



**DELTA** EMD

**DELTA EMD LIMITED**

**2009**  
*Annual Report*

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# ADMINISTRATION



## DELTA EMD LIMITED

(Formerly Delta Electrical Industries Limited)  
 (Incorporated in the Republic of South Africa)  
 (Registration number 1919/006020/06)  
 Share code: DTA ISIN: ZAE000132817  
 ("Delta" or "the Company")

## DIRECTORS

		Non-executive (Non-independent)	Non-executive	Executive	Committee
T G ATKINSON (USA) (53)	Chairman of Delta EMD Limited and Chief Executive of Delta plc. Appointed 2003 and Chairman in 2004	✓			NC, RC
P BAIJNATH (46)	Chief Executive Officer of Delta EMD Limited – Appointed February 2009			✓	
L B BIRD (68)	Director of Companies – Appointed 2003		✓		AC, NC, RC
P L CAMPBELL (73)	Director of Companies – Appointed 1995 (Retired – 30 April 2009)		✓		AC, NC, RC
A C HICKS (64)	Director of Companies – Appointed 2006		✓		AC, NC, RC
C J JACOBS (53)	Financial Director of Delta EMD Limited – Appointed 2005			✓	
J S SEYMORE (42)	Director of Companies – Appointed 3 December 2009			✓	
B R WRIGHT (63)	Non-executive Director of Delta EMD Limited – Appointed as Non-executive 2006		✓		AC

AC – Member of the Audit and Risk Committee  
 NC – Member of the Nominations Committee  
 RC – Member of the Remuneration Committee

### SECRETARY AND REGISTERED OFFICE

Statucor (Proprietary) Limited  
 15 Heyneke Street,  
 Industrial Site,  
 Nelspruit,  
 Mpumalanga  
 P O Box 2197,  
 Nelspruit 1200

### TRANSFER SECRETARIES

Computershare Investor Services  
 (Proprietary) Limited,  
 70 Marshall Street,  
 Marshalltown,  
 2001

### BANKER

ABSA Limited

### AUDITORS

Deloitte & Touche

## FINANCIAL SUMMARY

	<b>2009</b>	2008
<b>GROUP SUMMARY</b>	<b>R'000</b>	R'000
Revenue	<b>478 122</b>	648 450
Operating profit before taxation	<b>218 059</b>	103 984
Headline earnings attributable to ordinary shareholders	<b>158 839</b>	90 389
Cash inflow from operating activities	<b>238 329</b>	168 285
<b>ORDINARY SHARE PERFORMANCE</b>		
Cents per share		
Earnings – attributable basis	<b>341.6</b>	182.6
– attributable diluted basis	<b>341.5</b>	182.5
– headline basis	<b>323.6</b>	184.5
– headline diluted basis	<b>323.5</b>	184.5
Dividend per share – special	<b>500.0</b>	100.0
Capital reduction per share	–	229.0
<b>FINANCIAL RATIOS</b>		
	<b>%</b>	%
Operating profit to revenue	<b>45.6</b>	16.0
Return on average capital employed	<b>31</b>	27
Current assets to current liabilities (times)	<b>2.9</b>	3.4

## CHAIRMANS REVIEW

### Overview

Delta EMD's underlying performance remained strong notwithstanding the global economic crisis and reduced global demand for electrolytic manganese dioxide. The Group's strengthened management team successfully managed the EMD business in more difficult market conditions, initiated significant operational improvements and charted a strategic course for further improvement and development of the business.

### 2009 Results

Revenue at the Group's South African plant recorded an 18% improvement over 2008, with improved selling prices more than offsetting marginally lower sales volumes. With sales from the Group's former Australian operation concluding during 2008, the Group's total revenue reduced from R648.5 million to R478.1 million, a 26% reduction.

2009 operating profit benefited substantially from the reversal of R81.7 million of rehabilitation provisions previously established for the Group's Australian plant and disposal sites (2008: R28.9 million charge), as well as from the reversal of impairment provisions of R7.2 million related to those sites (2008: R4.0 million charge). Including those provision adjustments, 2009 operating profit improved to R218.1 million (2008: R104.0 million). Excluding those provision adjustments, 2009 operating profit totaled R129.2 million, down from 2008 operating profit of R136.9 million, which benefited from the sale of remaining Australian inventory.

Net interest received of R17.1 million ended lower than the R22.2 million received in 2008, because of lower interest rates and reduced cash balances.

Profit before taxation of R235.2 million was recorded for the year compared with R126.2 million in 2008. Excluding the provision adjustments noted above, profit before taxation for the year totaled R146.3 million (2008: R159.1 million).

The 2009 taxation charge of R67.5 million (2008: R36.8 million) included Secondary Taxation on Companies of R24.6 million (2008: R5.2 million) relating to the R245.6 million of special dividends paid during the year.

Profit after taxation for the year totaled R167.7 million (2008: R89.4 million), and earnings per share improved to 341.6 cents (2008: 182.6 cents), whilst headline earnings per share improved to 323.6 cents (2009: 184.5 cents).

2009 cash inflow from operating activities improved to R238.3 million (2008: R168.3 million). The collection of Australian trade debtors and of a substantial account that was outstanding at year end 2008, changes in terms of sale, and planned reductions in stock levels contributed to the favorable cash flow for the year.

Cash balances at year end totaled R216.8 million, after having paid R245.6 million of special dividends and R24.6 million of Secondary Taxation on Companies.

Following the Group's 2005 disposal of its industrial services businesses, a Group subsidiary company discontinued business

and filed final tax returns. A tax assessment received by the subsidiary company during 2007 resulted in a tax refund as reported in the Group's 2007 accounts. Thereafter the subsidiary company satisfied its outstanding liabilities and distributed its assets. A revised assessment of R27.2 million was recently issued by SARS for additional capital gains taxation in respect of the 2005 disposal. An objection to the revised assessment has been filed, and no provision has been raised for this revised assessment in the 2009 year end results.

### Performance and Prospects for the EMD Business

2009 was a very good year for the Delta EMD business: a substantially strengthened senior management team relocated to the Delta EMD facility in Nelspruit, significant operational improvements were initiated, overhead costs were reduced, and financial performance remained strong notwithstanding reduced volumes sold.

Global demand for electrolytic manganese dioxide reduced during the year as consumer demand for batteries weakened with the global recession. Sales volumes did not meet expectations and production at the Group's South African plant was limited substantially to reduce stocks to desired levels. The global market nonetheless remained well balanced and selling prices afforded the margins necessary to compensate for the underrecovery of overheads and to provide an acceptable return.

The majority of the Group's sales during the year were made in Rand denominated selling prices, effectively protecting the Group's margins from foreign exchange movements. This marks an important change from historic practice and assures more certain financial performance. The strengthening of the Rand during the year did, however, reduce the competitiveness of the Group's selling prices.

The Group's product range and stocks were rationalised during the year to reduce stock levels and to assure more responsive delivery to key customers. Our terms of sale also were changed to provide that ownership of goods transfers at the port of loading, also reducing the Group's stock levels. These efforts together with effective collection of outstanding debtors provided reduced working capital levels and very good cash flow.

The operational improvements underway at the Nelspruit facility will provide further efficiencies and cost savings as well, perhaps more importantly, the opportunity to participate in market segments requiring higher performance EMD. Production trials of EMD suitable for higher drain applications were successful during the year, and a substantial volume of lithium EMD was produced and sold for use in specialised batteries. These developments highlight the opportunities for development of the EMD business.

The Group expects the global EMD market to strengthen somewhat during the year as global economic conditions improve. Nonetheless, we do not expect to sell sufficient volumes during 2010 to fully utilise our plant, and consequently will continue to suffer from poor overhead recoveries. Pricing pressure is likely to continue whilst market demand is relatively soft,

## CHAIRMANS REVIEW

and our price competitiveness will be partly shaped by foreign exchange rates and the Rand, which remains relatively strong. Nonetheless we remain confident in our competitive advantages - favourable ore supply arrangements and relatively low conversion cost - and expect improved market demand and participation in new market segments to provide attractive prospects over the medium term.

### Disposal of the Group's Australian Plant and Residue Disposal Sites

An environmental assessment was concluded successfully during the year at the Group's former Australian plant site, and a site audit statement confirming that the site is suitable for commercial and industrial uses without further remediation or rehabilitation was issued. This statement will facilitate the sale of the site, and a demolition contractor has been contracted to demolish the structures remaining on the site. Earlier efforts to sell the site with those structures proved unsuccessful, and the site will now be marketed as a vacant site.

An amendment to the environmental license governing the rehabilitation of the Kooragang Island residue disposal site was agreed with regulatory authorities during the year and allows a more cost effective rehabilitation of the site. Negotiations toward the sale of the Kooragang Island site are underway.

The net asset value of the Australian assets reflected on the Group's balance sheet at year end totalled R34.7 million, and included creditors of R6.9 million, Australian cash balances totalling R77.0 million, and provisions for the closure and rehabilitation of the Group's Australian sites totalling R51.4 million. During the year, R14.7 million of costs were incurred managing the site, net of gains realised on the sale of sundry assets. At year end 5 employees and contractors were employed at the site overseeing security and the disposal of remaining assets.

### Planned Disposal of the Delta EMD Business

Shareholders were advised by a cautionary announcement dated 18 January 2010 that the Group had commenced a process intended to realise shareholder value through a disposal of the Delta EMD business, the Group's last remaining operation. The board decided upon this course of action having concluded the following. Firstly, that the Group's substantially improved financial performance had not provided appropriate additional shareholder value, most likely because the Group remains a relatively small listed company with essentially no broker or analyst coverage, and with poor liquidity and tradability of its shares. And secondly, that the Delta EMD business does not benefit from ownership through a publicly listed Group, nor does it enjoy the benefits of private ownership or of being part of a larger Group with related businesses.

The disposal process is now well underway with considerable interest indicated in the Delta EMD business. The board does not expect the disposal process to conclude until the second half of the year, and will advise shareholders appropriately during the process.

### Sustainability

As reported in the Sustainability Report on page 14, the Group continues to make progress with respect to employment equity and skills development, as well as improve its occupational health, safety and environmental policies and practices.

### Corporate Governance

The Group continues to endorse the requirements of King II on Corporate Governance. As explained in the report of Corporate Practices and Conduct on pages 11 through 13, the Group complies with the King II Report on Corporate Governance for South Africa 2002.

### Directorate

As announced on 4 December 2009, Mr. Johan Seymore joined the board as an executive director with effect from 3 December 2009. Johan also serves as financial director of the Delta EMD business.

At the board meeting on 18 February 2010, Mr. Seymore was appointed Financial Director of the Group, succeeding Chris Jacobs, who will remain on the board as a non-executive director. We thank Chris for his 24 years of service to the Group and for agreeing to continue supporting the Group, particularly in connection with the disposal process, as a consultant.

### Dividend

The Group is pleased to announce the declaration of a final dividend of 80 cents per share, which represents an appropriate payout from the Group's underlying 2009 earnings. It shall be paid from existing cash balances. The salient dates for the payment of the dividend will be as follows:

Last date to trade to qualify for the dividend	Friday 5 March 2010
Shares to commence trading ex-dividend on the JSE Limited	Monday 8 March 2010
Record date	Friday 12 March 2010
Payment date	Monday 15 March 2010

The dividend is declared in the currency of the Republic of South Africa. Share certificates may not be dematerialised or rematerialised between Monday 8 March 2010 and Friday 12 March 2010, both days inclusive.

The board also anticipates payment of special dividends when the 2005 tax matter noted above is favourably resolved and when value is realised through the sale of the Group's Australian EMD production and residue disposal sites.

### T.G. Atkinson

Chairman  
19 February 2009

## COMPARATIVE STATISTICS FOR THE PAST SIX YEARS

	Six years					
	2009	2008	2007	2006	2005	2004
<b>CONTINUING OPERATIONS:</b>						
<b>Revenue</b>	<b>478 122</b>	648 450	486 083	438 246	524 069	397 221
Group revenue	<b>478 122</b>	648 450	486 083	438 246	1 305 345	1 370 840
Less: Disposal Group	–	–	–	–	(781 276)	(973 619)
<b>Operating profit/(loss)</b>	<b>218 059</b>	103 984	(234 997)	(85 877)	20 735	(23 413)
Net interest received/(paid)	<b>17 123</b>	22 198	12 858	23 907	14 562	(3 095)
Profit/(loss) before taxation	<b>235 182</b>	126 182	(222 139)	(61 970)	35 297	(26 508)
Taxation	<b>(67 493)</b>	(36 750)	16 867	(90 194)	(49 596)	14 048
<b>Profit/(loss) after taxation for the year from Continuing Operations</b>	<b>167 689</b>	89 432	(205 272)	(152 164)	(14 299)	(12 460)
<b>DISPOSAL GROUP:</b>						
<b>Operating profit</b>	–	–	–	–	144 939	174 536
Profit on disposal of Repairs and Services and Replacement Parts Divisions	–	–	–	–	998 422	–
Interest paid	–	–	–	–	7 667	9 284
<b>Profit before taxation</b>	–	–	–	–	1 151 028	183 820
Taxation	–	–	–	–	(97 346)	(56 458)
<b>Profit after taxation for the year from Disposal Group</b>	–	–	–	–	1 053 682	127 362
<b>Profit/(loss) for the year</b>	<b>167 689</b>	89 432	(205 272)	(152 164)	1 039 383	114 902
<b>Attributable to:</b>						
Equity holders of parent company	<b>167 689</b>	89 432	(205 272)	(152 164)	1 037 602	113 278
Minority interests	–	–	–	–	1 781	1 624
<b>DIVIDENDS PAID</b>	<b>245 586</b>	48 990	–	685 174	346 829	77 715
<b>ASSETS</b>						
Non-current assets	<b>299 420</b>	305 083	319 640	446 233	460 579	571 040
Current assets	<b>439 510</b>	568 040	579 426	559 136	1 423 335	902 180
<b>Total assets</b>	<b>738 930</b>	873 123	899 066	1 005 369	1 883 914	1 473 220
<b>EQUITY AND LIABILITIES</b>						
Ordinary shareholders' equity	<b>522 964</b>	595 400	650 501	834 683	1 617 534	924 498
Minority interest	–	–	–	–	–	2 207
Non-current liabilities	<b>64 314</b>	109 172	131 992	74 666	61 120	82 454
Current liabilities	<b>151 652</b>	168 551	116 573	96 020	205 260	464 061
<b>Total equity and liabilities</b>	<b>738 930</b>	873 123	899 066	1 005 369	1 883 914	1 473 220
<b>CASH FLOW</b>						
Cash generated by/(utilised from) operations	<b>246 563</b>	150 416	9 280	(14 721)	85 105	113 510
Cash inflow/(outflow) from operating activities	<b>238 329</b>	168 285	43 539	(182 712)	27 016	35 605
Additions to property, plant and equipment	<b>(13 056)</b>	(5 422)	(12 518)	(25 647)	(38 854)	(76 206)
Net (decrease)/increase in cash and cash equivalents	<b>(16 491)</b>	10 501	77 918	(890 517)	1 005 195	(38 395)

## COMPARATIVE STATISTICS FOR THE PAST SIX YEARS

	Six years					
	2009	2008	2007	2006	2005	2004
<b>RATIOS AND STATISTICS</b>						
Ordinary shares in issue – 000's	<b>49 166</b>	49 166	49 166	49 166	49 166	49 166
Number of shares on which earnings per share is based – 000's	<b>49 083</b>	48 990	48 985	49 099	48 974	48 753
Earnings per share						
– attributable – cents	<b>341.6</b>	182.6	(419.0)	(309.9)	2 118.7	232.4
– headline – cents	<b>323.6</b>	184.5	(297.9)	(259.5)	199.4	236.0
Capital reduction per share – cents	–	229.0	–	–	–	–
Dividend per share – normal – cents	–	–	–	–	39.0	88.5
Dividend per share – special – cents	<b>500.0</b>	100.0	–	1 400.0	600.0	–
Dividend cover – normal –times	–	–	–	–	5.1	2.7
Price earnings ratio (attributable)	<b>2.8</b>	4.9	(3.1)	(7.1)	1.5	15
Price earnings ratio (headline)	<b>3.0</b>	4.9	(8.9)	(8.5)	16	15
Dividend yield – normal – %	–	–	–	–	1.20	2.57
Return on average capital employed – %	<b>31</b>	27	(7)	(7)	20	15
Return on average ordinary shareholders' funds (after taxation) – %	<b>14</b>	19	(6)	(12)	10	12
Total liabilities to total shareholders' funds – %	<b>41</b>	47	38	20	16	58
Current assets to current liabilities	<b>2.9</b>	3.4	5.0	5.8	6.9	1.8
Net asset value per share – cents	<b>1 064</b>	1 211	1 323	1 698	3 290	1 880
Net asset value to market capitalisation – %	<b>109.7</b>	135.3	101.8	129.7	101.0	53.5
Share price – highest – cents	<b>1360</b>	1 379	2 310	3 750	4 650	4 650
– lowest – cents	<b>760</b>	800	1 125	1 800	3 205	2 972
– closing – cents	<b>970</b>	895	1 300	2 200	3 250	3 450
Total number of shares traded – 000's	<b>9 025</b>	4 843	8 536	18 217	16 155	10 195
Volume of shares traded as a percentage of total shares issued – %	<b>18</b>	10	17	37	33	21
Number of employees (year end)	<b>189</b>	185	238	321	360	2 045
Revenue per employee – continuing – R'000	<b>2 530</b>	3 505	2 042	1 365	1 456	670
Total assets per employee – continuing – R'000	<b>3 910</b>	4 719	3 778	3 132	5 233	716

# VALUE ADDED STATEMENT

For the year ended 27 December 2009

	GROUP			
	2009	%	2008	%
<b>WEALTH CREATED</b>				
Revenue	478 122		648 450	
Paid to suppliers for materials and services	(281 498)		(420 282)	
Value added	196 624		228 168	
Net interest received	17 123		27 855	
<b>Total wealth created</b>	<b>213 747</b>		256 023	
<b>WEALTH DISTRIBUTION</b>				
<b>To Employees:</b>				
Salaries, wages and other benefits	46 553	22	78 494	31
<b>To Governments:</b>	<b>70 273</b>	<b>33</b>	4 562	2
Current taxation	45 690		2 420	
Capital gains taxation	–		(3 023)	
Secondary taxation on companies	24 583		5 165	
Gross contributions to central and local government	70 273		4 562	
<b>To Providers of finance:</b>				
Interest paid	–	–	5 657	2
<b>To Providers of capital:</b>	<b>245 586</b>		48 990	
Dividends paid by holding company	245 586	115	48 990	19
<b>To Reinvestment within the Group:</b>	<b>(148 665)</b>	<b>(70)</b>	118 320	46
Retained profit	(77 897)		40 442	
Depreciation, amortisation and impairment	(67 988)		45 690	
Deferred Taxation	(2 780)		32 188	
<b>Total wealth distribution</b>	<b>213 747</b>	<b>100</b>	256 023	100
<b>VALUE ADDED RATIOS</b>				
Headline earnings per employee (R'000)	840		488	
Wealth created per employee (R'000)	1 131		1 384	

# REPORT OF THE DIRECTORS

For the year ended 27 December 2009

The directors have pleasure in submitting the annual financial statements for the year ended 27 December 2009.

## GROUP RESULTS FOR THE YEAR

The results for the company and the Group are set out in the annual financial statements.

## REVIEW OF OPERATIONS

**Mr. P. Baijnath (Chief Executive Officer)**

**Mr. C. J. Jacobs (Chief Financial Officer)**

## 2009 RESULTS

Revenue at the Group's South African plant recorded an 18% improvement over 2008, with improved selling prices more than offsetting marginally lower sales volumes. With sales from the Group's former Australian operation concluding during 2008, the Group's total revenue reduced from R648.5 million to R478.1 million, a 26% reduction.

Operating profit improved to R218.1 million from R104 million in 2008. This was after the reversal of R81.7 million of rehabilitation provisions previously established for the Group's Australian main site and Kooragang Island residue disposal site (2008: R28.9 million charge) and impairment provisions overprovided of R7.2 million (2008: R4 million charged). Excluding such closure provisions and impairments, operating profit for the year was R129.2 million, marginally lower than the operating profit in 2008 of R136.9 million. Operating profit in 2008 benefited from the revenue generated from the sale of the remaining Australian inventory.

Profit after taxation for the year totaled R167.7 million (2008: R89.4 million).

A cash inflow before the payment of special dividends of R229.1 million was realized for the year and compares favorably with the R172.1 million realized in 2008. The collection of trade debtors associated with Australian trade debtor balances outstanding at year end 2008, the collection of outstanding receivables from a substantial customer outstanding at year end 2008, changes in the terms of sale with customers as well as planned reductions in stock levels contributed to the favorable cash flow position for the year.

The Group ended the year with cash balances of R216.8 million, after having paid R245.6 million in special dividends and secondary taxation on companies of R24.6 million during the year. Normal dividends will resume given the Group's return to profitability and will be paid from cash generated from operations.

During the past year significant structural and operational improvements were made at the Delta EMD business. The senior management team was strengthened and relocation of the Group's Head Office to the Delta EMD facility in Nelspruit completed. Significant efficiency and cost improvements initiatives were implemented, overhead costs were reduced, careful working capital management maintained, and financial performance remained strong notwithstanding reduced volumes sold.

Global demand for electrolytic manganese dioxide reduced during the year as consumer demand for alkaline batteries weakened with the global recession. Sales volumes were below budget levels and consequently production at the plant was limited substantially to manage stocks to desired levels. The global market nonetheless remained well balanced and selling prices achieved resulted in margins adequate to compensate for the underrecovery of overheads and to provide an attractive return on capital employed.

Sales during the year were made in Rand denominated selling prices and our terms of sale also were changed to provide that ownership of goods transfers at the port of loading. The strengthening of the Rand during the year did however reduce the competitiveness of our selling prices.

## FORWARD LOOK

The operational improvements underway at the Nelspruit facility will provide further efficiencies and manufacturing cost savings. The management team has been strengthened to drive delivery of identified manufacturing excellence projects that improve competitiveness. The opportunity to participate in market segments requiring higher performance EMD has been pursued aggressively with product and process development at an advanced stage. Production trials of EMD suitable for higher drain applications were successful during the year and continue into Q1 2010. A substantial volume of lithium EMD was produced and sold for use in specialised batteries used in the medical devices industry. These developments highlight the opportunities for development of the EMD business.

Operationally our priorities remain in Safety, Health and Environment, Efficiencies, Product Development, People Development and Assets Care.

## SPECIAL RESOLUTIONS

Two special resolutions were passed at the annual general meeting on 30 April 2009. The first special resolution was to change the name of the company from "Delta Electrical Industries Limited" to "Delta EMD Limited", to reflect the underlying nature of the Group business operations following the Group restructuring in 2005. The second special resolution was a general approval for acquisition by the company or subsidiary from time to time of the issued ordinary shares of the company as contemplated in sections 85 to 89 of the Company's Act.

## REPORT OF THE DIRECTORS (continued)

For the year ended 27 December 2009

### SHARE CAPITAL

There were no new issues of shares to raise capital during the year under review. Details of the company's share capital are set out in note 14 to the annual financial statements. A return of capital of Rnil (2008: R112.6 million) was repaid to shareholders out of share premium.

### HOLDING COMPANY

The holding company of Delta EMD Limited (Delta) is Delta Group Limited which held 56.42% (2008: 56.42%) of the issued share capital of Delta at year end. Delta Group Limited is a wholly owned subsidiary of Delta plc which is incorporated in the United Kingdom.

### SUBSIDIARY COMPANIES

Details of the company's interests in its subsidiary companies are set out in Annexure A to this report.

### EXECUTIVE SHARE INCENTIVE SCHEME

The number of shares in issue is as follows:

	2009	2008
Balance of shares in issue at the beginning of the year	163 300	176 300
Shares sold	(141 300)	(13 000)
Balance of shares in issue at end of year	22 000	163 300

The authority to issue shares to employees is limited to 3 810 330 (2008: 3 810 330) shares.

### DIRECTORS AND SECRETARY

Details of directors and secretary are given on page 1. In terms of the company's Articles of Association Messrs. P. Baijnath and J.S. Seymore retire at the forthcoming annual general meeting to be held on 29 April 2010. Messrs. P. Baijnath and J.S. Seymore, being eligible, offer themselves for re-election.

### DIVIDENDS

The following dividends were paid in respect of the 2009 financial year:

	2009 R'000	2008 R'000
Special dividend of 500 cents (2008: 100 cents)	245 821	49 166
Less: Dividends attributable to treasury shares	(235)	(176)
	245 586	48 990

### GEOGRAPHICAL SEGMENTATION INFORMATION

	United States of America R'000	Australia and other R'000	Africa R'000	Europe and Asia R'000	Total R'000
<b>Year ended December 2009</b>					
Revenue (by destination)	406 270	–	21 108	50 744	478 122
Segmental assets	–	93 381	645 549	–	738 930
Capital expenditure	–	–	13 056	–	13 056
<b>Year ended December 2008</b>					
Revenue (by destination)	257 205	–	16 901	374 344	648 450
Segmental assets (note 1)	–	168 070	705 048	–	873 118
Capital expenditure	–	–	5 422	–	5 422

1. The segmental asset balance shown excludes taxation overpaid.

# REPORT OF THE DIRECTORS

For the year ended 27 December 2009

## ANNUAL FINANCIAL STATEMENTS

The directors have prepared the annual financial statements contained on pages 17 to 41 and 43 in accordance with International Financial Reporting Standards and the Companies Act of South Africa. The annual financial statements are based on appropriate accounting policies, which have been consistently applied and are supported by reasonable and prudent judgments and estimates.

The directors have no reason to believe that the Group's business will not continue as a going concern in the year ahead. In the context of their audit, the external auditors concur with the disclosures of the directors with respect to their going concern assertion.

## AUDIT AND RISK COMMITTEE REPORT

### **Report in terms of section 270A(f) of the Companies Act 1973, as amended**

The audit and risk committee has conducted its work in accordance with its terms of reference, information about which is recorded in this Corporate governance report and is pleased to present their report in terms of section 270A(f) of the Companies Act 1973, as amended, for the financial year ended 27 December 2009.

The audit and risk committee performed the following activities:

- Considered the effectiveness of internal audit; the approval of the 2009 operational internal audit work plan and monitored adherence of internal audit to its annual plan;
- Received and reviewed reports from both internal and external auditors concerning the effectiveness of the internal control environment, systems and processes;
- Reviewed the reports of both internal and external auditors detailing their concerns arising out of their audits and requested appropriate responses from management;
- Reviewed the process in place for the reporting of concerns and complaints relating to accounting practices, internal audit, content of auditing of the company's financial statements, internal controls of the company and any related matters. The committee can confirm that there were no such complaints during the year under review;
- Reviewed the results of the business unit Disaster Recovery self assessment and the testing of such plan;
- Reviewed and approved the non-audit services provided by the external auditors;
- Reviewed and recommended for adoption by the board such financial information that is publicly disclosed which for the year included:
  - The unaudited interim results for the six months ended 27 June 2009;
  - The audited year end results announcement for the year ended 27 December 2009;
  - The annual report for the year ended 27 December 2009;
- Nominated for appointment Deloitte & Touche and Mr. M. H. Holme as auditors of the Group;
- Considered the independence and objectivity of the external auditors and ensured that the scope of their additional services provided was not such that they could be seen to have impaired their independence;
- The audit and risk committee determined the external audit fee for the Group;
  - In addition in order to execute his responsibilities, the Chairman of the Group audit and risk committee:
    - Met with the external and internal audit firm on a half yearly basis; and
- The audit and risk committee reviewed the performance, appropriateness and expertise of the Chief Financial Officer, Mr. C. J. Jacobs C.A. (S.A.), and confirm his suitability for appointment as financial director in terms of the JSE requirements.

### **Mr. L. B. Bird**

*Audit and Risk Committee Chairman*

19 February 2010

## CORPORATE PRACTICES AND CONDUCT

### HOLDING COMPANY

The holding company of Delta EMD Limited (Delta) is Delta Group Limited which held 56.4% (2008: 56.4%) of the issued share capital of Delta at the year-end. Delta Group Limited is a wholly owned subsidiary of Delta plc which is incorporated in the United Kingdom.

Delta is committed to effective corporate governance. In respect of its year-end 2009 the company, under the rules of the JSE Limited, complied, in all material respects, with the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance for South Africa – 2002 (King II). By supporting the Code of Corporate Practices and Conduct the directors recognise the need to conduct the enterprise with integrity and in accordance with generally accepted corporate practices. Certain of the Group's important corporate practices are as follows:

#### Board accountability and delegated functions

The Delta board ("Board") is committed to the effective leadership and control of Delta. A unitary Board exists, consisting of three executive directors who have an intimate knowledge of Delta's business and non-executive and non-executive (non-independent) directors who can add a broader view to Delta's activities. The Board has formalised its Charter in which it reserves its responsibilities and the responsibilities it has delegated to its executive directors and specific Committees, set up to enable it to effectively fulfill its decision making process. Although the Board retains overall accountability for its responsibilities, it has delegated to its executive directors authority to run the day-to-day affairs of Delta.

Committees act within formalised terms of reference, which have been approved by the board, under which certain functions of the board are delegated with defined purposes, membership requirements, duties and reporting procedures. Audit and Risk, Remuneration and Nominations Committee's have been formalised. These Committees are subject to regular evaluation by the board regarding their performance and effectiveness and may when necessary take independent professional advice at Delta's expense. The Chairpersons of Committees are required to attend Delta's annual general meetings to answer questions raised by shareholders in relation to their specific responsibilities.

The board, in terms of its Charter, has reserved for itself the following specific responsibilities:

- Determination of the strategic direction of Delta encompassing the approval, implementation and monitoring of the strategic plan and annual business plan
- Determination of overall policies and processes to ensure the integrity of Delta's management of risk and internal control

- Monitor compliance with all relevant laws, regulations and codes of best practice
- Appointment of the Chief Executive Officer and the maintenance of a succession plan for executive directors and senior management
- Ensuring a correct balance between conforming with governance constraints and performing in an entrepreneurial way

In monitoring compliance with all relevant laws, regulations and codes of best practice, the Board has specifically reserved to itself the responsibility of complying with environmental, health and safety management. Independent audits, which measure the compliance by Delta operations with the Occupational Health and Safety Act are conducted on an annual basis. These audits reveal that compliance with the Act by Delta operations have and continue to be of a high standard. Environmental matters are reported on by Delta operations on an ongoing basis, which receive relevant remedial attention.

In terms of Delta's AIDS/HIV policy Delta continues to follow all the guidelines of the Code of Good Practice on key aspects of HIV/AIDS and employment, issued by the Department of Labour. Delta will continue to encourage employees to cover themselves for adequate healthcare insurance, by joining Delta's preferred medical aid schemes. These medical aid schemes offer limited anti-retro viral and hospital benefits to members with AIDS as well as counselling by professionally trained AIDS counsellors.

#### Board of Directors

Currently three executive, three independent non-executive and one non-executive (non-independent) directors collectively determine major strategies and policies. Effective control is exercised through the executive directors who are held accountable through regular reporting to the Board. There exists a balance of power and authority, such that no one individual has unfettered powers of decision making. Non-executive directors have unrestricted access to all Delta operations, information and records.

Four board meetings were held during the financial year. All of the directors attended these meetings, other than Mr. J.S. Seymore who was only appointed on 1 December 2009.

The Nominations Committee has the brief of ascertaining the suitability of any new appointment of a director. In particular the board composition, size, demographics and candidate's qualification and standing are assessed before being recommended to the board by the Chairman of the Committee for appointment. Existing directors retire by rotation every three years in terms of Delta's Articles of Association and are re-elected by shareholders at the annual general meeting.

## CORPORATE PRACTICES AND CONDUCT

Executive directors retire from the board at 60 or 65 (dependant on date of employment) years of age, whilst non-executive directors retire at the annual general meeting following the non-executive director's 70th birthday unless specific extension is agreed to by the Board. Non-executive director's fees are recommended by the Board and will be approved by shareholders at the annual general meeting.

Messrs. P. Baijnath and J. S. Seymore retire by rotation in terms of Delta's Articles of Association at the forthcoming annual general meeting. Both directors have offered themselves for re-election at that meeting. Mr P. L. Campbell retired from the board on 30 April 2009.

There are no contracts of service between any directors and Delta or any of its subsidiaries that are terminable at periods of notice exceeding 12 months. Details of remuneration, fees or other benefits earned by directors in the 2009 financial year are set out on pages 29 to 30.

### Chairman

In complying with the Code of Corporate Conduct and Practices, the responsibility for leading the Board and executive responsibility for managing the business are differentiated, with the non executive (non-independent) Chairman leading the board.

### Dealings in Delta shares – Code of Conduct

Delta has a policy whereby no employee, officer or director may trade, whether directly or indirectly, in Delta shares during periods of unpublished price-sensitive information regarding Delta's business affairs. These periods are referred to as closed periods and operate during the period from year-end and half year close until the release of interim or year-end reviewed or audited results. In the case of unpublished price-sensitive information the closed period is operative from the date notification is made to SENS until the release or withdrawal of notice.

The Company Secretary is kept advised about all dealings in Delta shares by Delta board directors as well as Delta subsidiary company directors and company secretaries, which are notified to SENS within the time limit prescribed.

### Audit and Risk Committee

L. B. Bird (Chairman), P. L. Campbell (retired 30 April), A. C. Hicks and B.R. Wright (appointed 1 July 2009)

The Group has an Audit and Risk Committee, which meets at least twice per annum under the chairmanship of a non-executive director, Mr. L. B. Bird. Quorums for meetings are two non-executive directors present throughout each meeting.

The external auditors have unrestricted access to the Committee and attend Audit and Risk Committee meetings. Appropriate Delta executives including those responsible for finance also attend these meetings by invitation. No attendee attending by invitation has voting rights.

The Audit and Risk Committee assists the Board in discharging its duties. In so doing and in terms of its formalised terms of reference, it deals with matters concerning auditors and external audit, internal control and internal audit, financial statements, ethics and risk management. The Audit and Risk Committee reviews the effectiveness of internal controls of the Group with reference to the findings of both the internal and external auditors. Other areas covered include the review of important accounting and taxation issues, material pending litigation, specific disclosures in the annual financial statements, review of the major external audit recommendations, review and assessment of the integrity of the risk control system in ensuring that the risk policies and strategies are effectively managed and the monitoring of Delta's code of ethics and management's commitment thereto on a regular basis. The Audit and Risk Committee also sets the principles for recommending the use of the external auditors for non-audit services.

Delta has disciplines in place, which include the identification, documentation and management of critical risk areas affecting operating units. Critical risk areas are reviewed and updated on a regular basis by the management of Delta's individual operating unit, the Audit and Risk Committee and the Board.

The Audit and Risk Committee ensure that the Group maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability for its assets. Such controls are based on established policies and procedures and are implemented by trained personnel with an appropriate segregation of duties, except in isolated instances where it is not practically possible to achieve an appropriate segregation of incompatible functions due to the size of the operation.

The effectiveness of these internal controls and systems is monitored in a number of ways as set out below:

- the use of an independent internal audit firm, which independently reviews the adequacy and effectiveness of internal controls;
- formalised reporting of defalcation and other losses by management;
- review of financial records by senior head office financial officers.

## CORPORATE PRACTICES AND CONDUCT (continued)

The external auditors, through the audit work that they perform, confirm that the above-mentioned monitoring procedures are being effectively applied. Nothing has come to the attention of the Audit and Risk Committee, or to the attention of the external auditors, to indicate that any material breakdown in the functioning of the above-mentioned internal controls and systems has occurred during the year under review. In addition, the Audit and Risk Committee is satisfied with the Financial Directors' experience and expertise.

The Audit and Risk Committee, with the auditors present, review the unaudited interim and year-end audited results announcement before being submitted to the Board.

Two Committee meetings were held during 2009 and all members attended these meetings.

The Board determined that the Audit and Risk Committee satisfied its responsibilities during 2009 in compliance with its terms of reference.

### Remuneration Committee

T. G. Atkinson (Chairman), L. B. Bird, P. L. Campbell (retired 30 April) and A. C. Hicks (appointed 3 December 2009).

The Remuneration Committee consists of Mr. T. G. Atkinson (Chairman), a non-executive director (non-independent); and Messrs. L. B. Bird and A. C. Hicks, non-executive directors. Quorums for meetings are two non-executive directors present throughout each meeting.

The Committee, in terms of its formalised terms of reference, develops policies and structures to ensure Delta executive and senior management receive realistic levels of remuneration and those policies and structures retain the executives and senior management needed to operate Delta successfully.

The Committee reviews and approves the annual salaries, bonus arrangements and the allocation of shares in terms of share incentive schemes for executive directors and senior management. It also recommends fees to be paid to each non-executive director for adoption by the Board and approval of shareholders in general meeting.

One Committee meeting was held during the year. All Committee members attended the meeting held.

The Board determined that the Remuneration Committee satisfied its responsibilities during 2009 in compliance with its terms of reference.

### Nominations Committee

T. G. Atkinson (Chairman), L. B. Bird, P. L. Campbell (retired 30 April) and A. C. Hicks (appointed 3 December 2009).

The Nominations Committee consists of Mr. T. G. Atkinson (Chairman), a non-executive director (non-independent); and Messrs. L. B. Bird and A. C. Hicks, non-executive directors. Quorums for meetings are two non-executive directors present throughout each meeting.

The Committee, in terms of its formalised terms of reference, develops formal and transparent policies and procedures for identifying and filling Board vacancies, ensuring an effective Board size and composition and effective succession planning procedures, particularly as regards the Chairperson and Chief Executive Officer. The Chairman of the Committee reports policies and recommendations to the Board for its approval and final decision.

One Committee meeting was held during the year. All Committee members attended the meeting held.

The Board determined that the Nominations Committee satisfied its responsibilities during 2009 in compliance with its terms of reference.

### Worker Participation and Affirmative Action

At operating company level appropriate structures are in place to foster good employee/employer relationships through effective sharing of relevant information, consultation and the identification and resolution of conflict. Relevant training and development programs have been implemented at the operating company in order to develop employees whilst ensuring that all are afforded equal opportunity for reward and progress based on ability and merit.

The Company has carried out a full review of employment policies and procedures to ensure that all discriminatory practices have been eliminated.

Operations, which were required to submit affirmative action plans in terms of the Employment Equity Act, did so within the prescribed period. Skills development plans were also submitted within the prescribed period to the respective Sectorial Education and Training Authority.

### Code of Ethics and Business Conduct

The directors and officers maintain the highest ethical standards and ensure that the Group's business practices are conducted in a manner, which is beyond reproach and encourage all employees to do so.

A corporate code of ethics, which outlines the ethical and business management practices of Delta, is in place. Employees are expected to observe the highest standards of integrity and to act in the best interests of Delta. Businesses dealing with Delta are expected to demonstrate the same standards to organisational integrity.

An independent and confidential system is in place, which provides employees with the ability to report unethical and risky behaviour, which affects the Delta Group. Tip-Offs Anonymous, an independent body within the Deloitte organisation, operates the system.

# SUSTAINABILITY REPORT

## **Employment Equity**

Management has defined, recruitment, training and people development targets which are in line with the requirements of the Employment Equity Act. An Employment Equity (EE) Charter has been drawn up to align management and employees to the EE requirements and develop a program that creates value in the organisation requirements.

## **Skills development and Training**

There is a strong focus on implementing and monitoring skills development programmes for the Group. Expenditure on skills development, employing historically disadvantaged individuals and providing training in management disciplines continue as part of the ongoing program. Previously disadvantaged employees who have displayed management potential were enrolled on management development programs, to fast track these individuals into management roles. Delta continues an adult basic education programme with a number of learners having passed the ABET level one syllabus and are looking forward to commencing level two in 2010.

## **Bursary Awards**

In 2009 the policy of granting bursaries to the dependants of employees was reviewed to ensure a greater proportion of the workforce benefits in a way that will contribute to the up skilling of South Africa and particularly the skills which are important for success in a developing economy. The focus has now shifted to providing tertiary education bursaries to students who are studying Maths, Science, Finance and other skills which are in shortage in the country.

Six bursaries were offered in 2009 to students studying in these fields.

## **Learnerships**

A number of learnerships commenced in 2009. Employees are studying fulltime to improve their skills to become qualified artisans. In addition, placement of unemployed learners form part of the business program and individuals with the necessary tertiary education are employed into trainee positions. Selected students studying towards chemical engineering who require practical training to complete their academic qualification are given P1&P2 training at the Nelspruit operation. These students added considerable value to the Nelspruit operation whilst gaining industrial experience for themselves.

## **Occupational Health and Safety**

Significant improvement in Occupational Health and Safety (OHS) were recorded during 2009. The Nelspruit and Black Rock operations have a behavioural based safety programme, risk assessment and awareness training implemented to reduce incidents and exposures.

Through audits, reviews, objectives and monitoring of targets, the Nelspruit and Black Rock operations strive to improve management systems so as to comply with and exceed where possible the requirements of OHSAS 18001, internal SHE Standards, Responsible Care® and all applicable legal and regulatory requirements pertinent to the business. Independent external OHS audits are carried out by International Risk Control Africa which continue to record high standards.

## **Environment**

There were no significant environmental incidents and significant progress has been made with ISO 14000 certification.

The Nelspruit and Black Rock operations became a signatory to Responsible Care in October 2009 when the Mr. Praveen Bajinath (CEO) signed the Charter in front of employees at a ceremony in Nelspruit. A high value is placed on the well-being of employees, the communities and conservation of the environment in which operations take place and commitment to operating in a responsible manner in line with the principles of Responsible Care. Through the benchmark to Responsible Care Standards, the aim is to further improve safety, health and environmental standards.

The Nelspruit operation converts its residue from production processes into Greenfill, a by-product which is used as fill in the construction of roads. The road fill application has been accepted by the Department of Water and Mineral Affairs. Through this process the Nelspruit operation has minimized its use of registered residue disposal sites. During 2009 the Nelspruit operation supplied Greenfill used in the construction of 3.8 kilometers of forestry roads.

## **Community OutReach Programs**

### **Local community participation**

Over the past two years the Nelspruit operation has engaged in a program to support a group of woman from the local community in establishing a brick making business. A Birkenmeyer commercial brick making machine, with capacity of approximately 1000 bricks per hour was donated, refurbished and modified to suit their requirements. This was erected in an industrial area close to their homes. All ground and civil works, erection, electrical and commissioning costs site were borne by the Nelspruit operation.

Training was provided to educate the local community in the operation of the equipment and raw materials to get the brick operation started was provided.

An ongoing relationship is maintained with this local community and technical support is given when necessary.

### **Education Support and Industry**

As part of the commitment to the community in Nelspruit from which resources are drawn, the Nelspruit operation on a regular basis host visits from senior school learners in natural and mathematical sciences. During these visits, tour guides attempt to demonstrate the practical implications of a career in Process Engineering, Production, SHEQ, Research and Development and Quality Control. During the past twelve months, delegations of top performers from neighbouring schools participated in this programme.

### **Affirmative Procurement**

Affirmative procurement continues to receive support.

### **HIV/Aids**

HIV/Aids awareness training programmes continue to be carried out.

## DIRECTORS' APPROVAL

For the year ended 27 December 2009

The directors of the company are responsible for the preparation and integrity of the annual financial statements and related information included in this report. The financial statements have been prepared in accordance with International Financial Reporting Standards and the Companies Act of South Africa.

The directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and the financial statements have accordingly been prepared on a going concern basis.

It is the responsibility of the external auditors to express an opinion on whether the financial statements present fairly, in all material respects, the financial position of the company and the Group and their unmodified report appears on page 16.

These financial statements have been approved by the board of directors on 19 February 2010 and are signed on its behalf by:

**T. G. Atkinson**

Chairman

19 February 2010

## CERTIFICATE BY SECRETARY

In terms of section 268 G (d) of the Companies Act, 1973, as amended ("Act"), we certify that Delta EMD Limited has lodged with the Registrar of Companies all such returns as are required by a public company in terms of the Act. Further, that such returns are true, correct and up to date.

**Statucor (Proprietary) Limited**

Secretary

Nelspruit

19 February 2010

# REPORT OF THE INDEPENDENT AUDITORS

To the members of Delta EMD Limited

We have audited the annual financial statements and Group annual financial statements of Delta EMD Limited, which comprise of the directors' report, the balance sheet and the consolidated balance sheet as at 27 December 2009, the income statement and the consolidated income statement, the statement of changes in equity and consolidated statement of changes in equity and cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 10, 17 to 41 and 43.

## **Directors' Responsibility for the Financial Statements**

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

## **Auditor's responsibility**

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

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

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

## **Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company and the Group at 27 December 2009, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



## **Deloitte & Touche**

Registered Auditors

Per **M. H. Holme**

Partner

19 February 2010

Buildings 1 and 2 Deloitte Place

The Woodlands Office Park, Woodlands drive

Sandton

Deloitte & Touche National Executive: G. G. Gelink Chief Executive, A. E. Swiegers Chief Operating Officer, G. M. Pinnock Audit, D. L. Kennedy Tax & Legal and Risk Advisory, L. Geeringh Consulting, L. Bam Corporate Finance, C. R. Beukman Finance, T. J. Brown Clients & Markets, N. T. Mtoba Chairman of the Board, C. R. Qally Deputy Chairman of the Board.

A full list of partners and directors is available on request.

B-BBEE rating: Level 3 Contributor /AA (Certified by Empowerdex)

# INCOME STATEMENTS

For the year ended 27 December 2009

Company				Group	
2009 R'000	2008 R'000		Notes	2009 R'000	2008 R'000
–	–	<b>Revenue</b>		<b>478 122</b>	648 450
<b>169 743</b>	423 426	<b>Profit before interest, taxation, depreciation and impairment</b>		<b>154 854</b>	145 897
–	–	Depreciation		<b>(20 915)</b>	(12 776)
–	–	Closure costs reversal/(charged)		<b>81 748</b>	(28 934)
<b>373</b>	(2 925)	Impairment reversal/(charged)		<b>7 155</b>	(3 980)
–	–	Net foreign exchange (losses)/gains		<b>(4 783)</b>	3 777
<b>170 116</b>	420 501	<b>Operating profit</b>	2	<b>218 059</b>	103 984
<b>33</b>	–	Interest received	3	<b>17 123</b>	27 855
–	(304)	Interest paid	4	–	(5 657)
<b>170 149</b>	420 197	<b>Profit before taxation</b>		<b>235 182</b>	126 182
<b>(24 593)</b>	(5 165)	Taxation	5	<b>(67 493)</b>	(36 750)
<b>(10)</b>	–	– Normal taxation		<b>(42 910)</b>	(34 608)
<b>(24 583)</b>	(5 165)	– Secondary taxation on companies		<b>(24 583)</b>	(5 165)
–	–	– Capital gains taxation		–	3 023
<b>145 556</b>	415 032	<b>Profit for the year</b>		<b>167 689</b>	89 432
		<b>Attributable to:</b>			
		Equity holders of parent company	6	<b>167 689</b>	89 432
		<b>Headline earnings attributable to ordinary shareholders</b>	6	<b>158 839</b>	90 389
		Number of shares in issue ('000)		<b>49 166</b>	49 166
		Weighted number of shares in issue ('000)		<b>49 083</b>	48 990
		Dilutive number of shares in issue ('000)		<b>49 105</b>	49 002
		Attributable earnings per share (cents)			
		– basic	6	<b>341.6</b>	182.6
		– diluted	6	<b>341.5</b>	182.5
		Dividend per share – special (cents)	7	<b>500.0</b>	100.0
		Capital reduction per share (cents)		–	229.0

# BALANCE SHEETS

At 27 December 2009

Company				Group	
2009 R'000	2008 R'000		Notes	2009 R'000	2008 R'000
		<b>ASSETS</b>			
–	–	Property, plant and equipment	9	<b>282 412</b>	293 664
–	–	Non current assets held for sale	9	<b>15 957</b>	10 368
<b>553 628</b>	654 722	Subsidiaries	10	–	–
<b>224</b>	1 596	Loan to executive share incentive scheme trust	11	–	–
–	–	Non current asset		<b>1 051</b>	1 051
		Current assets			
–	–	Inventories	12	<b>124 355</b>	161 964
–	–	Trade and other receivables	13	<b>98 309</b>	175 994
–	5	Taxation overpaid		–	5
<b>66</b>	2	Bank balances and cash		<b>216 846</b>	230 077
<b>553 918</b>	656 325	<b>Total assets</b>		<b>738 930</b>	873 123
		<b>EQUITY AND LIABILITIES</b>			
<b>4 856</b>	4 856	Share capital and premium	14	<b>4 856</b>	4 856
–	–	Foreign currency translation reserve		<b>25 558</b>	56 254
–	–	Treasury shares		<b>(181)</b>	(1 135)
<b>547 798</b>	648 063	Accumulated profit		<b>492 731</b>	535 425
<b>552 654</b>	652 919	Total shareholders' funds		<b>522 964</b>	595 400
–	–	Deferred taxation liabilities	16	<b>57 085</b>	59 865
–	–	Other non current liabilities	17	<b>7 229</b>	49 307
		Current liabilities			
<b>1 259</b>	3 406	Trade and other payables	18	<b>49 572</b>	68 269
–	–	Short term provisions	17	<b>56 407</b>	99 520
<b>5</b>	–	Taxation		<b>45 673</b>	762
<b>553 918</b>	656 325	<b>Total equity and liabilities</b>		<b>738 930</b>	873 123
<b>1 124</b>	1 328	<b>Net asset value per share (cents)</b>		<b>1 064</b>	1 211
–	–	<b>Net gearing (%)</b>		–	–

## STATEMENTS OF CHANGES IN EQUITY

For the year ended 27 December 2009

Group	Share capital and premium R'000	Foreign currency translation reserve R'000	Treasury shares R'000	Accumulated profit R'000	Total R'000
<b>Balance at 28 December 2007</b>	117 445	106 378	(1 922)	428 600	<b>650 501</b>
Increase in foreign currency translation reserve	–	16 259	–	–	<b>16 259</b>
Realisation of foreign currency translation reserve	–	(66 383)	–	66 383	–
Proceeds on disposal of treasury shares	–	–	787	–	<b>787</b>
Net income recognised directly in equity	–	(50 124)	787	66 383	<b>667 547</b>
Profit for the year	–	–	–	89 432	<b>89 432</b>
Total recognised income and expense	–	(50 124)	787	155 815	<b>756 979</b>
Capital reduction	(112 589)	–	–	–	<b>(112 589)</b>
Dividend paid – special	–	–	–	(48 990)	<b>(48 990)</b>
<b>Balance at 27 December 2008</b>	4 856	56 254	(1 135)	535 425	<b>595 400</b>
Increase in foreign currency translation reserve	–	1 512	–	–	<b>1 512</b>
Realisation of foreign currency translation reserve	–	(32 208)	–	32 208	–
Profit on disposal of treasury shares	–	–	954	2 995	<b>3 949</b>
Net income recognised directly in equity	–	(30 696)	954	35 203	<b>600 861</b>
Profit for the year	–	–	–	167 689	<b>167 689</b>
Total recognised income and expense	–	(30 696)	954	202 892	<b>768 550</b>
Dividend paid – special	–	–	–	(245 586)	<b>(245 586)</b>
<b>Balance at 27 December 2009</b>	4 856	25 558	(181)	492 731	<b>522 964</b>

Company	Share capital and premium R'000	Accumulated profit R'000	Total R'000
<b>Balance at 28 December 2007</b>	117 445	282 197	<b>399 642</b>
Profit for the year	–	415 032	<b>415 032</b>
Total recognised income and expense	–	415 032	<b>814 674</b>
Capital reduction	(112 589)	–	<b>(112 589)</b>
Dividend paid – special	–	(49 166)	<b>(49 166)</b>
<b>Balance at 27 December 2008</b>	4 856	648 063	<b>652 919</b>
Profit for the year	–	145 556	<b>145 556</b>
Total recognised income and expense	–	145 556	<b>798 475</b>
Dividend paid – special	–	(245 821)	<b>(245 821)</b>
<b>Balance at 27 December 2009</b>	4 856	547 798	<b>552 654</b>

# CASH FLOW STATEMENTS

For the year ended 27 December 2009

Company				Group	
2009 R'000	2008 R'000		Notes	2009 R'000	2008 R'000
(5)	(2)	<b>Cash generated by/(utilised from) trading</b>	A	<b>140 803</b>	120 902
164	272	Decrease in working capital	B	<b>105 760</b>	29 514
159	270	Cash generated by operations		<b>246 563</b>	150 416
33	(304)	Net interest received/(paid)		<b>17 123</b>	22 198
–	(5 289)	Taxation paid – Normal	C	<b>(774)</b>	(2 187)
(24 583)	–	Taxation paid – Secondary taxation on companies	C	<b>(24 583)</b>	(5 165)
–	–	Taxation refund – Capital gains taxation	C	–	3 023
167 437	423 428	Dividends received		–	–
<b>143 046</b>	<b>418 105</b>	<b>Cash inflow from operating activities</b>		<b>238 329</b>	168 285
–	–	Replacement capital expenditure		<b>(13 056)</b>	(5 422)
–	7 813	Proceeds on liquidation of dormant companies		–	–
–	–	Proceeds on disposal of property, plant and equipment		<b>2 313</b>	8 430
1 745	275	Loan repayment from share incentive scheme		–	–
<b>1 745</b>	<b>8 088</b>	<b>Cash (outflow)/inflow from investing activities</b>		<b>(10 743)</b>	3 008
<b>144 791</b>	<b>426 193</b>	<b>Net cash inflow before financing activities</b>		<b>227 586</b>	171 293
–	–	Proceeds on disposal of treasury shares		<b>1 509</b>	787
–	(112 589)	Capital reduction		–	(112 589)
(245 821)	(49 166)	Dividend paid – special		<b>(245 586)</b>	(48 990)
101 094	(264 440)	Movement in loans to subsidiaries		–	–
<b>(144 727)</b>	<b>(426 195)</b>	<b>Cash outflow from financing activities</b>		<b>(244 077)</b>	(160 792)
<b>64</b>	<b>(2)</b>	<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(16 491)</b>	10 501
<b>2</b>	<b>4</b>	Cash and cash equivalents at beginning of year		<b>230 077</b>	218 342
–	–	Translation of cash in foreign subsidiary		<b>3 260</b>	1 234
<b>66</b>	<b>2</b>	Cash and cash equivalents at end of year	D	<b>216 846</b>	230 077

## NOTES TO THE CASH FLOW STATEMENTS

For the year ended 27 December 2009

Company			Group	
2009 R'000	2008 R'000		2009 R'000	2008 R'000
		<b>A. Cash generated by/(utilised from) trading</b>		
<b>170 149</b>	420 197	Profit before taxation	<b>235 182</b>	126 182
		Adjustments for:-		
-	-	- Depreciation of property, plant and equipment	<b>20 915</b>	12 776
-	-	- Closure costs (reversal)/charged	<b>(81 748)</b>	28 934
<b>(373)</b>	2 925	- Impairment (reversal)/charged	<b>(7 155)</b>	3 980
<b>(33)</b>	304	- Net interest (received)/paid	<b>(17 123)</b>	(22 198)
-	-	- Profit on disposal of property, plant and equipment	<b>(1 695)</b>	-
-	-	- Movement in long and short term provisions	<b>(2 334)</b>	(28 772)
<b>(2 311)</b>	-	- Other non-cash movement	<b>(5 239)</b>	-
<b>(167 437)</b>	(423 428)	- Dividends received	-	-
<b>(5)</b>	(2)	<b>Cash generated by/(utilised from) trading</b>	<b>140 803</b>	120 902
		<b>B. Decrease in working capital</b>		
-	-	Decrease in inventories	<b>37 609</b>	114 812
-	-	Decrease/(increase) in receivables	<b>78 310</b>	(64 389)
<b>164</b>	272	(Decrease)/increase in payables	<b>(10 159)</b>	(20 909)
<b>164</b>	272	<b>Decrease in working capital</b>	<b>105 760</b>	29 514
		<b>C. Taxation paid</b>		
<b>5</b>	(119)	Taxation (owing)/overpaid at beginning of year	<b>(757)</b>	(524)
<b>(24 593)</b>	(5 165)	Normal, secondary and capital gains taxation	<b>(70 273)</b>	(4 562)
<b>5</b>	(5)	Taxation owing/(overpaid) at end of year	<b>45 673</b>	757
<b>(24 583)</b>	(5 289)	<b>Taxation paid</b>	<b>(25 357)</b>	(4 329)
		<b>D. Cash and cash equivalents</b>		
		Cash and cash equivalents consist of:		
<b>66</b>	2	Bank balances	<b>216 846</b>	230 077
<b>66</b>	2	<b>Cash and cash equivalents</b>	<b>216 846</b>	230 077

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

Delta EMD Limited is a listed entity and is incorporated in the Republic of South Africa. The address of the registered office is disclosed on page 1. The principle place of business is at the South African manufacturing plant at 15 Heyneke Street, Industrial Site, Nelspruit.

## 1.1 Adoption of new and revised Standards

At the date of authorisation of these financial statements, the following Standards and Interpretations or amendments were in issue but not yet effective:

IAS 1 (Revised) Presentation of Financial Statements  
 IAS 16 (Revised) Property, Plant and Equipment  
 IAS 19 (Revised) Employee Benefits  
 IAS 20 (Revised) Government Grants and Disclosure of Government Assistance  
 IAS 24 (Revised) Related Party Disclosures  
 IAS 23 (Revised) Borrowing Costs  
 IAS 27 (Revised) Consolidated and Separate Financial Statements  
 IAS 28 (Revised) Investments in Associates  
 IAS 29 (Revised) Financial Reporting in Hyperinflationary Economies  
 IAS 31 (Revised) Interests in Joint Ventures  
 IAS 32 (Revised) Financial Instruments: Presentation  
 IAS 36 (Revised) Impairment of Assets  
 IAS 38 (Revised) Intangible Assets  
 IAS 39 (Revised) Financial Instruments: Recognition and Measurement  
 IAS 40 (Revised) Investment Property  
 IAS 41 (Revised) Agriculture  
 IFRS 1 (Revised) First-time Adoption of International Financial Reporting Standards  
 IFRS 2 (Revised) Share-based Payment  
 IFRS 3 (Revised) Business Combinations  
 IFRS 5 (Revised) Non-current Assets Held for Sale and Discontinued Operations  
 IFRS 7 (Revised) Financial Instruments: Disclosures  
 IFRS 8 Operating Segments  
 IFRS 9 Financial Instruments: Classification and Measurement  
 IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction  
 IFRIC 15 Agreements for the construction of real estate  
 IFRIC 16 (Amended) Hedges of a net investment in a foreign operation  
 IFRIC 17 Distributions of Non-cash Assets to Owners  
 IFRIC 18 Transfers of Assets from Customers  
 IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above Standards and Interpretations is not expected to have a material impact on the Group.

## 1.2 Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The annual financial statements are prepared on the historical cost basis, except for the revaluation of certain financial instruments, assets and liabilities that are periodically revalued. They have been consistently applied in all material respects.

The principal accounting policies of the Group are set out below.

**1.2.1** The consolidated annual financial statements include the results and financial position of the company and enterprises controlled by the company up to 27 December each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statements from the effective date of control acquired or disposed of, as appropriate.

All significant inter-company transactions and balances between Group enterprises are eliminated on consolidation.

### 1.2.2 Goodwill

Goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or controlled enterprise. Goodwill is tested for impairment annually and an impairment is not released subsequently.

On disposal of a subsidiary or controlled enterprise, the attributable amount of un-amortised goodwill is included in the determination of the profit or loss on disposal.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

### 1.2.3 Revenue

Revenue represents the net value of sales to customers. Inter-Group revenue is eliminated. Sales of goods are recognised when goods are delivered and title has passed. Interest income is accrued on the time basis, by reference to the principal outstanding and the interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### 1.2.4 Retirement benefits

The policy of the Group is to provide retirement benefits for its employees via its defined contribution retirement benefit plan. The contributions by Group companies to fund the obligations for the payment of retirement benefits are charged against income in the year that they become payable. Payments to industry-managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement plan. For defined benefit funds the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on a triennial basis. The retirement benefit obligation or asset represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. A deficit is recognised immediately. To the extent that there is uncertainty regarding the entitlement to a surplus, no asset is recorded.

### 1.2.5 Foreign Currencies

Transactions denominated in foreign currencies are recorded at the rate of exchange prevailing on the transaction date. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period. On consolidation, the assets and liabilities of foreign entities are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences are classified as equity and transferred to the Group's Foreign Currency Translation Reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

### 1.2.6 Research and Development Expenditure

Research expenditure is written off in the year in which it is incurred. Development costs are reviewed annually and are expensed if they do not qualify for capitalisation.

### 1.2.7 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

### 1.2.8 Impairment (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of the asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the income statement immediately.

### 1.2.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets are dealt with in profit and loss in the period in which they are incurred.

### 1.2.10 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of the assets, other than freehold land and assets under construction, over their estimated useful lives, using the straight line method. Assets which have been commissioned, but not brought into use, are depreciated in terms of the Group policy. Provision for depreciation or replacement of loose tools and moulds is not made, as the costs of renewals are written off in the year in which they are incurred.

The residual value of assets and their useful lives are reviewed at each balance sheet date. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating profit.

The estimates of useful lives as translated into depreciation rates are detailed below:

Property, plant and equipment 2 – 50 years.

### 1.2.11 Inventories

Inventories are valued at the lower of cost or net realisable value with due allowance being made for obsolescence wherever applicable. Cost is determined on the following basis:

*Raw materials* – on the average cost method

*Work in progress* – at cost of materials on the average cost method together with direct costs and appropriate works overheads according to the state of production reached

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

*Finished goods* – on the average cost method together with direct costs and appropriate works overheads

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## 1.2.12 Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

## 1.2.13 Borrowings

Loans which are repayable within one year of the balance sheet date are classified as short-term loans and are included in current liabilities. Loans repayable after one year of the balance sheet date are classified as non-current liabilities.

## 1.2.14 Provisions

Provisions are recognised when the Group 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 be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money.

## 1.2.15 Long-term compensation benefits

Obligations in respect of long-term employee benefits are recorded at the present value of the estimated future benefits payable.

## 1.2.16 Environmental rehabilitation

The cost of ongoing programs to prevent and control pollution and to rehabilitate the environment is charged against income as incurred. Where a present constructive or legal obligation for future rehabilitation exists, a provision is raised for the future cost. Where the effect of discounting to present value is material, these provisions are adjusted to reflect the time value of money.

## 1.2.17 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

## 1.2.18 Financial Instruments

### **Financial assets**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: "held-to-maturity" ("HTM") investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At the reporting dates included in these annual financial statements, the Company had only loans and receivables on its balance sheet.

### **(a) Effective interest method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

### **(b) Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

### **(c) Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### **Financial Liabilities**

#### **Equity and other financial liabilities**

##### **(a) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

##### **(b) Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

##### **(c) Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### **1.3. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 1.2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

	2009 R'000	2008 R'000
<b>2. OPERATING PROFIT</b>		
Operating profit has been arrived at after taking into account:		
<b>GROUP INCOME</b>		
<b>Profit on disposal of property, plant and equipment</b>	<b>1 695</b>	–
<b>EXPENSES</b>		
<b>Cost of sales</b>	<b>226 715</b>	346 042
<b>Auditors' remuneration</b>		
– audit fees	<b>1 025</b>	1 047
– fees for other services	<b>30</b>	50
– under provision prior year	<b>32</b>	135
<b>Total auditors' remuneration</b>	<b>1 087</b>	1 232
<b>Internal auditors' remuneration</b>	<b>197</b>	150
<b>Depreciation of property, plant and equipment</b>		
– buildings	<b>673</b>	719
– plant and equipment	<b>20 242</b>	12 057
<b>Total depreciation of property, plant and equipment</b>	<b>20 915</b>	12 776
<b>Operating lease expenses</b>		
– land and buildings	<b>1 207</b>	2 031
– plant and equipment	–	242
<b>Total operating lease expenses</b>	<b>1 207</b>	2 273
<b>Pension fund contributions</b>	<b>2 898</b>	5 102
<b>Research and development expenditure</b>	<b>1 821</b>	1 843
<b>Staff costs</b>	<b>46 553</b>	78 494
<b>Operating expenses by function</b>		
– distribution costs	<b>38 939</b>	77 505
– administration costs (excluding foreign exchange losses)	<b>34 613</b>	34 496
<b>COMPANY INCOME</b>		
<b>Dividends from subsidiaries</b>	<b>167 437</b>	423 428

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>3. INTEREST RECEIVED</b>				
Interest received – bankers	16 997	27 282	33	–
Interest received – other	126	573	–	–
Total Interest received	17 123	27 855	33	–
<b>4. INTEREST PAID</b>				
Interest paid – bankers	–	5 093	–	–
Interest paid – other	–	564	–	304
Total interest paid	–	5 657	–	304
<b>5. TAXATION</b>				
South African normal				
– current	45 690	2 420	10	–
– deferred	(2 780)	33 270	–	–
Total current year	42 910	35 690	10	–
Secondary taxation on companies	24 583	5 165	24 583	5 165
Prior year – deferred	–	(1 082)	–	–
Capital gains taxation	–	(3 023)	–	–
<b>Total taxation</b>	<b>67 493</b>	<b>36 750</b>	<b>24 593</b>	<b>5 165</b>
<b>Reconciliation of rate of taxation on profit:</b>	%	%	%	%
South African company tax rate	28.0	28.0	28.0	28.0
Decrease in rate of taxation due to:				
– Capital gains taxation	–	(2.4)	–	–
– Non-taxable income	(0.3)	–	(28.0)	(28.8)
– Rate change	–	(0.9)	–	–
– Tax losses now utilised previously not recognised	(9.8)	–	–	–
	(10.1)	(3.3)	(28.0)	(28.8)
<b>Increase in rate of taxation due to:</b>				
– Impairment of asset	0.4	–	–	0.7
– Non-deductible expenses	–	0.2	–	0.1
– Deferred taxation asset not raised	–	0.1	–	–
– Secondary taxation on companies	10.4	4.1	14.5	1.2
	10.8	4.4	14.5	2.0
<b>Effective rate of taxation</b>	<b>28.7</b>	<b>29.1</b>	<b>14.5</b>	<b>1.2</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>6. ATTRIBUTABLE AND HEADLINE EARNINGS PER SHARE</b>				
<b>Weighted average number of shares</b>				
The calculations are based on <b>49 083 382</b> (2008: 48 989 645) ordinary shares, being the weighted average number in issue during the year, after taking into account the treasury shares.				
<b>Dilutive average number of shares</b>				
The calculation is based on <b>49 105 382</b> (2008: 49 002 253) ordinary shares, after taking into account the potential dilutive effect of shares to be issued in terms of the Executive Share Incentive Scheme.				
<b>6.1 Attributable earnings</b>				
The calculation of attributable earnings per share is based on earnings of <b>R167 689 000</b> (2008: R89 432 000).				
<b>6.2 Headline earnings</b>				
The calculation of headline earnings per share is based on earnings of <b>R158 839 000</b> (2008: R90 389 000).				
<b>Reconciliation of attributable earnings to headline earnings:</b>				
<b>Attributable earnings</b>	<b>167 689</b>	89 432		
Impairment (overprovided)/charged	<b>(7 155)</b>	3 980		
Prior year overprovision – Capital gains taxation	–	(3 023)		
Profit on disposal of property, plant and equipment	<b>(1 695)</b>	–		
Taxation effect	–	–		
<b>Headline earnings</b>	<b>158 839</b>	90 389		
<b>7. DIVIDENDS PAID</b>				
Special dividend of 500 cents (2008: 100 cents) per share	<b>245 821</b>	49 166	<b>245 821</b>	49 166
Less: Dividend attributable to treasury shares	<b>(235)</b>	(176)	–	–
	<b>245 586</b>	48 990	<b>245 821</b>	49 166
<b>Dividends per share in respect of the year</b>				
Special dividend (cents)	<b>500</b>	100	<b>500</b>	100

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

### 8. DIRECTORS' EMOLUMENTS AND INTERESTS

The directors' remuneration for the year ended 27 December 2009 was as follows:

Year ended	Short-term benefit R'000	Termination benefits R'000	Post employment benefits R'000	Total R'000
<b>27 December 2009</b>				
<b>Executive directors</b>				
P Baijnath – appointed February 2009	2 004	–	218	<b>2 222</b>
C J Jacobs	2 036	–	260	<b>2 296</b>
J S Seymore – appointed December 2009	145	–	10	<b>155</b>
	<b>4 185</b>	<b>–</b>	<b>488</b>	<b>4 673</b>
<b>27 December 2008</b>				
<b>Executive directors</b>				
C J Jacobs	1 597	–	260	1 857
M J Renehan	1 291	1 534	169	2 994
	<b>2 888</b>	<b>1 534</b>	<b>429</b>	<b>4 851</b>

	Fees	
	2009 R'000	2008 R'000
<b>Non-executive directors</b>		
T G Atkinson	<b>300</b>	300
L B Bird	<b>210</b>	210
P L Campbell – retired 30 April 2009	<b>57</b>	170
A C Hicks	<b>140</b>	140
B R Wright	<b>140</b>	220
	<b>847</b>	1 040
Total directors' emoluments – paid by subsidiaries	<b>5 520</b>	5 891

The executive directors have employment contracts with a notice period not exceeding six months other than in the circumstances of Mr Baijnath, whose notice period shall be extended to a period of twelve months in the event of a change of control of Delta (E.M.D.) (Pty) Limited.

#### Interests of directors in contracts

The directors have certified that they were not materially interested in any transaction of any significance with the company or any of its subsidiaries. Accordingly, a conflict of interest with regard to directors' interest in contracts does not exist.

#### Interests of directors of the company in share capital

The aggregate beneficial holdings as at 27 December 2009 of the directors of the company and their immediate families (none of which has a holding in excess of 1%) in the issued ordinary shares of the company are detailed below. There have been no changes in these shareholdings since that date and the date of this annual report.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

## 8. DIRECTORS' EMOLUMENTS AND INTERESTS (continued)

	2009		2008	
	Direct	Indirect	Direct	Indirect
<b>Executive directors</b>				
C J Jacobs	22 000	–	22 000	–
<b>Non-executive directors</b>				
A C Hicks	22 745	–	–	–
B R Wright	6 823	2 002	62 500	2 002
	<b>51 568</b>	<b>2 002</b>	84 500	2 002

### Executive Share Incentive Scheme Trust

Participants in the Delta EMD Limited Executive Employee Trust and Share Incentive Scheme ("the Share Trust") may elect to receive a loan from the Share Trust to finance the purchase of shares allocated.

The derived benefit of low interest loans granted by the Share Trust is included in other allowances under the directors' remuneration.

### Long-term incentive scheme

Mr. P. Baijnath was awarded a grant of 67 416 notional shares on 12 March 2009. In terms of the rules of the new scheme, these shares will vest over a period of three years after the grant date, or upon a change of control of Delta (E.M.D.) (Pty) Limited. The number of shares that will vest will be determined against a performance condition linked to total shareholder return. The value of the shares when vested will equal the market price of the notional shares at vesting date plus any dividends paid during the course of the vesting period. This will be settled in cash at the end of the vesting period.

	Number of shares			Balance at end of year
	Balance at beginning of year	Issues	Sales	
<b>Year ended 27 December 2009</b>				
<b>Executive director</b>				
C J Jacobs	22 000	–	–	22 000
<b>Year ended 27 December 2008</b>				
<b>Executive director</b>				
C J Jacobs	22 000	–	–	22 000
	Effective selling price of shares sold R'000	Total costs of shares sold R'000	Gross gain for the year R'000	<b>Outstanding share trust loan balances R'000</b>
<b>Year ended 27 December 2009</b>				
<b>Executive director</b>				
C J Jacobs	–	–	–	657
<b>Year ended 27 December 2008</b>				
<b>Executive director</b>				
C J Jacobs	–	–	–	687

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

### 9. PROPERTY, PLANT AND EQUIPMENT (INCLUDING NON CURRENT ASSETS HELD FOR SALE)

	Freehold Land R'000	Buildings R'000	Plant and Equipment R'000	Total R'000
<b>Year ended 27 December 2009</b>				
Opening net book value	15 743	24 972	263 317	304 032
Translation difference	256	–	38	294
Capital expenditure	–	1 309	11 747	13 056
Disposals – other	–	–	(618)	(618)
Impairment	–	–	2 520	2 520
Depreciation charged	–	(673)	(20 242)	(20 915)
Closing net book value	15 999	25 608	256 762	298 369
<b>At 27 December 2009</b>				
Cost	16 351	94 032	682 989	793 372
Accumulated depreciation and impairment	(352)	(68 424)	(426 227)	(495 003)
Closing net book value	15 999	25 608	256 762	298 369
<b>Year ended 27 December 2008</b>				
Opening net book value	15 074	26 753	276 762	318 589
Translation difference	669	–	1 269	1 938
Capital expenditure	–	–	5 422	5 422
Disposals – other	–	–	(8 430)	(8 430)
Impairment	–	–	(711)	(711)
Depreciation charged	–	(719)	(12 057)	(12 776)
Asset reclassification	–	(1 062)	1 062	–
Closing net book value	15 743	24 972	263 317	304 032
<b>At 27 December 2008</b>				
Cost	16 085	91 029	671 654	778 768
Accumulated depreciation and impairment	(342)	(66 057)	(408 337)	(474 736)
Closing net book value	15 743	24 972	263 317	304 032

The register of land and buildings is open for inspection at the registered office of the company.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>10. SUBSIDIARIES</b>				
Shares at cost	–	–	330 062	330 062
Net amounts owing by subsidiaries	–	–	226 103	327 197
Less: Provision for impairment	–	–	(2 537)	(2 537)
<b>Net interest in subsidiaries</b>	–	–	<b>553 628</b>	654 722
Details of subsidiary companies are set out in Annexure A.				
<b>11. LOANS TO EXECUTIVE SHARE INCENTIVE SCHEME TRUST</b>				
Executive Share Incentive Scheme Trust	–	–	668	4 974
Provision for impairment	–	–	(444)	(3 378)
Net loan to executive share incentive scheme	–	–	224	1 596
The loan is unsecured, interest bearing and has no fixed terms of repayment.				
<b>12. INVENTORIES</b>				
Raw materials	19 917	19 844	–	–
Work in progress	28 008	19 816	–	–
Finished goods	76 430	122 304	–	–
<b>Total inventories</b>	<b>124 355</b>	161 964	–	–
<b>13. TRADE AND OTHER RECEIVABLES</b>				
Trade receivables	89 656	164 283	–	–
Prepayments	2 425	2 844	–	–
Interest receivable from financial institutions	–	1 177	–	–
Other receivables	6 228	7 690	–	–
<b>Total trade and other receivables</b>	<b>98 309</b>	175 994	–	–
The average credit period taken on sales is 45 days (2008: 48 days). The allowance made for estimated irrecoverable amounts from the sale of goods at year end was Rnil (2008: Rnil). The directors consider that the carrying amount of trade and other receivables approximates their fair value.				
<b>14. SHARE CAPITAL AND PREMIUM</b>				
Authorised share capital				
Ordinary shares of 9 cents each 75 000 000 (2008: 75 000 000)	6 750	6 750	6 750	6 750
Issued share capital				
Ordinary shares of 9 cents each 49 165 553 (2008: 49 165 553)	4 425	4 425	4 425	4 425
Share premium				
Balance at beginning of year	431	113 020	431	113 020
Capital reduction	–	(112 589)	–	(112 589)
Balance at end of year	431	431	431	431
<b>Total share capital and share premium</b>	<b>4 856</b>	4 856	<b>4 856</b>	4 856

The balance of unissued shares are under the control of the directors until the forthcoming annual general meeting of the company.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

	Group		2008	
	2009			
	Maximum Permissible R'000	Actual R'000	Maximum Permissible R'000	Actual R'000
<b>15. BORROWING LIMITATIONS</b>				
The company's borrowings are limited by its Articles of Association to 100% of the Group's total shareholders' equity.				
<b>Total Group borrowing limits</b>	<b>522 964</b>	–	595 400	–

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>16. DEFERRED TAXATION</b>				
<b>Movement of deferred taxation:</b>				
Liability at beginning of year	59 865	27 677	–	–
Income statement	(2 780)	32 188	–	–
Liability at end of year	57 085	59 865	–	–
<b>Comprising:</b>				
Capital allowances	60 133	63 949	–	–
Provisions	(3 048)	(2 978)	–	–
Tax losses	–	(1 106)	–	–
<b>Total deferred taxation</b>	<b>57 085</b>	59 865	–	–

At the balance sheet date, the Group had unused tax losses of **R78 300 000** (2008: R80 619 000), of which **R78 300 000** (2008: R76 525 000) related to the Australian operation and **Rnil** (2008: R4 094 000) to South Africa. No deferred tax asset has been raised in Australia as the utilisation of the tax losses is uncertain.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

	Group		Company	
	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>17. CURRENT AND NON-CURRENT PROVISIONS</b>				
<b>Comprising:</b>				
Contractual obligations	4 984	7 010	–	–
Rehabilitation and restoration	58 652	141 817	–	–
<b>Total current and non-current provisions</b>	<b>63 636</b>	148 827	–	–
<b>Contractual obligations</b>				
Balance at beginning of year	7 010	33 240	–	–
Reversal to the income statement	(72)	–	–	–
Payments made against provision	(2 148)	(28 772)	–	–
Foreign currency translation	194	2 542	–	–
Balance at end of year	4 984	7 010	–	–
<b>Rehabilitation and restoration</b>				
Balance at beginning of year	141 817	102 133	–	–
(Reversal)/charged to the income statement	(85 938)	31 903	–	–
Payments made against provision	(186)	–	–	–
Foreign currency translation	2 959	7 781	–	–
Balance at end of year	58 652	141 817	–	–
<b>Total current and non-current provisions</b>	<b>63 636</b>	148 827	–	–

The rehabilitation and restoration balance includes the estimated cost of rehabilitating the Delta EMD Australia Kooragang Island waste disposal facility and Delta (E.M.D.) (Pty) Limited's share of rehabilitating the Manganese Metal Company (Pty) Limited Pappas Quarry waste disposal facility in Nelspruit.

## 18. TRADE AND OTHER PAYABLES

Trade and other payables principally comprise amounts outstanding in respect of trade purchases and ongoing costs. The average credit period taken for trade purchases is 47 days (2008: 49 days).

The directors consider that the carrying amount of trade and other payables approximates their fair value.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

	Group	
	2009 R'000	2008 R'000
<b>19. COMMITMENTS</b>		
<b>19.1 Capital expenditure</b>		
– contracted	5 194	1 456
– authorised but not contracted	6 442	11 058
<b>Total capital commitments</b>	<b>11 636</b>	12 514
This expenditure will be financed from available internal resources.		
<b>19.2 Contingent liabilities</b>		
<b>19.2.1</b> South African Revenue Services	<b>27 191</b>	–
<b>19.2.2</b> Guarantees	–	980
<b>Total contingent liabilities</b>	<b>27 191</b>	980
<p><b>19.2.1</b> Following the Group's 2005 disposal of its industrial services businesses, a Group subsidiary company discontinued business and filed final tax returns. A tax assessment received by the subsidiary company during 2007 resulted in a tax refund as reported in the Group's 2007 accounts. Thereafter the subsidiary company satisfied its outstanding liabilities and distributed its assets. A revised assessment of R27 million was recently issued by SARS for additional capital gains taxation in respect of the 2005 disposal. The Group has objected to the revised assessment, and no provision has been raised for this revised assessment in the 2009 year end results.</p> <p><b>19.2.2</b> Delta EMD Limited issued a bank guarantee to ABSA bank during 2009 to cover the banking facilities of Delta (E.M.D.) (Proprietary) Limited of R123 million.</p>		
<b>19.3 Lease commitments</b>		
The Group has entered into operating leases in respect of certain of its property, plant and equipment. The future minimum commitments in respect of these leases are as follows:		
<b>OPERATING LEASES</b>		
<b>Plant and equipment</b>		
Due within one year	–	7
Thereafter	–	–
<b>Total plant and equipment</b>	–	7
<b>Property</b>		
Due within one year	1 207	1 255
Thereafter*	–	–
<b>Total property</b>	<b>1 207</b>	1 255
<b>Total operating lease commitments</b>	<b>1 207</b>	1 262
<b>Period of leases (years)</b>	<b>1 year</b>	1 year

\* The Delta (E.M.D.) (Proprietary) Limited lease with Manganese Metal Company (Proprietary) Limited in respect of the land has an indefinite term and will terminate when manufacture of Electrolytic Manganese Dioxide ceases. At year end December 2009 the monthly rental was R96 833 (2008: R89 330), escalating annually in May with the average CPIX over the last 12 months.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

	<b>Group</b>	
	<b>2009</b>	2008
	<b>R'000</b>	R'000
<b>20. RELATED PARTY TRANSACTIONS</b>		
Various transactions are entered into by the company and its subsidiaries during the year with related parties. Group transactions are eliminated on consolidation.		
<b>Manganese Metal Company (Proprietary) Limited</b>		
A 49% interest in Manganese Metal Company (Proprietary) Limited is held by Bilston Investments (Pty) Limited a fellow subsidiary of Delta EMD Limited.		
Value of goods and services purchased	<b>5 140</b>	58 574
Rental paid and other expenses	<b>7 619</b>	10 490
Value of amounts owing as at 27 December	<b>667</b>	7 002

#### **Subsidiaries**

Details of income from subsidiaries are disclosed in note 2.

Details of investments in subsidiaries are disclosed in note 10 and balances in Annexure A.

#### **Directors**

Details regarding directors' remuneration and interests are disclosed in note 8.

#### **Shareholders**

The principal shareholders of the company are disclosed on page 42.

## **21. FINANCIAL INSTRUMENTS**

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk (which comprises interest rate risk and market price risk). This note presents information about the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for measuring and managing risks and the Group's management of capital. The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries. The Group has no borrowings and consequently no gearing.

In respect of all financial instruments mentioned above, book value approximates fair value. Derivative instruments, if any, consist of forward exchange contracts which are used by the Group for economic hedging purposes. The Group does not trade in derivative instruments.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

Categorisation	Loans and receivables R'000	Non financial liabilities or assets R'000	Equity R'000	Total R'000
<b>21. FINANCIAL INSTRUMENTS (continued)</b>				
<b>At 27 December 2009</b>				
<b>ASSETS</b>				
<b>Non current assets</b>				
Property, plant and equipment	–	282 412	–	282 412
Non current assets held for sale	–	15 957	–	15 957
Non current assets	–	1 051	–	1 051
<b>Current assets</b>				
Inventories	–	124 355	–	124 355
Trade and other receivables	89 656	8 653	–	98 309
Bank and cash balances	216 846	–	–	216 846
	<b>306 502</b>	<b>432 428</b>	<b>–</b>	<b>738 930</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital and premium	–	–	4 856	4 856
Foreign currency translation reserve	–	–	25 558	25 558
Treasury shares	–	–	(181)	(181)
Accumulated profit	–	–	492 731	492 731
Deferred taxation liabilities	–	57 085	–	57 085
Non current liabilities	–	7 229	–	7 229
<b>Current liabilities</b>				
Trade and other payables	49 572	–	–	49 572
Short term provisions	–	56 407	–	56 407
Taxation	–	45 673	–	45 673
	<b>49 572</b>	<b>166 394</b>	<b>522 964</b>	<b>738 930</b>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

Categorisation	Loans and receivables R'000	Non financial liabilities or assets R'000	Equity R'000	Total R'000
<b>21. FINANCIAL INSTRUMENTS (continued)</b>				
<b>At 27 December 2008</b>				
<b>ASSETS</b>				
<b>Non current assets</b>				
Property, plant and equipment	–	293 664	–	293 664
Non current assets held for sale	–	10 368	–	10 368
Non current assets	–	1 051	–	1 051
<b>Current assets</b>				
Inventories	–	161 964	–	161 964
Trade and other receivables	165 460	10 534	–	175 994
Taxation overpaid	–	5	–	5
Bank and cash balances	230 077	–	–	230 077
	395 537	477 586	–	873 123
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital and premium	–	–	4 856	4 856
Foreign currency translation reserve	–	–	56 254	56 254
Treasury shares	–	–	(1 135)	(1 135)
Accumulated profit	–	–	535 425	535 425
Deferred taxation liabilities	–	59 865	–	59 865
Non current liabilities	–	49 307	–	49 307
<b>Current liabilities</b>				
Trade and other payables	63 997	4 272	–	68 269
Short term provisions	–	99 520	–	99 520
Taxation	–	762	–	762
	63 997	213 726	595 400	873 123

## 21.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and short term cash investments.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The carrying values, net of impairment allowances, amount to R89 656 000 (2008:R164 283 000) for trade receivables (refer note 13) and R8 653 000 (2008:R11 711 000) for other receivables.

The impairment allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at that point, the amount which is considered irrecoverable is written off against the financial assets directly.

The Group has a general credit policy of dealing with creditworthy counterparties and obtaining insurance through Lombard's Insurance Group, where appropriate, as a means of mitigating the risk of financial loss from defaults. New customers are analysed for creditworthiness before payment and delivery terms are offered. Operational management are held responsible for monitoring the operations' credit exposure.

Trade receivables consist of a relatively small number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of the Group's customers. Payment terms vary from cash on delivery to 60 days after bill of lading date.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

### 21. FINANCIAL INSTRUMENTS (continued)

#### 21.1 Credit risk (continued)

Due to the concentration of credit risk to a small number of customers, the majority of trade receivables have been insured with Lombard's Insurance Group.

When deemed necessary, the Group maintains an impairment allowance that represents its estimate of incurred losses in respect of trade and other receivables. The provision would be based on management's estimate of the total specific loss that relates to individually significant exposures, when deemed necessary. The total impairment allowance raised in the current financial year is Rnil (2008: Rnil) and the total amount written off to the income statement was Rnil (2008:Rnil). The credit quality of assets that are neither past due or impaired is considered to be good.

Ageing of trade receivables at 27 December	2009 R'000	2008 R'000
Not past due		
Delta EMD South Africa	85 056	80 560
Delta EMD Australia	–	43 582
Overdue		
0-30 days		
Delta EMD South Africa	2 896	28 960
Delta EMD Australia	–	3 850
31-60 days		
Delta EMD South Africa	–	7 331
61-180 days		
Delta EMD South Africa	1 704	–
	<b>89 656</b>	<b>164 283</b>

#### Investments

It is Group policy to deposit short term cash investments with only the major banks.

At the year end management did not consider there to be any material credit risk exposure that was not already covered by credit guarantee insurance or a bad debt provision.

#### 21.2 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The total balance of trade and other payables of R49.6 million (2008:R68.3 million) is payable within 6 months. Non-current liabilities represent mainly the long term portion of the provision for environmental rehabilitation and restoration.

There were overdraft facilities with ABSA Bank Limited for the current year of R50 million (2008: Rnil).

#### 21.3 Market risk

Market risk is the risk that changes in foreign exchange rates, interest rates and equity prices will affect the Group's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### Currency risk

The Group exposure to currency risk is in respect of limited sales to foreign customers and foreign purchases. The Group entities hedge their foreign currency risk exposure in respect of foreign purchases by taking out foreign currency forward exchange contracts. Exposure in respect of foreign customer balances outstanding is not hedged. Such balances represent on average less than 15% of total customer outstanding balances. It is the Group's policy not to trade in derivative financial instruments for speculative purposes.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 27 December 2009

## 21. FINANCIAL INSTRUMENTS (continued)

### 21.3 Currency risk (continued)

Changes in the fair value of forward exchange contracts that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. Both the changes in fair value of the forward exchange contracts and the foreign exchange gains and losses relating to the monetary items are recognised in operating profit.

There were no commitments to purchase or sell foreign currencies in terms of forward exchange contracts at year end (2008: R nil). A foreign currency sensitivity analysis has not been performed as the effect of changes in foreign currencies are not believed to have a significant effect on the Group's profit for the year.

#### Interest rate risk

A sensitivity analysis has not been performed as the effect of changes in interest rates are not believed to have a significant effect on the Group's profit for the year.

Interest rate profile of the Group's interest bearing financial instruments at 27 December.

Description	Currency	Interest rate	2009 R'000	2008 R'000
<b>Cash Investments</b>				
Australia	AUD	3.98%	77 052	106 009
South Africa	ZAR	6.8%	136 360	106 236
South Africa	USD	–	3 418	12 752
South Africa	EUR	–	13	4 036
South Africa	YEN	–	–	1 027
Total cash investments			216 843	230 060
Cash on hand			3	17
Total bank balances and cash			216 846	230 077

#### Equity risk

The Group does not have significant exposure to equity price risk as it does not hold equity investments classified as held-for-trading or available-for-sale.

## 22. RETIREMENT BENEFITS

The Group participated in the Delta Pension Fund, up until 30 May 2006, a registered and approved fund governed by the South African Pension Funds Act, 1956, as amended. The majority of employees in South Africa were members of the Fund, other than those required by legislation to be members of the various industry funds.

The Delta Pension Fund has a defined contribution section and a defined benefit section. The Delta Pension Fund is valued by an independent actuary every three years. The most recent statutory valuation, at 31 December 2007, identified adequate funding being an excess of assets of the fund over the past service liabilities. The projected unit credit method was used for this valuation. Details of the valuation are listed below:

	2007 R'000	2004 R'000
<b>Valuation results</b>		
Fair value of fund assets	10 685	34 340
Present value of plan obligations	(5 947)	(11 692)
<b>Excess assets at end of year</b>	4 738	22 648
<b>Assumptions</b>		
Valuation interest rate (pre retirement)	n/a	7.2%
Valuation interest rate (post retirement)	n/a	3.7%
Discount rate	2.6%	3.7%
Rate of compensation increase	n/a	5.0%

There is no past service liability in respect of active members at the valuation date as all active members have exited out of the fund.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 27 December 2009

### 22. RETIREMENT BENEFITS (continued)

The Fund's surplus apportionment scheme, which identified surplus available only to former members of the Fund was submitted to the Financial Services Board (FSB) on 16 January 2006 and was approved on 23 May 2006. As the surplus apportionment scheme recognised surplus available to former members of the Fund only, no asset has been recognised by the Group.

The Delta Pension Fund began payment of surplus in the last quarter of 2006 to former members who are entitled to share in the surplus and in respect of whom the Delta Pension Fund has sufficient detail. A resolution dated 17 October 2009 to appoint a liquidator to the Delta Pension Fund was signed by the Board of Management of the Delta Pension Fund and submitted to the Financial Services Board. The Liquidation date will be the date the Registrar approves the appointment of the liquidator selected by the Board of Management. To date the approval of the Liquidator remains outstanding. The Registrar has requested that the Board of Management submit additional information to support the appointment of the Liquidator. This additional information is a requirement in terms of a new Board Directive issued in 2009. Alexander Forbes, the appointed consultants to the Delta Pension Fund, are in the process of collating the required information for submission to the Registrar for consideration. It is anticipated that the approval will be granted shortly after the submission of the required information. Once the Liquidator is appointed the management of the Fund will vest in the approved liquidator.

On 1 June 2006 members of the Delta Pension Fund transferred to an umbrella retirement fund known as the Alexander Forbes Retirement Fund (Pension Section). This was as a result of the reduced membership in the Delta Pension Fund following the sale of Delta's non EMD businesses on 30 September 2005. The umbrella fund is more cost effective to manage.

The Group has no obligation to fund post retirement medical costs of employees.

Remaining employees in Australia belong to external independent superannuation funds. These funds are defined contribution funds.

### 23. POST BALANCE SHEET EVENTS

The Group announced a final dividend of 80 cents per share on 19 February 2010, which shall be paid from existing cash balances. The Secondary Taxation on Companies effect of the dividend will be a payment of R3.9 million. Furthermore, the Group issued a cautionary announcement on 18 January 2010 advising shareholders that the Group has commenced a process intended to realise shareholder value through a disposal of the Delta EMD business, the Group's last remaining operation. This process might have a material effect on the price of the Delta EMD Limited's securities and accordingly, shareholders are advised to exercise caution when dealing in the Delta EMD Limited's securities until a further announcement is made.

## SHAREHOLDER'S PROFILE

By type of shareholder			Ordinary shares issued	
Number	%		Number in 000's	%
503	65.6	Individual shareholders	1 396	2.9
263	34.3	Corporate bodies	20 030	40.7
1	0.1	Delta Group Limited	27 740	56.4
767	100.0		49 166	100.0
By size of shareholding				
579	75.5	Held up to 7 000 shares	776	1.6
105	13.7	Held between 7 001 and 35 000 shares	1 835	3.7
57	7.4	Held between 35 001 and 175 000 shares	4 538	9.2
26	3.4	Held over 175 000 shares	42 017	85.5
767	100.0		49 166	100

### MAJOR INDIVIDUAL HOLDINGS

According to the register of shareholders and having made enquiries of nominees and other registered holders at 27 December 2009, the following parties hold beneficial interest of 2% or more of the issued share capital:

Delta Group Limited	27 740	56.4
Carolife Special Opportunites Fund	2 171	4.4
RMB Securities (Proprietary) Limited	1 606	3.3
Eskom Pension & Provident fund	1 319	2.7
Rand Merchant Bank	1 153	2.4
	33 989	69.2

### NON-PUBLIC SHAREHOLDER SPREAD ANALYSIS

Delta Group Limited (including Delta directors qualification shares)	27 740	56.4
Delta Director Holdings (beneficial)	30	0.1
Delta Share Incentive Scheme	22	0.0
<b>Total non-public interests</b>	27 792	56.5
Balance as held by public as defined	21 374	43.5
	49 166	100.0

## SHAREHOLDER'S DIARY

Financial Year End	27 December
Annual General Meeting	29 April 2010
Report and Profit statements:	
Interim for half year to end June 2010 – Published	August 2010
Final for year to 27 December 2010 – Published	February 2011
Dividends:	
Interim	
– declared	August 2010
– paid	September 2010
Final	
– declared	February 2011
– paid	March 2011

## INVESTMENTS IN SUBSIDIARY COMPANIES

### INVESTMENTS IN SUBSIDIARY COMPANIES

#### Financial information in respect of interests in subsidiary companies:

Name of Company	Percentage holding		Nature of business	Issued Share Capital	Interest of holding company			
	2009 %	2008 %			Shares		Indebtedness	
				R'000	2009 R'000	2008 R'000	2009 R'000	2008 R'000
<b>DIRECT SUBSIDIARIES</b>								
EMD Investments (Proprietary) Limited	100	100	Investment holding company	2 129	327 412	327 412	225 197	225 028
Dormant Companies	100	100	Dormant	777	2 650	2 650	(114)	(114)
Total direct subsidiary companies					330 062	330 062	225 083	224 914
<b>INDIRECT SUBSIDIARIES</b>								
Delta (E.M.D.) (Proprietary) Limited	100	100	Manufacture and distribution of electrolytic manganese dioxide	–	–	–	1 020	102 283
Delta EMD Australia Proprietary Limited	100	100	Dormant	–	–	–	–	–
Total investment in subsidiaries					330 062	330 062	226 103	327 197
Less: Provision for impairment					(2 537)	(2 537)	–	–
Total investment in subsidiaries after impairment					327 525	327 525	226 103	327 197

Profits after tax attributable to subsidiary companies were R189 570 000 (2008: R94 903 000)

Losses after tax attributable to subsidiary companies for the year were Rnil (2008: Rnil)

# NOTICE TO SHAREHOLDERS



## DELTA EMD LIMITED

(Formerly Delta Electrical Industries Limited)  
 (Incorporated in the Republic of South Africa)  
 (Registration number 1919/006020/06)  
 Share code: DTA ISIN: ZAE000132817  
 ("Delta" or "the Company")

Notice is hereby given that the ninety-third annual general meeting of shareholders of Delta will be held at the Conference Centre, 12th Floor, Radisson Blu Hotel, corner of Rivonia and Daisy Roads, Sandton, Johannesburg, on Thursday 29 April 2010 at 11h00 for the following purposes:

1. To receive and consider the annual financial statements of the Company and the Group for the year ended 27 December 2009.
2. To re-elect the following directors of the Company:
  - 2.1 Mr. P. Baijnath
  - 2.2 Mr. J. S. Seymore

who retire by rotation in terms of the Company's articles of association ("the articles") and being eligible, offer themselves for re-election.

A brief curriculum vitae follows in respect of each director referred to above:

### **Mr. P. Baijnath (46) Chem. Eng, MSAIChe, MBA (Wales), PMD (UCT) (Chief Executive Officer)**

Mr. P. Baijnath joined the Group as C.E.O. on 26 January 2009. He has 22 years experience in the chemical processes industry and was the Chief Executive Officer of Gold Reef Specialty Chemicals, as well as a director on the operational board of the Frame Textile Group. Previously, he was employed for 20 years with ICI/Huntsman Tioxide in a series of increasingly responsible international roles, culminating as a member of the senior management team at Huntsman Tioxide Southern Africa.

### **Mr. J. S. Seymore (42) CA (S.A.) (Executive Director)**

Mr. J. S. Seymore joined the Group on 3 December 2009. He has 22 years of diverse financial, strategic and operations management experience within global engineering, telecoms, defence, mining and industrial groups and served as Financial Director/CFO for VWS Envig (Pty) Limited and prior to that as CFO for SAAB Grintek Limited.

3. To re-appoint Deloitte & Touche as the independent auditors of the Company, to determine their remuneration for the past year and to appoint M. H. Holme as the individual designated auditor of the Company to hold office for the ensuing year.

To consider and, if approved, to pass with or without modification, the following resolutions:

4. **Ordinary resolution number 1**

"RESOLVED THAT the annual fees payable by the Company to independent non-executive directors be approved for 2009 and payable in 2010 as follows:

Board/Committee	Proposed fee	
	2009 R'000	2010 R'000
Non-executive (non-independent) Chairman	300	300
Non-executive Directors	100	100
Chairman of the Audit and Risk Committee	80	80
Member of the Audit and Risk Committee	40	40
Member of the Remuneration and Nominations Committee	30	30

The fees have been recommended by the Remuneration and Nominations Committees".

## NOTICE TO SHAREHOLDERS (continued)

### 5. Ordinary resolution number 2

“RESOLVED THAT the authorised but unissued ordinary shares in the capital of the Company be and are hereby placed under the control and authority of the directors of the Company until the next annual general meeting and that the directors of the Company be and are hereby authorised and empowered to allot, issue and otherwise dispose of such ordinary shares to such person or persons on such terms and conditions and at such times as the directors of the Company may from time to time and in their discretion deem fit, subject to the provisions of the Companies Act (Act 61 of 1973) as amended (“the Act”), the articles of the Company and the Listings Requirements of the JSE Limited (“JSE”), when applicable”.

### 6. Ordinary resolution number 3

“RESOLVED THAT the board of directors of Delta be and are hereby authorised by way of a general authority to make payment to Delta shareholders from the Company’s share capital and/or share premium as and when they in their discretion deem fit, subject to the Act and specifically to the provisions of section 90 of the Act, the Company’s articles, the JSE Listings Requirements, and the following limitations, namely that:

- (a) this authority is valid until the Company’s next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;
- (b) the payment shall not exceed 20% of the Company’s issued share capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, in any one financial year, measured as at the beginning of such financial year; and
- (c) any general payment will be made pro rata to all shareholders.
- (d) Announcements will be published on SENS and in the press setting out the financial effects of the general payment prior to such payment being effected and complying with Section 11.31 and Schedule 24 of the JSE Listings Requirements”

#### Rationale for the authority

The board of directors of Delta intend to use the authority, if appropriate, to make a cash payment to shareholders should there be excess cash reserves on hand in the Group.

Other disclosure required in terms of the JSE Listings Requirements is set out under special resolution number 1.

### 7. Special resolution number 1

Special resolution number 1

“RESOLVED THAT, as a general approval contemplated in sections 85 to 89 of the Act, the acquisitions by the Company, and/or any subsidiary of the Company, from time to time of the issued ordinary shares of the Company, upon such terms and conditions and in such amounts as the directors of the Company may from time to time determine, be and is hereby authorised, but subject to the Articles of Association of the Company, the provisions of the Act and the JSE Listings Requirements, when applicable, and provided that –

- (a) the repurchase shall not in the aggregate in any one financial year exceed 20% of the Company’s issued share capital of that class;
- (b) the repurchase must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter party (reported trades are prohibited);
- (c) this authority shall lapse on the earlier of the date of the next annual general meeting of the Company or the date 15 months after the date on which this resolution is passed;
- (d) the price paid per ordinary share may not be greater than 10% above the weighted average of the market value of the ordinary shares for the 5 business days immediately preceding the date of the repurchase;

## NOTICE TO SHAREHOLDERS

- (e) the number of ordinary shares purchased and held by a subsidiary or subsidiaries of the Company shall not exceed 10% in the aggregate of the number of issued ordinary shares in the Company at the relevant times;
- (f) the Company only appoints one agent to effect any repurchase(s) on its behalf;
- (g) after such repurchase the Company will still comply with the JSE Listings Requirements concerning shareholder spread requirements;
- (h) the Company and the Group will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period; and
- (i) when the Company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement will be made."

The reason for and the effect of the special resolution 1 is to grant the Company's directors a general authority to approve the Company's repurchase of its own ordinary shares and to permit a subsidiary of the Company to purchase ordinary shares in the Company.

At the present time the directors have no specific intention with regard to the utilisation of this authority which will only be used if the circumstances are appropriate.

For the purposes of considering ordinary resolution number 3 and special resolution number 1 and in compliance with the JSE Listings Requirements, the following is disclosed, some of which disclosures are contained elsewhere in the annual report of which this notice of annual general meeting forms part.

### **Working capital undertaking:**

The Company's directors undertake that they will not implement the proposed general payment or general repurchase, unless the following conditions are met:

- (a) the Company and the Group will be able to pay their debts in the ordinary course of business for a period of 12 months after the date of the general payment/general repurchase;
- (b) recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements, the assets of the Company and the Group will exceed the liabilities of the Company and the Group for a period of 12 months after the general payment/general repurchase;
- (c) the ordinary capital and reserves of the Company and the Group will be adequate for the purposes of the business of the Company and the Group for a period of 12 months after the general payment/general repurchase;
- (d) the available working capital of the Company and the Group will be adequate for the purposes of the business of the Company and the Group for a period of 12 months after the general payment/general repurchase; and
- (e) on entering the market to proceed with the general payment/general repurchase, the Company's sponsor has confirmed that they are satisfied, prima facie, that the working capital pack supports the directors statement on the working capital, in writing to the JSE.

### **Directors' responsibility statement**

The directors, whose names are given on page 1 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given regarding ordinary resolution number 3 and special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the ordinary resolution number 3 and special resolution number 1 contain all information required by law and the JSE Listings Requirements.

## NOTICE TO SHAREHOLDERS (continued)

### Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the financial or trading position of Delta and its subsidiaries between Delta's financial year end and the date of this notice.

### Litigation statement

The directors, whose names are given on page 1 of the annual report are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened of which the Company is aware, that may have or have in the previous 12 months had a material effect on the Group's financial position.

- directors and management – page 1
- major shareholders of Delta – page 42
- directors' interests in securities – page 30
- share capital of Delta – page 32

### 8. To transact such other business as may be transacted at an annual general meeting.

#### VOTING AND PROXIES

On a show of hands every shareholder present in person or represented in terms of section 188 of the Act, shall have one vote and on a poll every shareholder present in person or by proxy or so represented shall have one vote for every share held by such shareholder.

A shareholder entitled to attend, speak and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend, speak and vote in place of that shareholder. A proxy need not be a shareholder of the Company.

Registered certificated shareholders and dematerialised shareholders with own name registration and who are unable to attend the annual general meeting and who wish to be represented at the meeting, must complete and return the attached form of proxy in accordance with the instructions contained therein, so as to be received by the transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (P O Box 61051, Marshalltown 2107) by no later than 11:00 on Tuesday 27 April 2010.

Holders of Delta ordinary shares (whether certificated or dematerialised) through a nominee should timeously make the necessary arrangements with that nominee or, if applicable, CSDP or broker to enable them to attend and vote at the annual general meeting or to enable their votes in respect of their Delta ordinary shares to be cast at the annual general meeting by that nominee or a proxy or a representative.

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

By order of the Board

#### **Statucor (Proprietary) Limited**

15 Heyneke Street  
Industrial Site  
Nelspruit  
Mpumalanga, 1200

5 March 2010

# FORM OF PROXY



## DELTA EMD LIMITED

(Formerly Delta Electrical Industries Limited)  
 (Incorporated in the Republic of South Africa)  
 (Registration number 1919/006020/06)  
 Share code: DTA ISIN: ZAE000132817  
 ("Delta" or "the Company")

**For use by certificated shareholders and dematerialised shareholders with own name registration only, at the annual general meeting of shareholders of the Company to be held at the Conference Centre, 12th Floor, Radisson Blu Hotel, corner of Rivonia and Daisy Roads, Sandton, Johannesburg, on Thursday 29 April 2010 at 11h00.**

**Dematerialised shareholders without own name registration, must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary Letter of Representation to attend the annual general meeting in person and vote or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. These shareholders must not use this form of proxy.**

I/We

(Name in block letters)

of

(address)

being the holders of \_\_\_\_\_ shares in the capital of the Company do hereby

appoint (see note):

1. \_\_\_\_\_ or failing him/her.

2. \_\_\_\_\_ or failing him/her.

3. the Chairperson of the annual general meeting,

as my/our proxy to act for me/us at the annual general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof; and to abstain from voting for and/or against the resolutions in respect of the ordinary shares registered in my/our name in accordance with the following instructions:

	For	Against	Abstain
1. Adoption of annual financial statements.			
2. Re-election of directors:			
2.1 Mr P. Baijnath			
2.2 Mr J. S. Seymore			
3. Re-appointment of Deloitte & Touche as auditors.			
4. <b>Ordinary Resolution Number 1:</b> Approval of fees paid to the non-executive directors.			
5. <b>Ordinary Resolution Number 2:</b> Placement of unissued share capital under the control of the directors.			
6. <b>Ordinary Resolution Number 3:</b> General authority to make payment to shareholders.			
7. <b>Special Resolution Number 1:</b> General authority to repurchase ordinary shares.			

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

Signature

Assisted by (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the meeting.

# NOTES TO THE FORM OF PROXY

1. The form of proxy must only be used by certificated shareholders or dematerialised shareholders with own name registration.
2. Shareholders are reminded that the onus is on them to communicate with their CSDP.
3. A shareholder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the annual general meeting". A proxy need not be a shareholder of the Company. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box(es). Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the ordinary shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries not less than 48 hours before the commencement of the annual general meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company or unless this requirement is waived by the Chairperson of the annual general meeting.
10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing her/her capacity are produced or have been registered by the Company.
11. Where there are joint holders of ordinary shares:
  - (i) any one holder may sign the form of proxy;
  - (ii) the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear on the Company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
12. Forms of proxy should be lodged with or mailed to Computershare Investor Services (Pty) Limited:

<b>Hand deliveries to:</b> Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001.	<b>Postal deliveries to:</b> Computershare Investor Services (Pty) Limited, P O Box 61051, Marshalltown, 2107.
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to be received by no later than 11h00 on Tuesday, 27 April 2010 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified in the press).
13. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory/ies.