordon Riddler	400,000	15p	05.03.07	05.03.16
Martyn Churchouse	850,000	15p	05.03.07	05.03.16
Manish Kotecha	850,000	15p	05.03.07	05.03.16
Roger Harris	250,000	15p	05.03.07	05.03.16

These options have been granted under the KimCor Diamonds plc Share Option Plan.

The right granted to subscribe for Ordinary Shares is exercisable up to 10 years from the date of grant with the right being exercisable in respect of one third of the Ordinary Shares to which it relates following the first, second and third anniversary from the date of grant.

Ordinary Shares resulting from the exercise of any such rights will rank *pari passu* in all respects with the Ordinary Shares in issue at the time of such exercise.

Further information is provided in the Report of the Remuneration Committee on page 13.

### Significant Shareholders

As at 1 August 2007 as far as the Directors are aware, the only persons (other than the Directors) who are directly or indirectly interested in 3 per cent. or more of the nominal value of the Company's share capital are as follows:

	Number of Ordinary Shares held	Ordinary Shares as % of issued share capital
Coffee House Group Limited	11,878,526	17.68%
Credit Suisse Client Nominees (UK) Limited	6,000,000	8.93%
HSBC Global Custody Nominees (UK) Limited	5,341,500	7.95%
Michael Johnson	4,300,000	6.40%
Metal Resources Limited	3,450,000	5.13%
SVS (Nominees) Limited	3,449,500	5.13%
Rene Nominees (IOM) Limited	3,333,333	4.96%
Pershing Keen Nominees Limited	2,975,000	4.43%

### Payments to suppliers

The Company has no formal code or standard, which deals specifically with the payment of suppliers. However, the Company's policy on the payment of all creditors is to ensure that the terms of payment, as specified and agreed with the supplier, are not exceeded. Trade creditors as at 31 March 2007 represent 16 days (2006: 30 days) as a proportion of the total amount invoiced by suppliers during the period ended on that date.

### Financial Instruments

Details of the risk management and the use of financial instruments by the company and its subsidiary undertakings are contained in note 19 of the financial statements.

### Post balance sheet events

Post balance sheet events are detailed in Note 27.

**DIRECTOR'S REPORT** *(continued)*

**Donations**

The company made no charitable or political donations in the current period.

**Disclosure of information to auditors**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

**Auditors**

BDO Stoy Hayward LLP have expressed their willingness to continue in office as auditors, and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

**Sarah Rossi**

*Company Secretary*

21 August 2007

## CORPORATE GOVERNANCE

The company, being listed on AIM, is not required to comply with the Combined Code. However the company has given consideration to the code provisions set out in Section 1 of the Combined Code (“the Code”) on Corporate Governance annexed to the Financial Services Authority Listing Rules. The directors support the objectives of the Code and intend to comply with those aspects which they consider relevant to the Group’s size and circumstances. Details of these are set out below. A statement of the directors’ responsibilities in respect of the financial statements is set out on page 6. Below is a brief description of the role of the board and its committees, including a statement regarding the group’s system of internal financial control.

### **The Workings of the Board and its Committees**

#### *The Board of Directors*

The board currently comprises two executive and two non-executive directors. The non-executive directors are considered independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The board meets on average every two months and is responsible, inter alia, for setting and monitoring group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders.

#### *The Audit Committee*

The Audit Committee comprised the following directors during the period:

Gordon Riddler  
Roger Harris

The committee provides a forum for reporting by the Group’s external auditors. Meetings are held on average twice a year. The present Committee Chairman is Gordon Riddler.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual and half year, financial statements and accompanying reports before their submission to the board and monitoring the controls which ensure the integrity of the financial information reported to the shareholders.

#### *The Remuneration Committee*

The Remuneration Committee, comprised the following directors during the period:

Gordon Riddler  
Roger Harris

The present committee chairman is Roger Harris.

The Committee is responsible for recommending to the board the terms and conditions of employment of the executive directors. A report from the Remuneration Committee appears on page 13.

#### *Internal Financial Control*

The board is responsible for establishing and maintaining the Group’s system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the Group and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The directors are conscious of the need to keep effective internal financial control, particularly in view of the limited cash resources of the group. Due to the relatively small size of the Group’s operations, the directors are

**CORPORATE GOVERNANCE** *(continued)*

very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The directors have reviewed the effectiveness of the procedures presently in place and consider that they are still appropriate to the nature and scale of the operations of the Group.

*Going Concern*

The financial statements have been prepared on a going concern basis. The group's cash and liquid resources stood at £0.6 million (2006: 2.5 million). Please refer to note 2 concerning the ability of the Group to continue as a going concern.

## REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee (the “Committee”) was chaired by Roger Harris and comprised, during the period ended 31 March 2007, Roger Harris and Gordon Riddler. The current composition of the Committee remains unchanged.

Remuneration packages are determined with reference to market remuneration levels, individual performance and the financial position of the Group.

The Board determines the remuneration of non-executive Directors within the limits set by the Company’s Articles of Association. All the directors hold service contracts which are terminable within one year or less.

None of the directors have service contracts which are terminable on greater than one year’s notice.

On 13 January 2006 the Company adopted ‘The KimCor Diamonds Share Option Plan’ in which the directors participate. For further information please refer to the directors’ report on page 8. The total directors’ remuneration for the period is set out below:

	Share-based payments £	Fees £	Salary £	Other £	Total £
<b>Year ended 31 March 2007</b>					
Gordon Riddler	17,846	20,000	–	–	37,846
Martyn Churchouse	37,923	–	125,000	–	162,923
Manish Kotecha	37,923	–	29,625	146	67,964
Roger Harris	11,154	–	20,000	–	31,154
	<u>104,846</u>	<u>20,000</u>	<u>174,625</u>	<u>146</u>	<u>299,887</u>
<b>Period ended 31 March 2006</b>					
Gordon Riddler	1,268	18,334	–	–	19,602
Martyn Churchouse	2,695	120,750	20,833	–	144,278
Manish Kotecha	2,695	39,000	6,250	–	47,945
Roger Harris	793	18,333	–	–	19,126
	<u>7,451</u>	<u>196,417</u>	<u>27,083</u>	<u>–</u>	<u>230,951</u>

Share-based payments charge relates to the IFRS 2 charge for the year with respect to options granted to the directors. See further details in note 23. The current terms of appointment of the Directors are as follows:

	Salaries or Fees p.a. £	Date of contract £	Notice period £
<b>Executive Directors</b>			
Martyn Churchouse	125,000	27 February 2006	12 months
Manish Kotecha	29,625	27 February 2006	3 months
<b>Non-executive Directors</b>			
Gordon Riddler	20,000	27 February 2006	1 month
Roger Harris	20,000	27 February 2006	1 month

On behalf of the Remuneration Committee

Roger Harris  
*Committee Chairman*

21 August 2007

## REPORT OF THE INDEPENDENT AUDITORS

### To the shareholders of KimCor Diamonds plc

We have audited the group and parent company financial statements (the “financial statements”) of KimCor Diamonds plc for the year ended 31 March 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Change in Shareholders’ Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective Responsibilities of Directors and Auditors

The directors’ responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors’ Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors’ Report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors’ remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Chairman’s Statement, Review of Operations, Director’s Report, Corporate Governance and Report of the Remuneration Committee. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group’s and company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS** *(continued)*

**Opinion**

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2007 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2007; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**Emphasis of matter – going concern**

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in the financial statements in note 2 concerning the ability of the Group to continue as a going concern. Further funds will be required to finance the Group's continued trading and, although the Directors are confident of being able to raise these funds, there remains uncertainty as to whether sufficient funds can be raised to enable the business to continue mining operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group to continue in business. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*

8 Baker Street  
London  
W1U 3LL

21 August 2007

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Note	Year ended 31 March 2007 £	Period from incorporation to 31 March 2006 £
Revenue	6	200,480	33,080
Other operating income		4,994	260,883
Mining and treatment plant expenses		(175,922)	–
Employee benefits expense		(612,743)	(52,933)
Depreciation and amortisation expense		(142,466)	(276)
Other expenses		(855,651)	(908,516)
<b>Loss from operations</b>	7	<b>(1,581,308)</b>	<b>(667,762)</b>
Finance expense	8	(5,778)	(1,181)
Finance income	8	50,604	4,003
<b>Loss for the period before taxation</b>		<b>(1,536,482)</b>	<b>(664,940)</b>
Tax	9,10	15,590	(13,682)
<b>Loss for the period after taxation attributable to equity holders of the parent</b>		<b>(1,520,892)</b>	<b>(678,622)</b>
<b>Basic and diluted loss per share</b>	11	<b>(2.37)p</b>	<b>(2.07)p</b>

All amounts relate to continuing activities.

The notes on pages 23 to 51 form part of these financial statements.

**CONSOLIDATED BALANCE SHEET**

As at 31 March 2007

	Note	31 March 2007 £	31 March 2006 £
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property, plant and equipment	12	562,331	240,663
Mining properties	13	1,844,171	2,033,837
Goodwill	14, 24	99,972	–
Prospecting rights	14	113,032	–
Other non-current receivables		6,984	9,355
		<b>2,626,490</b>	<b>2,283,855</b>
<b>Current assets</b>			
Inventories	18	35,982	–
Trade and other receivables	20	107,761	121,897
Cash and cash equivalents	19	519,947	2,533,137
		<b>663,690</b>	<b>2,655,034</b>
<b>Total assets</b>		<b>3,290,180</b>	<b>4,938,889</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	128,465	237,399
Current tax payable		10,215	13,682
Accruals		81,144	88,779
		<b>219,824</b>	<b>339,860</b>
<b>Non-Current liabilities</b>			
Deferred tax liability	10	433,156	448,746
		<b>433,156</b>	<b>448,746</b>
Total liabilities		<b>652,980</b>	<b>788,606</b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	15	321,567	317,400
Share premium reserve	16	3,571,832	3,411,416
Foreign exchange reserve	16	(270,391)	43,028
Merger reserve	16	935,000	935,000
Warrant reserve	16	103,267	111,600
Retained earnings	16	(2,038,653)	(668,161)
Equity attributable to shareholders of the Company		<b>2,622,622</b>	<b>4,150,283</b>
Minority interests		<b>14,578</b>	<b>–</b>
Total equity		<b>2,637,200</b>	<b>4,150,283</b>
<b>Total equity and liabilities</b>		<b>3,290,180</b>	<b>4,938,889</b>

The financial statements were approved by the Board of directors and authorised for issue on 21 August 2007.

**Director**

The notes on pages 23 to 51 form part of these financial statements.

**COMPANY BALANCE SHEET**

**As at 31 March 2007**

	Note	31 March 2007 £	31 March 2006 £
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property, plant and equipment	12	1,868	736
Investments	17	1,020,007	1,020,000
		<u>1,021,875</u>	<u>1,020,736</u>
<b>Current assets</b>			
Trade and other receivables	20	1,993,187	771,920
Cash and cash equivalents	19	490,804	2,472,139
		<u>2,483,991</u>	<u>3,244,059</u>
<b>Total assets</b>		<u>3,505,866</u>	<u>4,264,795</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21	53,177	218,051
Accruals		60,755	81,885
		<u>113,932</u>	<u>299,936</u>
Total liabilities		<u>113,932</u>	<u>299,936</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital issued	15	321,567	317,400
Share premium reserve	16	3,571,832	3,411,416
Warrant reserve	16	103,267	111,600
Merger reserve	16	935,000	935,000
Retained earnings	16	(1,539,732)	(810,557)
		<u>3,391,934</u>	<u>3,964,859</u>
Total equity and liabilities		<u>3,505,866</u>	<u>4,264,795</u>

The financial statements were approved by the Board of directors and authorised for issue on 21 August 2007.

**Director**

The notes on pages 23 to 51 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2007

	Share capital £	Share premium £	Warrant reserve £	Merger reserve £	Retained earnings and other reserves £	Foreign exchange reserve £	Total attributable to equity holders of the parent £	Minority interest £	Total equity £
<b>Balance on incorporation</b>	-	-	-	-	-	-	-	-	-
Issue of share capital	317,400	3,755,100	-	935,000	-	-	5,007,500	-	5,007,500
Issue of warrants	-	-	111,600	-	-	-	111,600	-	111,600
Issue costs	-	(343,684)	-	-	-	-	(343,684)	-	(343,684)
Equity settled share-based payments	-	-	-	-	10,461	-	10,461	-	10,461
Foreign exchange on translation of foreign operations	-	-	-	-	-	43,028	43,028	-	43,028
<b>Net income recognised directly in equity</b>	-	-	-	-	-	43,028	43,028	-	43,028
Net loss for the period	-	-	-	-	(678,622)	-	(678,622)	-	(678,622)
<b>Total recognised income and expense for the period</b>	-	-	-	-	(678,622)	43,028	(635,594)	-	(635,594)
<b>Balance as of 1 April 2006</b>	317,400	3,411,416	111,600	935,000	(668,161)	43,028	4,150,283	-	4,150,283
Issue of share capital	4,167	152,083	-	-	-	-	156,250	-	156,250
Exercise of warrants	-	8,333	(8,333)	-	-	-	-	-	-
Equity settled share-based payments	-	-	-	-	150,400	-	150,400	-	150,400
Foreign exchange on translation of foreign operations	-	-	-	-	-	(313,419)	(313,419)	-	(313,419)
<b>Net loss recognised directly in equity</b>	-	-	-	-	-	(313,419)	(313,419)	-	(313,419)
Net loss for the year	-	-	-	-	(1,520,892)	-	(1,520,892)	-	(1,520,892)
<b>Total recognised income and expense for the year</b>	-	-	-	-	(1,520,892)	(313,419)	(1,834,311)	-	(1,834,311)
Minority interest due to acquisitions of subsidiary	-	-	-	-	-	-	-	14,578	14,578
<b>Balance as of 31 March 2007</b>	321,567	3,571,832	103,267	935,000	(2,038,653)	(270,391)	2,622,622	14,578	2,637,200

The notes on pages 23 to 51 form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2007

	Share capital £	Share premium £	Warrant reserve £	Merger reserve £	Retained earnings and other reserves £	Total £
<b>Balance on incorporation</b>	–	–	–	–	–	–
Issue of share capital	317,400	3,755,100	–	935,000	–	5,007,500
Issue of warrants	–	–	111,600	–	–	111,600
Issue costs	–	(343,684)	–	–	–	(343,684)
Equity settled share-based payments	–	–	–	–	10,461	10,461
<b>Net income recognised directly in equity</b>	–	–	–	–	–	–
Net loss for the period	–	–	–	–	(821,018)	(821,018)
<b>Total recognised income and expense for the period</b>	–	–	–	–	(821,018)	(821,018)
<b>Balance as of 1 April 2006</b>	<u>317,400</u>	<u>3,411,416</u>	<u>111,600</u>	<u>935,000</u>	<u>(810,557)</u>	<u>3,964,859</u>
Issue of share capital	4,167	152,083	–	–	–	156,250
Exercise of warrants	–	8,333	(8,333)	–	–	–
Equity settled share-based payments	–	–	–	–	150,400	150,400
<b>Net income recognised directly in equity</b>	–	–	–	–	–	–
Net loss for the year	–	–	–	–	(879,575)	(879,575)
<b>Total recognised income and expense for the year</b>	–	–	–	–	(879,575)	(879,575)
<b>Balance as of 31 March 2007</b>	<u>321,567</u>	<u>3,571,832</u>	<u>103,267</u>	<u>935,000</u>	<u>(1,539,732)</u>	<u>3,391,934</u>

The notes on pages 23 to 51 form part of these financial statements

**CONSOLIDATED CASH FLOW STATEMENT**

**For the period ended 31 March 2007**

	As at 31 March 2007 £	Period from incorporation to 31 March 2006 £
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before tax	(1,536,482)	(664,940)
Adjustments for:		
Finance expense	5,778	1,181
Finance income	(50,604)	(4,003)
Depreciation and amortisation	142,272	276
Income received resulting from the loan waiver	–	(260,069)
Equity settled share-based payment expense	150,400	10,461
Foreign exchange difference	(90,653)	6,963
<b>Net cash from operating activities before changes in working capital</b>	<b>(1,379,289)</b>	<b>(910,131)</b>
(Decrease)/increase in trade and other payables	(120,036)	326,178
Decrease/(increase) in trade and other receivables	16,508	(111,487)
Increase in inventories	(35,982)	–
<b>Net cash flow from operating activities</b>	<b>(1,518,799)</b>	<b>(695,440)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(485,747)	(166,666)
Purchase of prospecting rights	(113,032)	–
Loan issued to subsidiary before acquisition	(3,500)	(400,000)
Acquisition of subsidiary, gross of cash acquired	(95,000)	–
Interest received	50,604	4,003
Cash held in subsidiary at the date of acquisition	1,812	37,005
<b>Net cash flow from investing activities</b>	<b>(644,863)</b>	<b>(525,658)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	156,250	3,987,500
Proceeds from issue of warrants	–	111,600
Issue costs	–	(343,684)
Proceeds from loans raised	–	60,000
Re-payment of loan	–	(60,000)
Interest paid	(5,778)	(1,181)
<b>Net cash from financing activities</b>	<b>150,472</b>	<b>3,754,235</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,013,190)</b>	<b>2,533,137</b>
Cash and cash equivalents at the beginning of the year/period	2,533,137	–
<b>Cash and cash equivalents at the end of the year/period</b>	<b>519,947</b>	<b>2,533,137</b>

There were no significant non-cash transactions during the year.

In prior year there was an equity consideration for the acquisition of Free State Diamond Mines (Pty) Limited.

The notes on pages 23 to 51 form part of these financial statements.

**COMPANY CASH FLOW STATEMENT**

**For the period ended 31 March 2007**

	As at 31 March 2007 £	Period from Incorporation to 31 March 2006 £
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before tax	(879,575)	(821,018)
Adjustments for:		
Finance expense	2,911	1,181
Finance income	(120,780)	(24,592)
Depreciation and amortisation	822	178
Equity settled share-based payment expense	150,400	10,461
Foreign exchange difference	(8)	–
<b>Net cash from operating activities</b>		
<b>Before changes in working capital</b>	<b>(846,230)</b>	<b>(833,790)</b>
(Decrease)/increase in trade and other payables	(186,004)	299,936
Decrease/(increase) in trade and other receivables	65,269	(96,313)
Increase in intra group receivables other than loans issued	(67,529)	–
<b>Net cash flow from operating activities</b>	<b>(1,034,494)</b>	<b>(630,167)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(1,954)	(914)
Loans issued	(1,148,758)	(655,000)
Interest received	50,532	3,985
<b>Net cash flow from investing activities</b>	<b>(1,100,180)</b>	<b>(651,929)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of ordinary shares	156,250	3,987,500
Proceeds from issue of warrants	–	111,600
Issue costs	–	(343,684)
Proceeds from loans raised	–	60,000
Re-payment of loan	–	(60,000)
Interest paid	(2,911)	(1,181)
<b>Net cash from financing activities</b>	<b>153,339</b>	<b>3,754,235</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,981,335)</b>	<b>2,472,139</b>
Cash and cash equivalents at the beginning of the year/period	2,472,139	–
<b>Cash and cash equivalents at the end of the year/period</b>	<b>490,804</b>	<b>2,472,139</b>

The notes on pages 23 to 51 form part of these financial statements

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 March 2007

### 1 Corporate information

The Group and company financial statements of KimCor Diamonds plc (the “Company”) for year ended 31 March 2007 were authorised for issue in accordance with a resolution of the directors on 21 August 2007.

KimCor Diamonds plc is a new diamond mining and exploration company incorporated in England and Wales on 21 March 2005 for the purpose of developing diamond mining assets and projects primarily in South Africa.

### 2 Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as ‘the Group’). The parent company financial statements present information about the Company as a separate entity and not about its group. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union and also in accordance with the Companies Act 1985.

#### *Going concern*

The Company sent out a notice convening an EGM at 11 am on 20 September 2007 to approve, amongst other things, the acquisition of DDH (“the Acquisition”) and the placing of 65,535,000 new ordinary shares of the Company at 6.5 pence per share (“the Placing”). These financial statements have been prepared on a going concern basis which assumes that the Company will be able to complete the proposed Acquisition and raise the required funds. In the event that the Acquisition and Placing are not successfully completed, the Company will need to seek alternative financing in order to continue as a going concern. The financial statements do not therefore include the adjustments that would be required should the Company be unable to continue as a going concern.

The company has taken advantage of the exemption provided under section 230 of the Companies Act 1985 not to publish its individual income statement and related notes.

The group and company financial statements are presented in Sterling and all values are rounded to the nearest pound except when otherwise indicated.

The accounting policies set out below have, unless otherwise stated, been applied consistently in these financial statements. Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

#### **2a. Amendments to published standards and interpretations to existing standards effective during the year ended 31 March 2007 adopted by the Group**

- IFRIC 4, Determining whether an Arrangement contains a Lease (effective from financial year commencing 1 April 2006). There was no impact of the adoption of IFRIC 4 on the results or net assets of the Group.
- IAS 39 (Amendment), The Fair Value Option (effective from financial year commencing 1 April 2006). There was no impact of the adoption of IAS 39 on the results or net assets of the Group.
- IAS 21 (Amendment), Net Investment in a Foreign Operation (effective from financial year commencing 1 April 2006). There was no impact of the adoption of IAS 21 on the results or net assets of the Group.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 2 Basis of preparation (continued)

- IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from financial year commencing 1 April 2006). The Group is in compliance with the requirements of the amendment to IFRS 6.

#### 2b. Standards, interpretations and amendments to published standards effective in the year commencing 1 April 2006 but are not relevant to the Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 April 2006 but are currently not relevant to the Group's operations:

- IAS 19 (Amendment), Employee Benefits (effective from financial year commencing 1 April 2006).
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions (effective from financial year commencing 1 April 2006).
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from financial year commencing 1 April 2006).
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards (effective from financial year commencing 1 April 2006).
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from financial year commencing 1 April 2006).
- IFRIC 6, Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from financial year commencing 1 April 2006).

#### 2c. Standards, amendments and interpretations to published standards which and are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2007 or later periods but the Group has decided not to adopt early. These are:

- IFRS 7, Financial Instruments: disclosures and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures. The Group will apply IFRS 7 and the amendment to IAS 1 to the accounts for the year beginning on 1 April 2007.
- IFRS 8, Operating Segments (effective from 1 January 2009). The Group will apply this standard in the accounting period beginning on 1 April 2009 in the case it is endorsed by the EU.
- IFRIC 7, Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 March 2006). The effect of this interpretation has been assessed by management and the application will not result in any impact on the results or net assets of the Group.
- IFRIC 9, Reassessment of embedded derivatives (effective for accounting periods beginning on or after 1 June 2006). The effect of this interpretation has been assessed by management and the application will not result in any impact on the results or net assets of the Group.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 2 Basis of preparation (continued)

- IFRIC 10, Interim Financial Reporting and Impairment (effective for accounting periods beginning on or after 1 November 2006). The Group will apply IFRIC 10 from 1 April 2007 but it is not expected to have any impact on the Group's financial statements.
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for accounting periods beginning on or after 1 March 2007). As the Group has not entered into any such transactions, adoption of this standard is not expected to have any impact on the Group's financial statements.
- IFRIC 12, Service Concession Arrangements (effective for accounting periods beginning on or after 1 January 2008). IFRIC 12 is not relevant to the Group's operations due to the absence of such arrangements. IFRIC 12 has not yet been endorsed by the EU.
- IFRIC 13, Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions (effective for accounting periods beginning on or after 1 July 2008). IFRIC 13 is not relevant to the Group's operations due to the absence of such arrangements. IFRIC 13 has not yet been endorsed by the EU.
- IFRIC 14, Customer Loyalty Programs (effective for accounting periods beginning on or after 1 January 2008). IFRIC 14 is not relevant to the Group's operations due to the absence of such arrangements. IFRIC 14 has not yet been endorsed by the EU.
- IAS 23 Amendment (effective for accounting periods beginning on or after 1 January 2009). The Group will apply the Amended IAS 23 from 1 April 2009 in the case it is endorsed by the EU, but it is not expected to have any impact on the Group's financial statements.

### 2d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group (its subsidiaries) made up to 31 March each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. The excess of the cost of the acquisition over the fair value of the Group's share of identifiable net assets of the subsidiary acquired is recognised as positive goodwill. Negative goodwill arises where the fair value of the Group's share of identifiable net assets of the subsidiary exceeds the cost of the acquisition.

Negative goodwill is recognised directly in the income statement.

The financial statements of subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests represent the interests in Anmic Diamonds (Pty) Limited and Koffiefontain Diamonds (Pty) Limited not held by the Company.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 3 Significant accounting estimates

The preparation of financial statements requires the application of estimate and judgement by management, which affects assets and liabilities at the balance sheet date and income and expenditure for the period. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are set out in the relevant accounting policies discussed below. The best estimates of management may differ from the actual result.

Significant judgements include:

#### *Annual evaluation of property, plant and equipment, mining properties and prospecting rights*

The company reviews its property, plant and equipment, mining properties and prospecting rights for possible impairment, changes in useful life and changes in residual values at the end of each financial year.

#### *Valuation of net realisable value of inventory*

The carrying value of inventory is reviewed at year end by considering the current diamond market conditions, estimated quality and size of the diamonds on hand.

#### *Mining properties amortisation*

Mining properties are depreciated using the estimated tonnage of ore available for mining and an estimation of the tonnage of ore processed during the period, i.e. units of production basis.

#### *Goodwill and investments*

The Group monitors internal and external indicators of impairment relating to goodwill and investments.

The impairment of investments and goodwill is considered at least annually. Consideration is given if any conditions indicating that impairment may be necessary exist. These conditions mainly depend on the benefit that the company and group will obtain from the investment and goodwill.

### 4 Summary of significant accounting policies

#### *Revenue recognition*

Revenue and associated costs from the sale of diamonds are recognised when effective control together with the risks and rewards of ownership are transferred to the customer, and the amount of revenue and costs can be reliably measured, as long as it is probable that the economic benefits associated with the transaction will flow to the entity.

#### *Business combinations*

Business combinations are accounted for using the purchase method.

The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 4 Summary of significant accounting policies (continued)

#### *The Company's investments in subsidiaries*

In its separate financial statements the Company recognises its investments in subsidiaries at cost, less any impairment for permanent diminution in value. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition.

#### *Foreign currency*

Transactions entered into by individual group companies in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") of the entity involved in the transaction are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Exchange differences recognised in the income statement of group entities' separate financial statements on the translation of long-term monetary items forming part of the group's net investment in the overseas operation concerned are reclassified to the foreign exchange reserve. On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the income statement as part of the profit or loss.

#### *Property, plant and equipment*

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all property, plant and equipment, to write down the cost, less residual value, by equal instalments over their estimated useful lives as follows:

Plant and machinery	- 20% per annum
Furniture and fixtures	- 20% per annum
Motor vehicles	- 20% per annum
Office and computer equipment	- 20% per annum

The depreciation charge for each period is recognised in income statement, unless it is included in the carrying amount of another asset.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 4 Summary of significant accounting policies (continued)

Repairs and maintenance which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in income statement when the item is de-recognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Assets under construction are carried at cost less any recognised impairment.

Borrowing costs attributable to assets under construction are recognised as an expense as incurred.

#### *Mining Properties*

Mining properties are a tangible fixed asset and are stated at cost of acquisition less accumulated amortisation and any impairment loss. Mining properties acquired are initially recognised at cost. Mining properties are amortised on a unit of production basis and are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

#### *Intangible assets*

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Impairment tests are performed on an annual basis on 31 March.

#### *Prospecting rights*

Prospecting Rights are intangible assets and are initially recognised at cost.

Prospecting Rights are carried at cost less any accumulated amortisation and any impairment losses. Impairment tests are performed on an annual basis on 31 March.

#### *Evaluation and exploration costs*

Evaluation and exploration costs incurred prior to decision to acquire a property are written off in the year in which they are incurred.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 4 Summary of significant accounting policies (continued)

#### *Impairment*

Impairment tests are performed on all intangible assets with indefinite useful economic lives notwithstanding the indicators on an annual basis on 31 March. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### *Financial Instruments*

##### *Derivative financial instruments*

The company does not use derivative financial instruments.

##### *Non-derivative financial instruments*

##### *Trade and other payables*

Trade and other payables are not interest-bearing and are initially recognised at fair value and subsequently stated at amortised cost.

##### *Trade and other receivables*

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Where the time value of money is material, receivables are carried at amortised cost.

##### *Loans receivable*

Loans receivable are initially recognised at fair value and subsequently held at amortised cost using the effective interest method where maturity is fixed. Where maturity is not fixed, such assets are held at cost.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company unless otherwise stated. Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 4 Summary of significant accounting policies (continued)

#### *Equity instruments*

Equity instruments issued by the Company are recorded at fair value.

#### *Income taxes*

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

#### *Inventories*

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

#### *Share-based payments*

The Group utilises share options and warrants. The exercise price is determined by the directors and is fixed at the date of grant. Where share options are awarded to employees (including Directors) and consultants providing similar services, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

#### *Provisions and contingencies*

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Provisions are not recognised for future operating losses.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 4 Summary of significant accounting policies (continued)

Contingent assets and contingent liabilities are not recognised.

#### *Rehabilitation provisions*

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine. The obligation to restore environmental damage caused through operations is raised as the relevant operations take place. The estimated cost of environmental rehabilitation is based on current legal requirements and existing technology.

No provision is currently required as no significant environmental disturbance has occurred.

### 5 Segment information

The Group's sole business segment is diamond exploration and production in South Africa.

### 6 Revenue

Revenue for the period arose from the sale of rough diamonds.

### 7 Loss from operations

Loss from operations includes the following:

	Year ended 31 March 2007		Period ended 31 March 2006	
	Group £	Company £	Group £	Company £
<b>7.1 Administrative expense include:</b>				
Depreciation of property, plant and equipment (Note 12)	75,161	822	276	178
Amortisation of mining properties (Note 13)	67,305	–	–	–
IPO costs	–	–	326,188	326,188
<b>7.2 Employee costs</b>				
Wages and salaries	376,199	248,639	37,621	31,667
Equity settled share based payment expense	150,400	150,400	10,461	10,461
Social security costs	86,144	42,221	4,851	3,688
	<u>612,743</u>	<u>441,260</u>	<u>52,933</u>	<u>45,816</u>

The average monthly number of employees (including executive directors) of the Company during the period is:

	Number	Number	Number	Number
Managers	9	3	6	3
Staff	50	2	25	2
	<u>59</u>	<u>5</u>	<u>31</u>	<u>5</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**7 Loss from operations (continued)**

**7.3 Directors' emoluments**

The directors emoluments are disclosed in the Report of Remuneration Committee on page 13. The directors are not in receipt of any non-cash benefits other than share options and private health insurance. No retirement benefits are accruing to directors under pension schemes. The Directors receive reimbursement for reasonable expenses. Key management personnel consists of only the Directors.

The highest paid director had emoluments totalling £125,000 (2006: £144,278).

**7.4 Audit services**

	Year ended 31 March 2007		Period ended 31 March 2006	
	Group £	Company £	Group £	Company £
Audit of the annual accounts	28,500	28,500	28,500	28,500
Other services:				
Other taxation services	2,500	2,500	2,500	2,500
Other services supplied under legislation	16,968	–	6,573	–
	<u>47,968</u>	<u>31,000</u>	<u>37,573</u>	<u>31,000</u>

Additionally, in the prior year £97,685 was paid to the auditors in relation to the services they provided as reporting accountants on flotation of the Company's ordinary shares to AIM. £34,347 of this amount was charged to share premium.

**7.5 Other operating income**

Other operating income in 2006 related to the waiver of a loan made to Free State, the wholly owned Company's subsidiary.

**8 Finance income and expense**

**8.1 Finance expense**

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Loan interest	5,778	1,181
Total interest expense	<u>5,778</u>	<u>1,181</u>

**8.2 Finance income**

	£	£
Bank interest receivable and similar income	50,604	4,003
Total interest income	<u>50,604</u>	<u>4,003</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**9 Tax**

**9.1 Tax charged in the income statement**

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Deferred tax		
UK deferred tax credit	(15,590)	–
Current tax:		
UK corporation tax	–	–
Foreign tax	–	13,682
Total tax charge	(15,590)	13,682

**9.2 Reconciliation of the total tax charge**

UK Corporation tax rate is 30%. The tax assessed on the loss on ordinary activities for the period is different from the standard rate of corporation tax in the UK. The charge for the period can be reconciled to the loss per the income statement as follows:

	Year ended 31 March 2007 £	Period ended 31 March 2006 £
Loss on ordinary activities before tax	(1,536,482)	(664,940)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(460,945)	(199,482)
Tax effect of expenses that are not deductible in determining taxable profit	46,468	114,433
Deferred tax assets not recognised	389,071	148,449
Effect of different tax rates of subsidiaries operating in other jurisdictions	9,816	(40,169)
Other	–	(9,549)
Total tax (credit)/charge for the period	(15,590)	13,682

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**10 Deferred tax**

The Group has potential deferred tax assets of approximately £580,000 (2006: £150,000) in respect of tax losses, and other temporary differences arising that are available for offset against future taxable profits. The deferred tax asset has not been recognised as it not sufficiently certain that suitable taxable profits will arise.

The deferred tax liability included in the balance sheet is as follows:

	<b>Year ended</b>	Period ended
	<b>31 March</b>	31 March
	<b>2007</b>	2006
	£	£
Deferred tax liability		
Acquisition fair value adjustments	<b>(433,156)</b>	(448,746)
Deferred tax liability	<b>(433,156)</b>	(448,746)

During the year £15,590 (2006: £Nil) was credited to the Income statement.

**11 Basic and diluted loss per share**

Basic loss per share amounts are calculated by dividing net loss for the period, attributable to ordinary equity holders of the parent, by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	<b>Year ended</b>	Period ended
	<b>31 March</b>	31 March
	<b>2007</b>	2006
	£	£
Net loss attributable to equity holders of the parent	<b>1,520,892</b>	678,622

No diluted loss per share has been calculated as the Group has incurred a loss for the period.

	<b>Number</b>	Number
Basic weighted average number of shares (excluding treasury shares)	<b>64,274,520</b>	32,736,320

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**11 Basic and diluted loss per share (continued)**

	<b>Year ended 31 March 2007 Number</b>	Period ended 31 March 2006 Number
<b>Weighted average number of ordinary shares</b>		
Effect of shares in issue at the beginning of the year/period	2,956,603	–
Effect of shares in issue on 7 April 2005	–	948,267
Effect of shares in issue on 5 May 2005	–	1,669,333
Effect of shares in issue on 14 June 2005	–	3,273,387
Effect of shares in issue on 9 August 2005	–	8,614,293
Effect of shares in issue on 31 October 2005	–	13,829,760
Effect of shares in issue on 06 March 2006	–	4,401,280
Effect of shares in issue on 18 April 2006	<u>61,317,917</u>	<u>–</u>
<b>Weighted average number of ordinary shares for the year/period</b>	<u><b>64,274,520</b></u>	<u><b>32,736,320</b></u>

There are options and warrants outstanding at the end of the year that could potentially dilute basic earnings per share in the future. These are detailed in notes 15 and 23 below. Two tranches of ordinary share issues occurred during the period between the reporting date and the date of completion of these financial statements, as described in Note 27 below. The effect of the factors above is anti-dilutive.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

12 Property, plant and equipment

*Group*

	Plant and machinery £	Furniture and fixtures £	Motor vehicles £	Office and computer equipment £	Total £
<b>Cost on incorporation</b>	–	–	–	–	–
Additions	234,989	1,302	3,740	914	240,945
<b>Cost at 1 April March 2006</b>	234,989	1,302	3,740	914	240,945
Foreign exchange difference	(59,454)	(436)	(946)	0	(60,836)
Additions	412,298	1,846	20,245	18,176	452,565
Disposals	–	–	–	–	–
<b>Cost/valuation at 31 March 2007</b>	<b>587,833</b>	<b>2,712</b>	<b>23,039</b>	<b>19,090</b>	<b>632,674</b>
<b>Accumulated depreciation on incorporation</b>	–	–	–	–	–
Charge for the period	–	98	–	178	276
Foreign exchange difference	–	6	–	–	6
<b>Accumulated depreciation at 1 April 2006</b>	–	104	–	178	282
Charge for the year	69,491	373	2,942	2,356	75,162
Foreign exchange difference	(4,766)	(28)	(202)	(105)	(5,101)
<b>Accumulated depreciation at 31 March 2007</b>	<b>64,725</b>	<b>449</b>	<b>2,740</b>	<b>2,429</b>	<b>70,343</b>
<b>Net carrying value at 31 March 2006</b>	<b>234,989</b>	<b>1,198</b>	<b>3,740</b>	<b>736</b>	<b>240,663</b>
<b>Net carrying value at 31 March 2007</b>	<b>523,108</b>	<b>2,263</b>	<b>20,299</b>	<b>16,661</b>	<b>562,331</b>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**12 Property, plant and equipment (continued)**

Plant and machinery primarily includes capitalised expenses incurred for the building of production plant in South Africa. No depreciation has been charged up until September 2006 when the production was ready to be brought into use. Included within additions are the following amounts which were acquired with subsidiaries:

Plant, machinery and vehicles	-	£3,917 (2006: £72,063)
Office equipment	-	£2,350 (2006: £Nil)
Furniture and fixtures	-	£Nil (2006: £2,216)

**Company**

	Office and computer equipment £	Total £
<b>Cost on incorporation</b>	-	-
Additions	914	914
Disposals	-	-
<b>Cost at 1 April 2006</b>	914	914
Additions	1,954	1,954
Disposals	-	-
<b>Cost at 31 March 2007</b>	<b>2,868</b>	<b>2,868</b>
<b>Accumulated depreciation on incorporation</b>	-	-
Charge for the period	178	178
<b>Accumulated depreciation at 1 April 2006</b>	178	178
Charge for the year	822	822
<b>Accumulated depreciation at 31 March 2007</b>	<b>1,000</b>	<b>1,000</b>
<b>Net carrying value at 31 March 2006</b>	<b>736</b>	<b>736</b>
<b>Net carrying value at 31 March 2007</b>	<b>1,868</b>	<b>1,868</b>

**13 Mining properties**

**Group**

	Mining properties £
<b>Cost on incorporation</b>	-
Additions through the business combinations	1,997,617
Foreign exchange difference	36,220
<b>Cost at 31 March 2006</b>	<b>2,033,837</b>
Foreign exchange difference	(123,290)
<b>Cost at 31 March 2007</b>	<b>1,910,547</b>
<b>Accumulated depreciation on incorporation</b>	-
Charge for the period	-
<b>Accumulated depreciation at 31 March 2006</b>	-
Charge for the year	67,305
Foreign exchange difference	(929)
<b>Accumulated depreciation at 31 March 2007</b>	<b>66,376</b>
<b>Net carrying value at 31 March 2006</b>	<b>2,033,837</b>
<b>Net carrying value at 31 March 2007</b>	<b>1,844,171</b>

No amortisation was charged up until September 2006 when production commenced. The Company has no mining properties.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**14 Intangible assets**

*Group*

	Prospecting rights £	Goodwill £
<b>Cost/valuation</b>		
<b>On incorporation and 31 March 2006</b>	–	–
Additions through the business combinations	–	99,972
Additions other than through business combinations	113,032	–
	<b>113,032</b>	<b>99,972</b>
<b>At 31 March 2007</b>	<b>113,032</b>	<b>99,972</b>
<b>Net carrying value at 31 March 2006</b>	–	–
<b>Net carrying value at 31 March 2007</b>	<b>113,032</b>	<b>99,972</b>

Prospecting rights were acquired during the year by the group and are carried at cost. These Rights were granted to the Group's subsidiary Koffiefontein Diamonds (Pty) Ltd by the South African Department of Minerals and Energy on 15 August 2006 in respect of the mineral diamonds (general and in kimberlite).

The directors have determined that it is impracticable to estimate a defined useful life for the prospecting rights asset, hence it is subject to an annual impairment review.

Goodwill is described in Note 24.

Details of prospecting rights and goodwill allocated to Cash Generating Units (CGU) is as follows:

	Prospecting rights carrying amount		Goodwill carrying amount	
	2007	2006	2007	2006
	£	£	£	£
CGU 1: Diamond production and exploration	113,032	–	–	–
CGU 2: Diamond cutting and polishing	–	–	99,972	–
	113,032	–	99,972	99,972

The recoverable amounts of the above CGU's have been determined from the value in use calculations based on future cash flow projections over 5 years, and the potential future economic benefits to be derived by the Group. Further major assumptions are as follows:

	CGU 1		CGU 2	
	2007	2006	2007	2006
Discount rate	12%	–	12%	–
Average grade (carats per hundred tonnes)	4.0	–	4.0	–
Growth rate	–	–	–	–

Discount rates are based on the Group's beta adjusted to reflect management's assessment of specific risks related to the cash generating unit.

Average grade of diamonds is based on results to date and expected grades post commissioning of new machinery. The diamond grade recovery from tailings is one of the drivers of projected sales.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**15 Share capital**

*Group and Company*

	Authorised		Allotted, called up and fully paid	
	Number	£	Number	£
Ordinary shares of 0.5p each as of 31 March 2006	200,000,000	1,000,000	63,480,000	317,400
Issued and allotted during the year	–	–	833,333	4,167
Ordinary shares as of 0.5 each as of 31 March 2007	<u>200,000,000</u>	<u>1,000,000</u>	<u>64,313,333</u>	<u>321,567</u>

**Share Capital reconciliation**

Date	Number of shares issued	Issue price pence	Total proceeds £	Issue costs £	Share capital £	Warrants reserve £	Merger reserve £	Share premium £
6 April 2005 <sup>1</sup>	2	0.5	–	–	–	–	–	–
7 April 2005	12,699,998	0.5	63,500	–	63,500	–	–	–
5 May 2005	2,950,000	6	177,000	–	14,750	–	–	162,250
14 June 2005	6,270,000	6	376,200	–	31,350	–	–	344,850
9 August 2005 <sup>2</sup>	17,000,000	6	1,020,000	–	85,000	–	935,000	–
31 October 2005	2,240,000	6	134,400	(20,400)	11,200	–	–	102,800
06 March 2006	<u>22,320,000</u>	<u>15</u>	<u>3,348,000</u>	<u>(323,284)</u>	<u>111,600</u>	<u>111,600</u>	<u>–</u>	<u>2,801,516</u>
<b>Total as at 1 April 2006</b>	<b><u>63,480,000</u></b>		<b><u>5,119,100</u></b>	<b><u>(343,684)</u></b>	<b><u>317,400</u></b>	<b><u>111,600</u></b>	<b><u>935,000</u></b>	<b><u>3,411,416</u></b>
18 April 2006 <sup>3</sup>	833,333	18.75	156,250	–	4,167	(8,333)	–	160,416
<b>Total as at 31 March 2007</b>	<b><u>64,313,333</u></b>		<b><u>5,275,350</u></b>	<b><u>(343,684)</u></b>	<b><u>321,567</u></b>	<b><u>103,267</u></b>	<b><u>935,000</u></b>	<b><u>3,571,832</u></b>

1. These shares were issued as a result of a 5 to 1 share consolidation.
2. All the shares were issued for cash except the 17,000,000 shares issued on 9 August 2005 for the acquisition of Free State. Please refer to note 25 for further details.
3. The only movement in share capital during the year was as a result of exercise of 833,333 on 18 of April 2006.

**Warrants**

Warrants to subscribe for an aggregate of 11,160,000 ordinary shares were issued to participants in the Placing (One warrant for every two placing shares), representing approximately 15% of the issued share capital of the Company following AIM Admission, assuming exercise of all the warrants but no other share issues.

The warrants will entitle holders to subscribe in cash for ordinary shares at an exercise price of 18.75 pence each on the terms and conditions of the warrant instrument.

The Warrants may be exercised at any time from their admission to AIM, being 15 March 2006, up to and including the second anniversary of this date or earlier in certain circumstances.

There are 10,326,667 warrants outstanding as at 31 March 2007 (2006: 11,160,000). The only movement in warrants during the year was the exercise of 833,333 warrants in April 2006.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**15 Share capital (continued)**

**Share option agreement**

A share option agreement was signed on 27 February 2006 with Westhouse Securities LLP (“Option Holder”), being the Company’s nominated advisor and broker. In consideration of the sum of £1 paid by Option Holder the Company granted to the Option Holder an option to subscribe for such number of ordinary shares as will represent 1 per cent of the issued share capital of the Company immediately following AIM Admission, being 634,800 ordinary shares, at a subscription price of 15p per share during the period of five years commencing on the date of AIM Admission. The option granted is exercisable in whole or in part, subject to exercise on any one occasion of no less than 25% of the total subscription rights, at any time or times during the option period of 5 years.

There were no movements in these share options during the year

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**16 Reserves**

**Group**

	Share premium £	Warrant reserve £	Merger reserve £	Retained earnings £	Translation reserve £	Total £
<b>Opening balance</b>	–	–	–	–	–	–
Proceeds on share issue	3,755,100	–	–	–	–	3,755,100
Shares issued for the acquisition of subsidiary	–	–	935,000	–	–	935,000
Issue costs	(343,684)	–	–	–	–	(343,684)
Warrants issued	–	111,600	–	–	–	111,600
Translation differences on overseas operations	–	–	–	–	43,028	43,028
Net loss for the period	–	–	–	(678,622)	–	(678,622)
Equity settled share-based payments	–	–	–	10,461	–	10,461
<b>Balance as of 31 March 2006</b>	<u>3,411,416</u>	<u>111,600</u>	<u>935,000</u>	<u>(668,161)</u>	<u>43,028</u>	<u>3,832,883</u>
Proceeds on share issue	152,083	–	–	–	–	152,083
Exercise of warrant	8,333	(8,333)	–	–	–	0
Foreign exchange on translation of foreign operation	–	–	–	–	(313,419)	(313,419)
Net loss for the period	–	–	–	(1,520,892)	–	(1,520,892)
Equity settled share-based payments	–	–	–	150,400	–	150,400
<b>Balance as of 31 March 2007</b>	<u>3,571,832</u>	<u>103,267</u>	<u>935,000</u>	<u>(2,038,653)</u>	<u>(270,391)</u>	<u>2,301,055</u>

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**16 Reserves (continued)**

**Company**

	Share premium £	Warrant reserve £	Merger reserve £	Retained earnings £	Total £
<b>Opening balance</b>	–	–	–	–	–
Issue of share capital	3,755,100	–	–	–	3,755,100
Shares issued for the acquisition of subsidiary	–	–	935,000	–	935,000
Issue of warrant	–	111,600	–	–	111,600
Issue costs	(343,684)	–	–	–	(343,684)
Net loss for the period	–	–	–	(821,018)	(821,018)
Equity settled share-based payments	–	–	–	10,461	10,461
<b>Balance as of 31 March 2006</b>	<u>3,411,416</u>	<u>111,600</u>	<u>935,000</u>	<u>(810,557)</u>	<u>3,647,459</u>
Issue of share capital	152,083	–	–	–	152,083
Issue of warrant	8,333	(8,333)	–	–	0
Net loss for the period	–	–	–	(879,575)	(879,575)
Equity settled share-based payments	–	–	–	150,400	150,400
<b>Balance as of 31 March 2007</b>	<u>3,571,832</u>	<u>103,267</u>	<u>935,000</u>	<u>1,539,732</u>	<u>3,070,367</u>

**17 Investments**

The principal subsidiaries of KimCor Diamonds plc, all of which has been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership interest	Principal activities
Free State Diamond Mines (Pty) Limited	South Africa	100%	Diamond mining and exploration
Koffiefontain Diamonds (Pty) Limited	South Africa	69%	Diamond exploration
Anmic Diamonds (Pty) Limited	South Africa	50%	Diamond cutting and polishing

The Group's interests in these subsidiaries are held directly, except for the interest in Anmic Diamonds (Pty) Limited which is held by Free State Diamond Mines (Pty) Limited. The 50% holding in Anmic includes the casting vote and therefore the Group has the power to exercise control over Anmic's financial and operating policies. The Group also holds an option to buy the remaining 50% in Anmic, refer to Note 25 for details.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**18 Inventories**

	<b>Group</b>	<b>Company</b>	<b>Group and</b>
	<b>As at</b>	<b>As at</b>	<b>Company</b>
	<b>31 March 2007</b>	<b>31 March 2007</b>	<b>As at</b>
	<b>£</b>	<b>£</b>	<b>31 March 2006</b>
			<b>£</b>
Consumables	4,815	–	–
Diamonds	<u>31,167</u>	–	–
	<u>35,982</u>	–	–

Diamonds are carried at the lower of cost and net realisable value, which is calculated at fair value less costs to sell.

**19 Financial instruments and risk management**

***Risk and sensitivity analysis***

The Group and Company (“The Group”) is exposed through its operations to one or more of the following financial risks: foreign currency risk, liquidity risk, market price risk, interest rate risk and credit risk.

***Foreign currency risk***

The Group is exposed to foreign currency risk as its main operations are located in South Africa whose functional currency is the South African Rand (ZAR).

The most significant risk occurs on the translation of foreign operations’ results into sterling on consolidation. Almost 100% of each foreign operation’s revenues and the bulk of each foreign operation’s operating costs are incurred in local currency. Group companies therefore do not engage in foreign exchange risk hedges.

Consistent with the majority of other international companies, the results of the Group’s foreign operations are translated into sterling at the average exchange rates for the period concerned. The balance sheets of foreign operations are translated into sterling at the closing exchange rates. It is the Board’s policy not to hedge currency translation through foreign exchange contracts or currency swaps.

The Group also manages its currency exposure by retaining the majority of its cash balances in Sterling, being a strong stable currency:

	<b>Year</b>	<b>Period</b>
	<b>ended</b>	<b>ended</b>
	<b>31 March</b>	<b>31 March</b>
	<b>2007</b>	<b>2006</b>
	<b>Group</b>	<b>Group</b>
	<b>£</b>	<b>£</b>
UK Sterling	490,804	2,472,139
South African Rand	<u>29,143</u>	<u>60,998</u>
	<u>519,947</u>	<u>2,533,137</u>

There are no other significant assets or liabilities held by the group in currencies other than the functional currency of that group company.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

19 Financial instruments and risk management (continued)

*Interest rate risk*

The Group does not have any interest-bearing liabilities.

*Market price risk*

The Group is exposed to market price risk through the changes in market price for diamonds. The Group manages this risk centrally with reference to annual budgets and periodic forecasts including sensitivity analyses of projected production rates and diamond prices.

*Liquidity risk*

The Group holds investments in money market deposits as a liquid resource to fund the projects of the Group. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure.

The Company has various other financial assets and liabilities such as other receivables and other payables, which arise directly from its operations and are disclosed in Notes 20 and 21 respectively.

*Credit risk*

Cash balances are deposited with banks with a high credit rating.

*Cash and cash equivalents*

	Year ended 31 March 2007		Period ended 31 March 2006	
	Group £	Company £	Group £	Company £
Cash at bank and in hand	82,426	53,283	314,463	253,465
Investments in money market instruments	437,521	437,521	2,218,674	2,218,674
	<u>519,947</u>	<u>490,804</u>	<u>2,533,137</u>	<u>2,472,139</u>

Cash at bank and investments in money market earn interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is calculated using appropriate exchange rates and is the same as its carrying value.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**20 Trade and other receivables**

	Year ended 31 March 2007		Period ended 31 March 2006	
	Group £	Company £	Group £	Company £
<b>Other non-current receivables</b>				
Deposit to DME	<u>6,984</u>	<u>–</u>	<u>9,355</u>	<u>–</u>
<b>Other current assets</b>				
VAT receivable	72,975	6,566	85,897	60,063
Amounts owed by subsidiary undertakings	–	1,965,142	–	678,607
Prepayments	–	–	23,100	23,100
Other receivables	<u>34,786</u>	<u>21,478</u>	<u>12,900</u>	<u>10,150</u>
	<u>107,761</u>	<u>1,993,186</u>	<u>121,897</u>	<u>771,920</u>

The deposit to the DME (Department of Minerals and Energy) is required by the South African authorities and, will be used against potential future environmental liabilities if any arise. The deposit is stated at cost as the period in which it would be utilised or recovered cannot be reliably measured.

The amounts owed by subsidiary undertakings are repayable on demand and therefore are stated at face value.

**21 Trade and other payables**

	Year ended 31 March 2007		Period ended 31 March 2006	
	Group £	Company £	Group £	Company £
Trade payables	93,312	38,158	209,643	209,643
Other taxes and social security payables	26,301	8,278	23,079	8,408
Other payables	<u>8,852</u>	<u>6,741</u>	<u>4,677</u>	<u>–</u>
	<u>128,465</u>	<u>53,177</u>	<u>237,399</u>	<u>218,051</u>

Trade payables principally relate to outstanding amounts for ongoing costs. The directors consider that the carrying amount of other payables approximates to their fair value.

**22 Provisions**

No rehabilitation provision was raised at 31 March 2006 and 31 March 2007 as no significant environmental damage has occurred.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

23 Shared based payments

*Share option plan*

The KimCor share option scheme (the “Scheme”) was adopted on 31 January 2006 and is not approved by the Inland Revenue. The Scheme is governed by rules and is administered by a duly organised committee consisting of the directors of the Company. As part of the IPO process the Company adopted the Scheme as an incentive to directors, certain employees and consultants to promote the continued growth of the Company. The maximum number of options outstanding will not exceed 10% of the Company’s total issued share capital at the year end. One third of the options will vest and become exercisable on the first, second and third anniversaries of the date of grant, shared equally across the three dates if the respective employees and directors are still employed by the company and consultants are still providing similar services. To the extent that they remain unexercised, the options will lapse on the tenth anniversary of the date of grant. The price at which options can be exercised shall be determined by the directors on the date of the grant rather than being fixed by the rules of the Share Option Plan. There are no cash settlement alternatives.

The expense recognised for share-based payments in respect of employee and director’s services received during the period to 31 March 2007 is £150,400 (2006: £10,461).

The following options are outstanding for Ordinary shares. They were all granted on the date of AIM Admission.

	Options granted and outstanding	Exercise price	First date of exercise	Last date of exercise
Directors	2,350,000	15p	06.03.2007	06.03.2016
Employees	100,000	15p	06.03.2007	06.03.2016
Consultants	850,000	15p	06.03.2007	06.03.2016
<b>Total options granted on 6 March 2006 and at 31 March 2006</b>	<b>3,300,000</b>			
Employees, granted on 28 July 2007	100,000	14p	28.07.2008	28.07.2017
<b>Total options as at 31 March 2006</b>	<b>3,400,000</b>			

There were 1,100,000 options exercisable at the year end. The fair value of the options granted during the period was £7,880 (2006: £255,293). The fair value of equity-settled share options granted is estimated as at the date of grant using a Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the period ended 31 March 2007 and 31 March 2006.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

23 Shared based payments (continued)

	2007	2006
Share price at the date of grant	14p	15p
Dividend yield (%)	0%	0%
Expected share price volatility (%)	51%	51%
Expected comparator group volatility (%)	51%	51%
Risk-free interest rate (%)	4.28%	4.28%
Employee exit rate	0	0
Weighted average option price	7.74	7.74
Expected life of the options	10 years	10 years

The expected life of the options is based on academic research and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the comparator's volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value

24 Acquisitions

A memorandum of agreement was signed on 21 July 2006 between Free State Diamond Mines (Pty) Limited ("Free State"), Anmic Diamonds CC ("Anmic") and Ms. Nora Smeenk.

By virtue of the agreement, Free State acquired 50% of the entire member's interest in Anmic from Mrs Smeenk who at that date owned 100% of Anmic. The acquisition was stated to take effect from the date of conversion of Anmic from a close corporation to a private company, which occurred on 30 November 2006.

On 30 November 2006, Free State was registered as the owner of 50% of Anmic and Martyn Churchouse was appointed to the board of directors of Anmic alongside Mrs Smeenk.

The purchase price for the acquisition of 50% of Anmic was the sum of ZAR 50,000 and £90,000, the latter comprising a facilitation fee paid to Metal Resources Ltd for facilitating this acquisition.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**24 Acquisitions (continued)**

The carrying amounts of the net liabilities acquired immediately before the acquisition, fair value adjustments and respective fair value of assets, liabilities and contingent liability amounts recognised at the acquisition date were converted from South African Rand at the rate of ZAR 14.04:£1, being the mid market closing rate on 30 November 2006 were as follows:

	Carrying value £	Fair value adjustment £	Fair values recognised at acquisition £
<b>Assets</b>			
Deferred tax assets	–	1,818	1,818
Current assets	1,951	–	1,951
Tangible assets	639	6,269	6,908
<b>Liabilities</b>			
Deferred tax liabilities	–	(1,818)	(1,818)
Other liabilities	(37,236)	–	(37,236)
Contingent liabilities	–	–	–
<b>Net liabilities</b>	<b>(34,646)</b>	<b>6,269</b>	<b>(28,377)</b>
Net liabilities acquired			(14,189)

Fair value adjustments primarily attributed to the valuation of fully depreciated equipment at their fair values, being replacement cost.

	£
<b>Purchase consideration</b>	
Cash paid for member's interest	5,000
Cash paid as facilitation fees	90,000
<b>Total purchase consideration</b>	<b>95,000</b>
Less 50% of member's loan	9,217
<b>Net purchase consideration</b>	<b>85,783</b>
<b>Net liabilities acquired</b>	<b>(14,189)</b>
<b>Goodwill</b>	<b>99,972</b>

The goodwill amount recognised is attributed to the economic benefits to be obtained from sales of cut and polished stones at a price which is significantly higher than that for rough stones.

The directors have determined that it is impracticable to estimate a defined useful life for this goodwill asset. Hence, it is subject to impairment review as other intangible assets with indefinite useful life.

A loss of £9,834 attributable to Anmic since the acquisition date has been included in the consolidated income statement for the year.

Had the acquisition date of Anmic been at the beginning of the year, revenue for the Group would be £12,277 and the loss for the Group would be £25,686 for the year ended 31 March 2007.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

25 Related party transactions

*Relationship*

Company controlled by a director of the FSDM	–	Bridoon Trade and Invest 163 (Pty) Ltd
Subsidiary of FSDM	–	Anmic Diamonds (Pty) Ltd
Shareholder with significant influence in Anmic	–	Nora Smeenck
Significant shareholder of KimCor Diamonds Plc	–	Metal Resources Ltd

*Transactions and Balances outstanding*

*Year ended 31 March 2007*

*Group and Company*

Management services of £70,440 were provided to FSDM during the year. The full amount is outstanding as at 31 March 2007 and is included in other receivables (refer to note 20) in the Company's accounts.

All revenues were generated from sales to Bridoon Trade and Invest 163 (Pty) Ltd (Bridoon), which was appointed as FSDM's sole purchaser in accordance with a memorandum of agreement signed between FSDM, Anmic and Bridoon on 28 July 2006. In accordance with the same memorandum, Anmic was appointed as Bridoon's exclusive and preferred provider of diamond cutting and polishing services.

During the period there were no other trading transactions that group companies entered into with related parties who are not members of the Group.

Details of directors remuneration are given in Note 7 above. Other related party transactions are as follows:

- a) An option agreement was signed between Nora Smeenck and Metal Resources on 21 July 2006. An option was granted to Metal Resources Ltd by Nora Smeenck to buy 50% in Anmic. The purchase consideration for the shares shall be ZAR 1 per share (nominal value) and shall be paid in cash. This option endures for a period of 36 months starting 21 July 2006.
- b) An option agreement was signed between Metal Resources and the Company on 20 August 2006. An option was granted to FSDM by Metal Resources Ltd to buy 50% in Anmic. This option can be exercised at "fair market value" as determined by external and independent third parties. Payment by FSDM if the option is exercised shall be by a combination of cash (25%) and equity (75%) in KimCor Diamonds plc. This option endures for a period of 12 months starting 20 August 2006.
- c) A payment of £5,587 was made by the company on behalf of Bridoon. The balance remained unpaid as at 31 March 2007 and is included in other receivables.
- d) There were payments made by Bridoon on behalf of Anmic during the year. The total amount unpaid as at 31 March 2007 was £8,863 and is included in other payables.
- e) As part of the acquisition the company acquired 50% of the member's (Nora Smeenck's) loan. The remaining loan and a further £7,056 borrowed from Nora Smeenck were included in the group accounts as part of other payables to a total amount of £16,094.
- f) During the pre-acquisition period the Company issued a loan of £3,500 to Anmic. This loan was part of the Anmic's liabilities as at the date of acquisition.
- g) During the pre-acquisition period Metal Resources issued a loan of £4,621 to Anmic. This loan was part of Anmic's liabilities as at the date of acquisition.
- h) On 31 October 2006 £90,000 of facilitation fees were paid to Metal Resources Ltd for facilitating acquisition of Anmic.

## NOTES FORMING PART OF THE FINANCIAL STATEMENTS

### 25 Related party transactions (continued)

*Period ended 31 March 2006*

#### **Group and Company**

During the period there were no trading transactions that group companies entered into with related parties who are not members of the Group.

Details of directors remuneration are given in Note 7 above. Other related party transactions were as follows:

- i) During the pre- acquisition period the Company issued a loan of £400,000 to Free State. This loan was part of the Free State's liabilities as at the date of acquisition.
- j) In January 2006, Metal Resources Limited (a shareholder of the Company) waived its entitlement to any repayment of a £260,069 loan it made to Free State in the first half of 2005.
- k) Advances have been made to Martyn Churchouse for the expenses related to his travel and other company related activities. The balance outstanding as at 31 March 2006 was £10,000.
- l) As part of the acquisition of Free State the Company entered into a sale and purchase agreement with Professor Michael Johnson and Martyn Churchouse to acquire 50% of the issued share capital of Free State in return for the allotment of 12,000,000 ordinary shares of 0.5p each in the Company. Of the 12,000,000 shares issued under this agreement Martyn Churchouse was beneficially interested in a total of 4,650,000 ordinary shares of 0.5p each, which were issued as follows: 1,500,000 ordinary shares of 0.5p each were issued to his wife, Heather Churchouse, and 2,150,000 ordinary shares of 0.5p each were issued to International Mining Finance Group Limited (a company in which Martyn Churchouse is the majority beneficial owner). Additionally, Gordon Riddler (a director of the Company) received 100,000 shares from this transaction.
- m) On 23 January 2006, the Company borrowed £60,000 from Barns and Hogan Development Limited (a shareholder of the Company). The loan with interest in the total amount of £61,180 was repaid to Barns and Hogan Development Limited on 21 March 2006.
- n) During the period the Company paid to International Mining Finance Group Limited (a company in which Martyn Churchouse is the majority beneficial owner) £96,000 for services provided by Martyn Churchouse in respect of evaluating potential South African projects.

### 26 Commitments

There are no capital commitments already contracted but not provided for. There are no non-cancellable operating lease rentals.

### 27 Post balance sheet events

- a) An option agreement between Metal Resources and FSDM dated 20 August 2006 (refer to note 25) was extended for a further 12 months by an agreement signed on 13 July 2007. The option period now expires on 20 August 2008.
- b) On 1 June 2007, 1,439,263 ordinary shares of 0.5 pence each in the capital of KimCor were issued and allotted to Coffee House Group. Consideration of £125,000 was paid constituting an issue price of 8.69 pence per share, and representing a 10% discount to the average closing market price of a KimCor Share over the 10 days immediately preceding 11 May 2007. These shares were admitted to trading on AIM on 7 June 2007. The total number of ordinary shares in issue following this transaction was 65,752,596.

**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**

**27 Post balance sheet events (continued)**

- c) On 2 July 2007, a further 1,439,263 ordinary shares of 0.5 pence each in the capital of KimCor were issued and allotted to Coffee House Group. Consideration of £125,000 was paid constituting an issue price of 8.69 pence per share, representing a 10% discount to the average closing market price of a KimCor Share over the 10 days immediately preceding 11 May 2007. These shares were admitted to trading on AIM on 6 July 2007. The total number of ordinary shares in issue following this transaction was 67,191,859.
  
- d) On 21 August 2007 the Company entered into a Conditional Sale and Purchase Agreement (“Acquisition”) with Dwyka Resources Limited relating to the acquisition of DDH, its group and assets. The Acquisition is conditional, amongst other things, upon consent of the KimCor and Dwyka Resources Limited Shareholders. Please refer to the Admission document issued today and sent out as a separate document for further details of the Acquisition and related documentation.

Other than the above, the directors are not aware of any matter or circumstance arising since the end of the financial year.

## NOTICE OF ANNUAL GENERAL MEETING

### (the “Company”)

Notice is given that the annual general meeting of the Company will be held at the offices of Nabarro, Lacon House, 84 Theobald’s Road, London, WC1X 8RW on 20 September 2007 at 10.50 am for the following purposes:

#### **Ordinary Business**

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1. To receive, consider and adopt the report of the directors, the directors’ remuneration report and the audited financial statements for the year ended 31 March 2007.
2. To re-appoint BDO Stoy Hayward LLP as auditors of the Company.
3. To authorise the directors to agree and to fix the auditors’ remuneration.

21 August 2007

*Registered office:*  
18 Upper Brook Street  
London W1K 7PU

By order of the board

Sarah Rossi  
*Secretary*

#### *Notes:*

1. Any member of the Company entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, vote on his or her behalf. A proxy need not be a member of the Company. The completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person.
2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be valid, a form of proxy, and any power of attorney under which it is signed, must be returned in hard copy form by post, by courier or by hand to the Company’s Registrar at Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol, BS13 8FB not less than 48 hours before the time of the Annual General Meeting.
3. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of members of the Company 48 hours before the time appointed for the meeting or any adjourned meeting shall be entitled to attend the meeting or any adjourned meeting and to vote in respect of the number of shares registered in their name at that time. Changes to the register of members after that time shall be disregarded in determining the right of any person to attend and/or vote at that meeting or any adjourned meeting.
4. The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) until the date of the next meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the meeting:
  - (a) the register of directors’ interests (and their families) in shares of the Company;
  - (b) copies of directors’ service contracts (other than contracts expiring or determinable by the Company in less than one year);
  - (c) copies of the Company’s memorandum and articles of association.