

ANNUAL REPORT

2015/16



**SOUTH AFRICAN DIAMOND AND
PRECIOUS METALS REGULATOR**

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PART A
GENERAL INFORMATION

ABOUT THE SADPMR



SOUTH AFRICAN DIAMOND AND
PRECIOUS METALS REGULATOR

The South African Diamond and Precious Metals Regulator (SADPMR) was established in terms of the Diamond Act, 1986 (Act No 56 of 1986) as amended and is as a public entity classified under Schedule 3A of the Public Finance Management Act, 1999 (Act No 1 of 1999) as amended.

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COMPANY SECRETARY

Ms Karabo Sibanyoni

LIST OF ABBREVIATIONS/ACRONYMS AND SYMBOLS

AG	Auditor-General
B-BBEE	Broad-Based Black Economic Empowerment
B-BSEEC	Broad-Based Socio-Economic Empowerment Charter
CEO	Chief Executive Officer
DEEC	Diamond Exchange and Export Centre
DMR	Department of Mineral Resources
DR	Disaster Recovery
GDV	Government Diamond Valuator
GRAP	Generally Recognised Accounting Practices
HRM	Human Resources Management
ICT	Information and Communications Technology
KPCS	Kimberley Process Certification Scheme
MISS	Minimum Information Security Standards
MPRD	Mineral and Petroleum Resources Development Act, 2002
MPSS	Minimum Physical Security Standards
MSP	Master Systems Plan
NVS	National Vetting Strategy
OHSA	Occupational Health and Safety Act
PFMA	Public Finance Management Act, 1999
PMDS	Performance Management and Development System
PPC	Parliamentary Portfolio Committee
PPPFA	Preferential Procurement Policy Framework Act
SADPMR	South African Diamond and Precious Metals Regulator
SDT	State Diamond Trader
WSP	Workplace Skills Plan
US\$	US Dollar unless otherwise specified



LEGISLATIVE MANDATE AND PURPOSE OF THIS REPORT

The SADPMR is required in terms of section 55 of the PFMA to compile an Annual Report at the end of every financial year in order to adhere to and uphold the principles of good governance within government.

This report is compiled and aligned to the SADPMR's:

- Five-year Strategic Plan
- Annual Performance Plan of 2015/16 financial year
- Risk Management Policy
- Human Resources Policies
- Organisational Structure, and
- Audited Financial Statements.

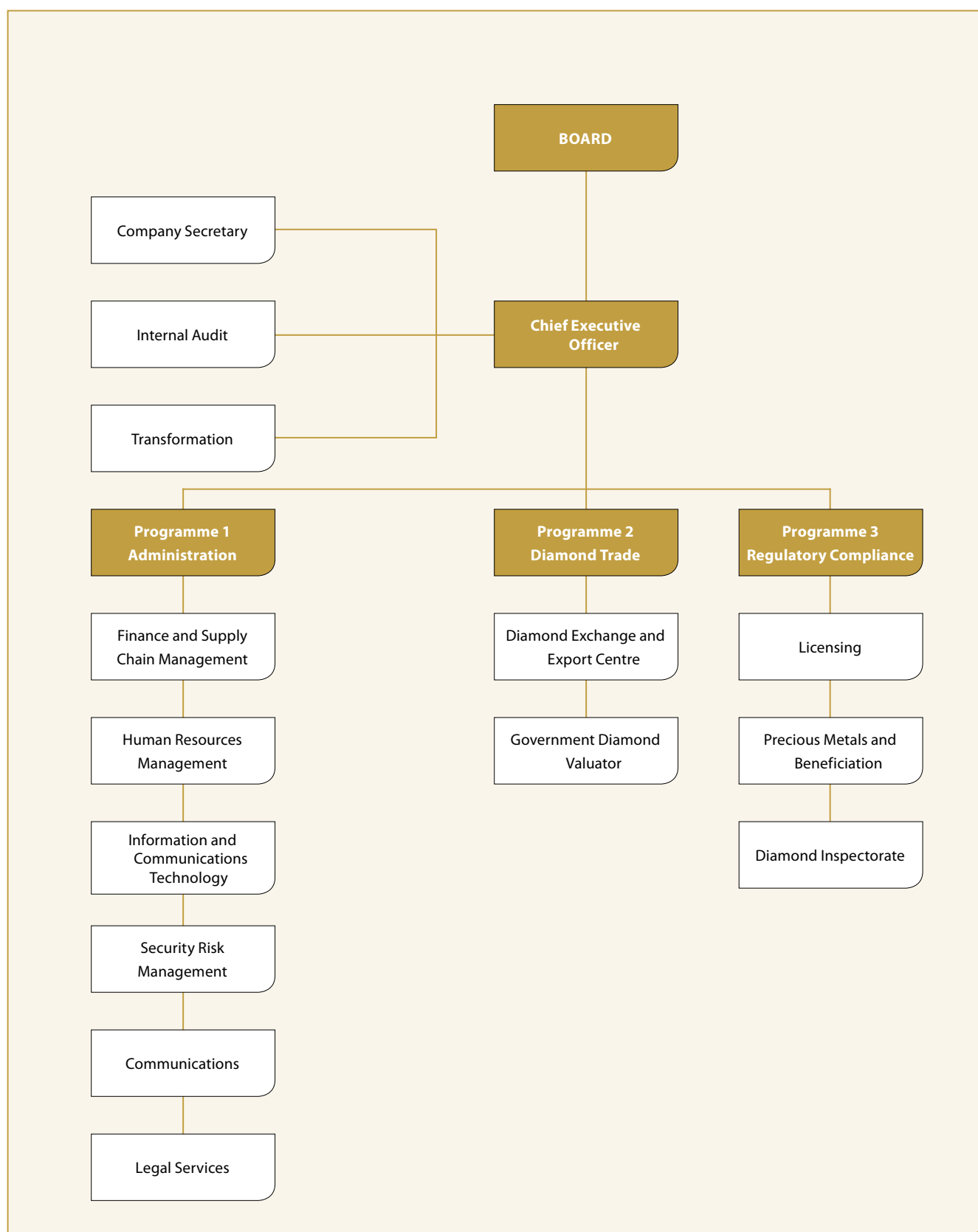
PROGRAMMES OF THE SADPMR

The SADPMR has structured its organisational structure according to the following programmes:

- **Programme 1:**
Administration (Legal Services, Human Resources Management, Information and Communications Technology, Communications, Finance and Supply Chain Management and Security Risk Management)
- **Programme 2:**
Diamond Trade (Government Diamond Valuator, Diamond Exchange and Export Centre)
- **Programme 3:**
Regulatory Compliance (Licensing, Diamond Inspectorate and Precious Metals and Beneficiation)



PROGRAMME STRUCTURE



FOREWORD BY THE CHAIRPERSON



As we table this Annual Report 2015/16, on behalf of the Board of Directors we remain committed in providing stewardship to the diamond and precious metals industries in South Africa and to ensure these contribute positively to the socio-economic development of the country. Our Annual Report for this financial year under review provides our partners and stakeholders with an account of the work done, successes, milestones as well as challenges that we are facing.

We bear in mind the challenges we currently face in reviving the downstream diamond and precious metals industries due to, among others, the declining beneficiation industry as a result of the economic downturn that is shaking the South African mining industry. The SADPMR has had an immense task of bringing the ailing industry back to life and introducing measures that will ensure sustainability.

Even though transformation in the industry remains a challenge, great strides have been made by the Licensing Committee through the Transformation Team, a division in the SADPMR, to ensure that licence holders remained committed to the undertakings they have made in terms of the Mining Charter.

As part of our endeavour in the transformation process, the Board through its committees, also oversaw various initiatives and programmes of the SADPMR, including the supervision of the learnership and training programme by management, which placed young graduates in established companies to complete internships and training.

Our work during the year also focused on intensifying our engagements with key strategic partners and consultations with key industry players and associations with a view to strengthen and revive the industry to its rightful place of positively contributing to the country's socio-economic development and removing operational industry barriers.

Through the Board's Technical Committee, which spearheaded these engagements, the SADPMR has been able to gain insight and better understanding of the stakeholder landscape and substantial relationships as a basis for the formation of substantial relationships with enforcement agencies such as the South African Revenue Services (SARS) to create engagement forums to discuss where compliance matters and procedures can be discussed.

Within a six-year period, the SADPMR has had four clean and two unqualified audit outcomes. That kind of success can only be attributed to the management's strict adherence to control measures, operating procedures and the unequivocal implementation of legislative provisions. I would therefore like to thank both the Finance and Audit and Risk Committees for their steadfast approach and consistent demand for the highest standards from the staff of the SADPMR.

As this is my final term in office as the Board Chairperson, I take this opportunity to pass my sincere gratitude to the Chief Executive Officer of the SADPMR, Mr Levy Rapoo, whose exceptional administration leadership has supported the functions of the Board and its committees with excellence and I am proud to leave the organisation with such strength administratively, a committed staff and robustness that will take the industry to greater heights.

To the Deputy Chairperson, Mr Steve Phiri and my fellow Board members, I thank you for the unwavering support and contribution towards the realisation of our collective vision for the success of the SADPMR. I feel privileged to have had the opportunity to serve the organisation with all of you and as I leave, I feel more optimistic about the bright future ahead for the SADPMR. I wish to again pass the Board's condolences to the family and friends of Mr Leon Grobler, who passed away in December 2015. We thank you for the indelible mark you have left in the Board of the SADPMR.

A stylized handwritten signature in black ink, appearing to read 'N Mkhumane'.

N Mkhumane
Chairperson

AN OVERVIEW FROM THE CHIEF EXECUTIVE OFFICER



The time has come that I bid the South African Diamond and Precious Metals Regulator (SADPMR), as well as our valuable players in the diamond and precious metals industries, a warm goodbye, as my services within the SADPMR terminates on 31 May 2016. As I do so, let me also reflect on the manifestation of realities during the past six years of my reign in the midst of the regulatory regime in this mineral sector.

The entire mineral sector was hit by a severe economic recession globally in 2008. The economic situation was still not better when I joined the SADPMR in February 2010. Indeed my entry into this sector was at a difficult time, when the industry was expecting someone to come up with a plan or strategy to save the situation and resuscitate the collapsed economy.

Nevertheless, as expected from us by the public, needless of the circumstances, we continued to deliver on our mandate with the available resources at our disposal. Considering the dire situation the industry was faced with and also understanding that recessions do not automatically change regulatory mandate, we introduced a culture of consultation rather than being steadfast in demanding regulatory compliance. This approach saved the earlier closure of some operations that were already in distress.

To date, since my reign from 2010, economic growth has been a challenge in our industries. It is regretful that some of our cutting and polishing industries had to close due to the global escalation in diamond pricing. The gold and platinum mines also had to down-scale due to the collapse in the price of these commodities. Whilst the economic situation was not in favour of our industries, I am pleased that the beneficiation of the precious metals licensees under the SADPMR continued to survive, at least up until the end of the period under review.

Also in pursuing the culture of consultation referred to earlier, I made an intervention in the many disputes that we had in the fair market value on diamond pricing, by introducing the process of collaborating and negotiating with the diamond producers in agreeing to a fair market value, as required by the provisions of section 59 of the Diamond Act, Act No 56 of 1986, as amended. Again, I am pleased and happy to report that we have achieved and those many disputes we used to experience, have been eradicated. Since 2011 to date, we dealt only with two disputes in this particular regard.

In furthering and improving the quality of service to the industry, the SADPMR relocated to a bigger, more secure building within the Jewellery precinct. The move resulted in us having a state-of-the-art DEEC, the first of its kind in Africa, with an additional 30 viewing rooms for the local diamond industry. The SADPMR also created jobs by training and employing new staff in order to capacitate the new improved DEEC.

We also introduced and conducted a number of workshops and road shows throughout the country, which served as an awareness campaign on the existence of the SADPMR, as well as assisting the licence holders in complying with the provisions of the Broad-Based Socio-Economic Empowerment Charter (B-BBEE).

Several audits were also conducted in order to determine compliance to the requirements of the charter. Regrettably, I must report that the audits revealed that there is very little or no achievements to the requirements of the charter.

As a result of the above said outcome of the audit, I am pleased that on the advice of management, the Board of the SADPMR approved that a dedicated Transformation Team, be appointed to start enforcing the requirements of the charter. Two officials were appointed from the existing staff of the SADPMR. The Transformation Team have been active for the past two years and I am delighted to report with pride, the wonderful progress and achievements that the team has made in getting companies to comply as per the mandate and requirements of the charter. I hope and trust that this initiative will be further supported and be more capacitated, so that the broader spectrum of the SADPMR licences can be covered.

In conclusion, I would like to thank all members of management and the entire staff component of the South African Diamond and Precious Metals Regulator, for the support, commitment and dedication that they afforded me during the past six years. Indeed, it is due to this support that we managed to achieve four consecutive clean audit reports and two unqualified reports.

Let me close by reflecting on the strategic leadership that lead and contributed to all the aforesaid achievements. I heartily want to thank the Board of the SADPMR particularly for its leadership and support. It is their steadfast approach when dealing with matters that made me a better person. I salute and bid this organisation goodbye and do this with pride and confidence, that the South African Diamond and Precious Metals Regulator performed very well over the past six years. I encourage the staff of the SADPMR to continue in achieving clean audit opinions in the coming financial year as it did in the 2015/16 financial year.

Levy Rapoo

Chief Executive Officer







PART B
PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR THE PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2016

The Chief Executive Officer is responsible for the preparation of the South African Diamond and Precious Metals Regulator's performance information and for the judgements made in this information.

In addition to the above, the Chief Executive Officer is also responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of performance information.

In my opinion, the performance information fairly reflects the operations of the public entity for the financial year ended 31 March 2016.



Mr L Rapoo
Chief Executive Officer



Ms N Mkhumane
Chairperson of the Board



AUDITOR-GENERAL'S REPORT

PREDETERMINED OBJECTIVES

The Auditor-General (AG) currently performs audit procedures on the performance information for usefulness and reliability, compliance with laws and regulations and internal control, but an opinion is not expressed on the performance information.

A separate paragraph, 'predetermined objectives', is included in the current audit report on the financial statements. The paragraph comments on the work performed by the AG and the findings.

The AG's report is currently included in the Annual Financial Statements. The findings of the work performed by the AG on performance information will be more useful and relevant if it is read in conjunction with the reporting of performance information in this Annual Report.



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

REPORTING: ANNUAL PERFORMANCE REPORT FOR THE 2015/16 FINANCIAL YEAR

(A) Programme 1: Administration

Sub-programmes: Legal Services, Finance and Supply Chain Management, Information and Communications Technology, Communications, Human Resources Management and Security Risk Management

Strategic objective	Key activities	Measures	Baseline	Annual target	Actual performance	Variance/constraints and remedies
To enforce compliance with legislative requirements	Comply with legislation, policies and procedures	Reduction in a number of repeated findings	5	5	Achieved: Five repeat audit findings were addressed during the year under review	
To improve organisational capacity for maximum execution of excellence	Implement the approved Human Resources Plan	Number of HR pillars implemented	5	5	Achieved: Five pillars of Human Resources Plan implemented	
	Implement the approved SADPMR communication policy	Number of engagements with internal and external stakeholders	12	12	Achieved: 12 workshops and meetings conducted	
	Implement the Master Systems Plan (MSP)	Number of MSP programmes implemented	2	3	Achieved: Three MSP programmes implemented	
	Implement the Minimum Information Security Standards (MISS)	Number of MISS programmes implemented	2	3	Achieved: Three MISS programmes implemented	
	Provide legal support to the SADPMR	Percentage of matters referred for legal advice and addressed within 30 days	100% of requests received and addressed	100%	Achieved: 100% of matters referred and addressed	
		Percentage of legal opinions obtained on behalf of the SADPMR	100% of requests received and addressed	100%	Achieved: 100% of matters referred and addressed	
		Number of legislative amendments submitted to the DMR.	0	2	Not achieved	The amendments to the Diamond Act is dependent on the finalisation of MPRDA.
		Percentage of contracts and SLAs vetted within 30 days	100%	100%	Achieved: 100% of contracts and SLAs vetted	

Programme 2: Diamond Trade

Sub-programmes: Government Diamond Valuator, Diamond Exchange and Export Centre and Kimberley Process Certification Scheme.

Strategic objective	Key activities	Measures	Baseline	Annual target	Actual performance	Variance/constraints and remedies
To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries	Facilitate skills development initiatives for the industries	Number of skills initiatives facilitated for the industries	2	2	Achieved: Two skills initiatives facilitated	
To improve equitable access to resources for local beneficiation	Increase access to diamonds for local beneficiation	Number of beneficiaries accessing the DEEC	287	287	Not achieved: 131 Diamond Beneficiations accessed the DEEC	Constraints: Due to the global economic downturn there was an increase in the number of businesses that closed down. This led to and increase in the number of inactive beneficiaries. Remedy: Review the targets to align them to the current economic environment.
		Number of polished diamond tenders facilitated	1	5	Achieved: 18 polished diamond tenders facilitated	Improvements in the polished diamond market resulted in more parcels purchased.
		Number of clients accessing the DEEC	3 522	3 550	Not achieved: 2 845 clients accessed the DEEC	Constraints: Due to the global economic downturn there was increase in the number of businesses that closed down. Remedy: Review the targets to align them to the current economic environment.
To enforce compliance with legislative requirements	Conduct diamond valuation services	% of valuations conducted regarding the fair market value lodged	100% of diamonds offered/ presented	100% of diamonds offered/ presented	Achieved: 100% (428) of diamonds offered/presented	
	Improve diamond valuation services	% of disputes on valuations regarding the fair market value lodged	0%	Maximum of 2% disputes	Achieved: No disputes lodged	
	Oversee the administration of KPCS	% compliance with KPCS requirements	100% compliance with KPCS minimum requirement	100% compliance with KPCS minimum requirements	Achieved 1 074 KPCS: Issued in line with minimum requirements	



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

Programme 3: Regulatory Compliance**Sub-programmes:** Licensing, Diamond Inspectorate and Precious Metals Beneficiation.

Strategic objective	Key activities	Measures	Baseline	Annual target	Actual performance	Variance/constraints and remedies
To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries	Issue licences to enable diamond and precious metals trade	Number of new licences issued within 60 working days based on completeness of the applications	136	150	Achieved: 195 licences issued	Received more applications than anticipated.
		Number of licence renewals processed within 60 working days based on completeness of the applications	Establish baseline	360	Not achieved: 90 renewals issued	Constraints: Limitation to accessibility to file monitoring system. Remedy: Turnaround plan has already produced positive results in subsequent quarter. File monitoring also devolved to all relevant officials.
	Assist new entrepreneurs in the diamond and precious metals industries	Number of new entrepreneurs assisted	7	8	Achieved: Nine new entrepreneurs assisted	Due to workshops held, more persons showed interest, as a result an additional person was assisted.
To enforce compliance with legislative requirements	Conduct compliance inspections audits on licensees	Number of B-BSEEC compliance inspections/audits conducted	272	272	Achieved: 408 compliance audits conducted	More resources allocated for conducting compliance inspections.
	Conduct inspection services within the diamond and precious metals sectors	Number of inspections conducted	1 444	1 444	Achieved: 1 478 inspections conducted (750 precious metals inspections and 728 diamond inspections)	Follow-up inspections and additional inspection requests from licensing for further verification.

Strategic objective	Key activities	Measures	Baseline	Annual target	Actual performance	Variance/constraints and remedies
To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries	Oversee the provision for issuing of beneficiation licences	Number of beneficiation licences issued	63	63	Achieved: 66 Beneficiation licences issued	Received more application than anticipated.
To transform the diamonds and precious metals sectors	Promote participation of HDSAs in the diamond and precious metals industries	Number of HDSAs issued with beneficiation licences	14	15	Not achieved: 12 HDSA licences issued	Constraints: Received less number of beneficiation applications (HDSAs) as anticipated Remedy: Review the targets to align them to the current economic environment. Workshops, specifically in remote areas to encourage HDSAs.
	Decrease the number of inactive businesses	Number of inactive businesses assisted	22	30	Achieved: 31 (16 precious metals inactive licensees and 15 inactive diamond licensees engaged with)	Due to workshops held, more businesses showed interest, as a result an additional business was assisted.
	Facilitate skills development initiatives for the industries	Number of skills initiatives facilitated for diamonds and precious metals industries	3	3	Achieved: Three workshops conducted	



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

OVERVIEW OF THE SADPMR'S PERFORMANCE

PROGRAMME 1: ADMINISTRATION

The Administration Programme of the SADPMR is primarily made up of divisions that enable and support the core divisions within the SADPMR in carrying out the entity's legislative mandate. The programme is made up of Finance, Human Resources Management, Information and Communications Technology, Legal Services and Security Risk Management Divisions.

The Finance Division provides support to the SADPMR by ensuring that the budget is aligned to the entity's strategic objectives. This is achieved by ensuring that the SADPMR's revenue, expenditure, assets and liabilities are managed efficiently and effectively in accordance to the provisions of the PFMA. The Finance Division is also responsible for timely submission of the Annual Financial Statements and to report any matter to the Department of Mineral Resources and the National Treasury as may be required.

The Human Resources Management provides services relating to organisational development, recruitment, selection, facilitating performance evaluations of employees through a Performance Management and Development System (PMDS), managing service benefits, an employee wellness programme (EWP), labour relations management and building human resources capacity through training and development interventions.

Information and Communications Technology is responsible for enabling business processes and to ensure that ICT strategy is aligned to business strategy through the development of a Master Systems Plan.

The Security Risk Management Division is responsible for the Minimum Information Security Standards (MISS), Minimum Physical Security Standards (MPSS) and a National Vetting Strategy (NVS).

The Legal Services Division provides overall legal support to divisions within the SADPMR and ensures compliance with the Diamond Act, 1986, Diamond Export Levy Administration Act, 2005 and Precious Metals Act, 2005 within the diamond and precious metals industries.

PROGRAMME 2: DIAMOND TRADE

The Diamond Trade Programme comprises of the Government Diamond Valuator and Diamond Exchange and Export Centre. Both divisions form an integral part of the SADPMR as they are responsible for the facilitation of local trade, exports and imports of diamonds in South Africa. The programme carries out its functions fairly and openly, in accordance to the Kimberley Process Certification Scheme.

The GDV provides valuation services related to diamond exports, imports and the diamond production offered to the State Diamond Trader by diamond producers, in terms of the Diamond Act, 1986. It ensures that diamonds are traded at fair market value and provides technical and expert opinion on diamonds in criminal investigations and judicial proceedings.

The DEEC established in terms of section 59 of the Diamond Act, 1956, as amended. The DEEC facilitates the local sale of diamonds by conducting tenders where the local buyers can view and bid on the diamonds. Once the process is complete, the DEEC is also responsible for the registration of all exports and imports of diamonds in South Africa. The division carries out this function through the issuing and receiving of shipments through a Kimberley Process Certificate.

South Africa is a participant and one of the founding members of the KPCS, a multilateral organisation where member countries have undertook to export/import through the prescribed KP manner. The purpose of starting the organisation was to curb the illegal trade of diamonds with the purpose of funding conflict and wars in various countries.

PROGRAMME 3: REGULATORY COMPLIANCE

The Regulatory Compliance Programme consist of:

The licensing Division, Diamond Inspectorate and Precious Metals and Beneficiation, which are responsible for ensuring that the diamond and precious metals complies to the legislative provisions and adheres to the terms and conditions of their respective licence and permits.

OUTLINE OF PROGRAMME PERFORMANCE

PROGRAMME 1: ADMINISTRATION

Sub-programmes: Finance and Supply Chain Management, Information and Communications Technology, Legal Services, Security Risk Management and Human Resources Management

Purpose of the programme: Provision for administrative support

During the year under review, the Finance Division executed all key activities aimed at achieving the entity's strategic objectives for the year. The division made significant progress in recovering the long-outstanding debts that was owed by clients from the non/late submission of J Registers and were charged penalties for. Measures have been put in place to ensure a continued progress in recovery of these debts. However measures were put in place which resulted in an increase in the recovery of these debts.

The National Treasury's directives relating to the cost containment measures were adhered to. Management further identified expenditure items, where costs could be reduced which resulted in the successful implementation and significant reduction of expenditure. Management will continue to identify and reduce non-essential expenditure on an annual basis.

Due to the implementation of effective procurement processes and internal controls that are in place there was no irregular or fruitless and wasteful expenditure during the period under review.

Sub-programme: Information and Communications Technology

During the financial year under review, the ICT Division improved information security within the Web Administration System to protect SADPMR data; this is to ensure integrity, confidentiality and availability of data within the system. As part of the exercise, the ICT Division implemented cryptographic technology and dual authentication identification on the Web Administration System.

The ICT Division has also continuously monitored the Disaster Recovery Site to ensure business continuity, recovery of data and applications in the event of a disaster. The monitoring comprises of data integrity checks and accessibility of critical servers at the DR site.

Sub-programme: Security Risk Management

In the year under review, the SADPMR implemented the Minimum Information Security Standards (MISS), Minimum Physical Security Standards (MPSS) and a National Vetting Strategy (NVS), through the three programmes, namely Personnel Security (Vetting) and Contingency Plan (bi-annual evacuation practices) and Personnel Suitability Checks (PSC).

During the period under review, a total of 12 vetting forms of officials occupying critical positions were submitted to the State Security Agency for processing. Since the introduction of vetting, no official has been denied clearance, which ensures that SADPMR's intervention is handled by security competent employees. In addition to the above, all appointed officials undergone personal suitability checks

With regards to the safety of employees, one component of the Contingency Plan, namely Emergency Preparedness, was implemented through bi-annual evacuation practices.

Sub-programme: Legal Services

Legal Services ensures the provision of legal support and advisory services to and on behalf of the SADPMR.

During the period under review, the SADPMR was involved in two cases wherein the first case dealt with the constitutionality of the two Diamonds Amendment Acts (Acts No 29 and 30 of 2005), which is still pending and the second case being a labour relations matter, which has since been finalised.

Sub-programme: Human Resources Management

The HRM provides services relating to organisational development; recruitment and selection; facilitating performance evaluations of employees through a Performance Management and Development System (PMDS); managing service benefits; an employee wellness programme (EWP); labour relations management; and building human resources capacity through training and development interventions.

The following are the key deliverables of the HRM:

- Build organisational capability and optimise the deployment of SADPMR staff in a manner that maximises engagement.
- Embed a culture of high performance across the organisation.
- Create a working environment that is safe, motivates staff, and promotes employee wellbeing.



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

- Enhance the ability to attract, develop and retain key talent.
- Ensure a continuous succession pipeline through a deliberate focus on career development and capacity building.
- Maximise and maintain an effective employment relationship.

Suitably qualified staff and sufficient levels of funding are key inputs to support the mandate of the SADPMR. The skills shortage in the market and the struggle to source the services of suitably qualified Diamond Valuers in core business remain the greatest challenge. There is a greater need to focus on talent management and growing core business by means of internship programmes, leadership development and the retention of Diamond Valuers.

Human Resources statistics

Personnel cost by salary band

The table below indicates the annual salary costs of all employees, per occupational level.

Table 1: Personnel cost by salary band

Level	Personnel expenditure	% of personnel expenditure to total personnel cost	Number of employees	Average personnel cost per employee
Top management	9 361 333	15.72	6	1 560 222
Senior management	7 455 056	12.52	6	1 242 509
Professional qualified	18 766 384	31.52	33	568 678
Skilled	17 254 817	28.98	48	359 475
Semi-skilled	5 555 418	9.33	25	222 217
Unskilled	1 149 181	1.93	7	164 169
Total	59 542 189	100	125	4 117 270

Performance rewards

In order to encourage good performance, the SADPMR granted a number of performance rewards during the period under review. The information is presented in Table 2 below in terms of the number of staff and occupational categories.

Table 2: Personnel rewards

Programme	Performance rewards	Personnel expenditure	% of performance rewards to total personnel cost
Executive management	3	575 760	13
Senior management	7	592 173	14
Professional qualified	33	1 556 494	36
Skilled	44	1 214 760	28
Semi-skilled	19	320 598	7
Unskilled	7	89 547	2
Total	113	4 349 332	100%

Internal staff bursaries

During the period under review, 17 employees were awarded internal bursaries in different fields of study. The table below provides a summary of bursaries and expenditure in the respective divisions of the organisation.

Table 3: Internal bursaries

Directorate/ business unit	Personnel expenditure	Training expenditure	Training expenditure as a % of personnel costs	No of employees trained	Average training cost per employee
Licensing	5 495 590	22 500	0.4	4	5 625
Finance	14 117 302	60 872	0.4	3	20 291
Office of the CEO	6 435 287	88 135	1.4	3	29 378
Precious Metals and Beneficiation	5 596 482	49 251	0.9	4	12 313
Security Risk Management	4 206 965	21 781	0.5	2	10 891
Legal Services	2 440 479	10 040	0.4	1	10 040
Total	38 292 105	252 579	4	17	88 538

Internship programme

During the year under review, five interns were appointed. The table below is a summary of the total number of interns during the period under review, in terms of gender and race.

Table 4: Internship programme

	Male				Female				Total	Geographic	
	A	C	I	W	A	C	I	W		Urban	Rural
Internship programme	3	0	0	0	2	0	0	0	5	0	5

* A = African, C = Coloured, I = Indian, W = White

Employment and vacancies

The table below indicates the number of approved funded posts in the organisation, the number of employees and the vacancy rate. This information is presented in terms of occupational levels during the period under review

Table 5: Employment and vacancies

Programme	2015/16 Approved posts	2015/16 number of employees	2015/16 vacancies	% of vacancies	2014/15 number of employees
Executive management	6	6	0	0	4
Senior management	7	6	1	0.8	8
Professionally qualified and experienced specialists and mid-management	35	33	2	1.5	33
Skilled	49	48	1	0.8	44
Semi-skilled	25	25	0	0	19
Unskilled	7	7	0	0	7
Total	129	125	4	3.1	115



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

The table below indicates the appointments and terminations of personnel per occupational level during the year under review.

Table 6: Appointments and terminations

Salary band	Employment at beginning of the period	Appointments	Promotion	Terminations	Employment at end of the period
Executive management	4	1	*1	0	6
Senior management	8	0	0	1	6
Professionally qualified and experienced specialists and mid-management	33	0	*1	0	33
Skilled	44	4	0	0	48
Semi-skilled	19	6	0	0	25
Unskilled	7	0	0	0	7
Total	115	11	2	1	125

* Two employees promoted: (1) Senior management to Top management, (1) promoted to the same categories of Professional management for different salary level.

Workforce profile

During the period under review, the employment equity staffing ratios stood at 98.4% black to 1.6 % white; 58.4% female to 41.6% male and 49.6% core function to 50.4% support function staff. The SADPMR's headcount is 125 employees as indicated in table 7.

Table 7: Workforce profile

Occupational levels	Male				Female				Foreign national		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	4	0	0	0	2	0	0	0	0	0	6
Senior management	3	0	1	0	2	0	0	0	0	0	6
Professionally qualified and experienced specialists and mid-management	15	0	1	0	15	1	0	1	0	0	33
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	14	0	0	1	29	2	2	0	0	0	48
Semi-skilled and discretionary decision-making	11	0	0	0	13	1	0	0	0	0	25
Unskilled and defined decision-making	2	0	0	0	5	0	0	0	0	0	7
Total permanent	49	0	2	1	66	4	2	1	0	0	125
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	49	0	2	1	66	4	2	1	0	0	125

* African = A, Coloured = C, Indian = I, White = W

Equity targets and employment equity status

Tables 8, 9 and 10 below indicate employment equity and targets during the period under review. The information is presented in terms of three categories, namely male, female and disability.

Table 8: Current status and planned target (Male employees)

Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive management	4	0	0	0	0	0	0	0
Senior management	3	0	0	0	1	0	0	0
Professionally qualified and experienced specialists and mid-management	15	1	0	1	1	0	0	0
Skilled	14	1	0	1	0	0	1	0
Semi-skilled	11	0	0	0	0	0	0	0
Unskilled	2	0	0	0	0	0	0	0
Total	49	2	0	2	2	0	1	0

Table 9: Current status and planned target (Female employees)

Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Executive management	2	0	0	0	0	0	0	0
Senior management	2	0	0	0	0	0	0	0
Professionally qualified	15	0	1	0	0	0	1	0
Skilled	29	1	2	0	2	1	0	0
Semi-skilled	13	0	1	0	0	0	0	0
Unskilled	5	0	0	0	0	0	0	0
Total	66	1	4	0	2	1	1	0

Table 10: Current and target on employees with disabilities

Levels	Employees with disabilities			
	Male		Female	
	Current	Target	Current	Target
Executive management	0	0	0	0
Senior management	0	0	0	0
Professionally qualified	0	0	0	0
Skilled	0	0	0	1
Semi-skilled	1	0	0	0
Unskilled	0	0	0	0
Total	1	0	0	1



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

Labour Relations: Misconduct and disciplinary action

The table below provides basic information on labour relations management during the period under review. All disciplinary and grievance cases were attended within the reporting period.

Table 11: Labour relations – Misconduct and disciplinary action

Nature of disciplinary actions	Number
Verbal Warning	3
Written Warning	4
Final Written Warning	1
Dismissal	1
Total	9

Staff turnover

During the period under review, the services of two employees were terminated by the organisation due to various reasons as reflected in the table below.

Table 12: Staff turnover

Reason	Number
Death	0
Resignation	1
Dismissal	1
Retirement	0
Ill health	0
Expiry of contract	0
Other	0
Total	2

PROGRAMME 2: DIAMOND TRADE

TRADE PROGRAMME PERFORMANCE

SUB-PROGRAMME: DIAMOND EXCHANGE AND EXPORT CENTRE (DEEC)

Rough diamond trade at the DEEC

Table 1: Rough diamonds offered for local sale by Diamond Producers, Dealers and Beneficiators

	2015/16	2014/15
Total carats received	4 611 154	4 163 964
Total US\$ received	779 946 366	969 207 544
Total carats of parcels sold and qualified to be exported	4 610 871	4 163 964
Total US\$ value of parcels sold and qualified to be exported	780 844 508	973 448 633
Total carats withdrawn	282	0.00
Total US\$ value withdrawn	0.00	0.00

The above table indicates the rough diamond tender activities facilitated at the DEEC during the 2015/16 financial year. The DEEC received approximately 4 611 154 carats valued at approximately US\$779 946 366. In comparison to the previous year, there has been an increase in carats offered for local sale at the DEEC when compared to the previous financial year.

ROUGH DIAMOND EXPORTS

South Africa exported 8.39 million carats of rough diamonds valued at US\$1.32 billion during the year 2015. This is a decline from 10.39 million carats that were valued at US\$1.7 billion recorded in 2014. Botswana remains to be South Africa's top trading partner, as more than 4.2 million carats (51%) of all rough diamonds were exported to Botswana. Rough diamond exports to the European Union decreased slightly from 2.9 million carats in 2014 to just under 2.5 million carats in 2015 and remains to be South Africa's second highest trading partner in rough diamond exports.

Exports to the United Arab Emirates decreased significantly from 1.79 million carats in 2014 to 912 327.22 carats in 2015; however, the country still remains to be South Africa's third highest trading partner in 2015. The United Arab Emirates was followed by Israel, India and Switzerland at 304 883.71 carats, 251 883.87 carats and 154 273.50 carats respectively. However, it was noted that the top six trading partners in 2014 remained unchanged during the 2015/16 financial year.

Table 2: Rough diamond exports: 2015 vs 2014

Participant	2015		2014	
	Carats	Value (US\$)	Carats	Value (US\$)
Angola	5	100	0.00	0.00
Australia	69	7379	0.00	0.00
Botswana	4 254 861	514 700 356	5 000 715	662 127 875
Canada	30	390	364	64 007
China PR	20 371	2 199 587	20 920	7 720 851
Côte d'Ivoire	0.0	0.0	218	95 468
European Union	2 491 296	343 239 943	2 954 497	446 550 568
India	251 883	27 978 605	152 204	17 974 682
Israel	304 88	127 780 321	330 384	224 032 229
Namibia	0.00	0.0	603	107 249
Russian Federation	13	225 892	0.00	0.00
Singapore	4 388	1 897 404	0.00	0.00
Switzerland	154 273	131 585 114	102 899	99 369 164
Thailand	1 841	2 179 013	3 408	1 991 996
United Arab Emirates	912 327	163 677 821	1 798 364	208 116 109
United States of America	875	12 840 722	31 162	39 902 325
Total	8 397 242	1 328 312 648	10 395 743	1 708 052 527



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

ROUGH DIAMOND IMPORTS

More than 345 000 carats of rough diamonds with a value of more than US\$371 million were imported to South Africa during the year 2015. This is a decline from 682 068.13 carats, which were valued at more than US\$511 million in 2014.

It was observed that rough diamond imports decreased with most of the trading partners in 2015, with the exception of the European Union where an increase was experienced from 75 188.58 carats in 2014 to 82 379.56 carats in 2015. Botswana remains South Africa's highest trading partner, with 121 056.06 carats (35%) being recorded in 2015, from the 217 426.26 carats (32%) which was recorded in 2014. The European Union was South Africa's second highest trading partner in 2015, a move that resulted in this trade contributing 75 118.58 carats (11%) of rough diamond imports in 2014 up to 82 379.56 carats (24%) of all rough diamonds imported in 2015.

The United Arab Emirates (UAE) was the third highest trading partner in 2015 with a volume of 49 251.72 carats being imported. This decline resulted in a shift of trade position by the UAE to the second highest trading partner compared to 2014 (155 580.63 carats).

Imports from Israel, Switzerland and India were recorded at 44 597.02 carats (13%), 40 859.01 carats (12%) and 7 020.38 carats (2%) respectively. This caused Switzerland to decline as South Africa's third highest trading partner in 2015 and shifted to fifth position where the imported carats recorded in 2015 decreased by 45 177.79 carats when compared to 2014 trade statistics.

Table 3: Rough diamond imports 2015 vs 2014

Participant	Rough diamond imports			
	2015		2014	
	Carats	Value (US\$)	Carats	Value (US\$)
Botswana	121 056	201 122 483	217 426	268 998 806
Canada	1	200	352	62 180
China, PR	27	74 134	108	539 286
Côte d'Ivoire	0.00	0.00	218	95 468
Congo, DR	0.00	0.00	19 596	337 846
European Union	82 379	21 281 374	75 188	41 218 165
India	7 020	1 893 058	3 515	1 404 298
Israel	44 597	30 455 080	76 361	41 348 818
Namibia	65	16 066	357	131 381
Russian Federation	0.00	0.00	990	1 306 425
Switzerland	40 859	71 614 211	86 036	100 709 415
Thailand	0.00	0.00	77	20 5000
United Arab Emirates	49 251	33 133 806	155 580	29 228 714
United States of America	297	7 933 285	2 132	24 718 342.
Singapore	16	73 326	0.00	0.00
Zimbabwe	269	3 635 685	44 125	1 500 261
Total	345 840	371 232 711	682 068	511 619 909

Rough Diamond Export Trade



51% Botswana
30% European Union
3% India
3% Israel
11% United Arab Emirates
2% Other*

* Other: Angola, Australia, Canada, China (People's Republic of), Russian Federation, Singapore, Switzerland, Thailand and United States of America

Rough Diamond Import Trade



35% Botswana
24% European Union
13% India
12% Switzerland
14% United Arab Emirates
2% Other*

POLISHED DIAMOND EXPORTS

During the period under review, South Africa exported a total of 129 272 carats of polished diamonds, valued at approximately US\$796 million. There was a decrease of approximately 31 300 carats of diamond exports received and declared during this period, when compared to the previous financial year. A part of these diamonds were imported by the local laboratories for verification and certification.

Table 4: Polished diamond exports

	2016/15			2015/14		
	Carats	Value (US\$)	Rand value (ZAR)	Carats	Value (US\$)	Rand value (ZAR)
Total	129 272	796 069 174	10 886 343 448	160 599	933 888 697	10 435 683 981

POLISHED DIAMOND IMPORTS

During the period under review, the DEEC received and cleared a total of 147 644 carats of polished diamond imports, valued at approximately US\$411 million. There was a decrease of approximately 26 300 carats of diamonds declared during this period, when compared to the previous financial year. Some of these polished diamonds were imported to South Africa for consultation and certification purposes at local laboratories and were re-exported back to their country of origin.

	2016/15			2015/14		
	Carats	Value (US\$)	Rand value (ZAR)	Carats	Value (US\$)	Rand value (ZAR)
Total	147 644	411 757 188	5 593 545 843	173 990	475 746 778	5 336 434 948



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

SYNTHETIC DIAMOND POWDER IMPORTS

The DEEC received and cleared 66 959 473 carats of synthetic diamond powder, valued at approximately US\$146 million. The synthetic diamond powder was imported for the purposes of manufacturing diamond tools.

Table: Synthetic diamond imports 2015/16

	2016/15			2015/14		
	Carats	Value (US\$)	Rand value (ZAR)	Carats	Value (US\$)	Rand value (ZAR)
Total	66 959 473	3 380 140	46 771 981	125 576 820	10 999 169	122 135 543

SUB-PROGRAMME: KIMBERLEY PROCESS CERTIFICATION SCHEME (KPCS)

During the 2015 calendar year, the SADPMR oversaw the administration and implementation of KPCS and KP participation, by ensuring compliance with KPCS requirements as stipulated in the core document.

- **Issuing of KPCS certificates**

During the period under review, 1 051 KP certificates for exports were issued to 14 KP Participants, while 12 KP certificates were received from other KP Participants.

- **Submission of quarterly reports (statistics)**

Four statistical reports were timeously submitted to the KP Working Group on Statistics.

- **Submission of 2015 Annual Report**

The South African KP 2015 Annual Report was submitted timeously as required.



SUB-PROGRAMME: GOVERNMENT DIAMOND VALUATOR (GDV)

The GDV is responsible for determining the fair market value of diamonds in relation to exports, imports and the diamond production offered to the State Diamond Trader by diamond producers, in terms of the Diamond Act, 1986. In addition to the above, the GDV provides technical assistance to the South African Police Service (SAPS).

During the 2015/16 financial year, the diamond production presented to the SDT declined by 5.80% from the previous financial year (2014/15).

Table 1: Producer summary (in carats) of all unpolished diamonds verified by the GDV in terms of section 59B – 2015/16 vs 2014/15

	2015/16	2014/15
Production carats presented to the SDT	7 427 627.82	7 885 167.16
Carats purchased by the SDT	155 922.22	46 485.81

DIAMOND VALUATION SERVICES RENDERED TO THE SAPS

The GDV renders a service to the SAPS for all exhibits confiscated for the purpose of an expert opinion.

During the 2015/16 financial year, a total of 2016 objects were presented to the GDV for verification and valuation compared to 4 585 objects during the 2014/15 financial year. The carats of diamond content confiscated decreased to 2 783 carats in the year 2015/16 compared to 2 918 carats confiscated in the year 2014/15.

Table 2: Objects confiscated by the South African Police Service

2015/16						2014/15					
Province	2015/16	Exhibits		Total		2014/15	Exhibits		Total		
		Diamonds	Non-diamonds	Carats	Value (ZAR)		Diamonds	Non-diamonds	Carats	Value (ZAR)	
Gauteng	244	53	191	81.52	770 882.45	1 158	6	1 152	9.41	4 802.75	
Limpopo	62	0	62	0	0	2	1	1	1.88	566.98	
Free State	1 045	4	1 041	15.47	22 104.16	1 636	416	1220	103.44	347 395.97	
Northern Cape	468	23	445	8.78	18 116.00	1 460	1079	381	2 707.19	1 715 078.93	
Eastern Cape	26	25	1	7.57	14 348.8	0	0	0	0	0	
North West	41	29	12	15.01	29 348.79	130	6	124	35.75	99 521	
Mpumalanga	1	1	0	2.64	3 037.05	0	0	0	0	0	
KwaZulu-Natal	0	0	0	0	0	0	0	0	0	0	
Western Cape	129	71	58	4.6	23 877.00	199	40	159	60.71	233 453	
Total	2 016	206	1 810	135.59	881 714.25	4 585	1 548	3 037	2 918.38	2 400 818.63	



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

PROGRAMME 3: REGULATORY COMPLIANCE

Sub-programmes: Licensing, diamond inspectorate, precious metals and beneficiation

Purpose of the programme: To regulate the diamond and precious metals industries

SUB-PROGRAMME: LICENSING DIVISION

The Licensing Division is responsible for processing and issuing of all licences, permits, certificates, in terms of the Diamond Act, 1986, as amended and the Precious Metals Act, 2005.

Diamond licence applications received and licences issued

There was a decrease in Diamond Beneficiation, Dealer's Licence and Authorised Representative Certificates applications in the 2015/16 financial year compared to the previous financial year; however, there was no significant variance in other types of permits issued.

Table 5: Diamond licence applications received and licences issued

Diamond licences/permits	2015/16		2014/15	
Licence type	Application (s) received	Licence(s) issued	Application(s) received	Licence(s) issued
Diamond Beneficiation	17	17	28	40
Diamond Dealer	136	157	169	178
Diamond Trading House	1	1	1	1
Diamond Research	0	0	1	1
Temporary Buyer's Permit	0	0	0	0
Diamond Certificate	0	0	0	0
Authorised Representative Certificate	203	206	278	274
Diamond Permit	31	34	31	33
Diamond Endorsements	42	42	35	42
Total	430	457	553	569

Precious metals applications received and licences issued

During the period under review, a total increase of 418 precious metals licences, permits and certificates were issued as compared to 344 in the previous year. There was no significant variance in other types of licences and permits issued.

Table 6: Precious metals applications received and licences issued

Precious metals licences/permits	2015/16		2014/15	
Licence type	Application (s) received	Licence(s) issued	Application(s) received	Licence(s) issued
Precious Metals Refining	6	7	5	5
Precious Metals Beneficiation	3	3	4	3
Jeweller's Permit	266	307	285	230
Special Permit	11	12	10	7
Permit to Import	13	13	10	14
Export Approval	16	18	13	14
Precious Metals Certificate	3	3	2	3
Precious Metals Endorsement	55	55	69	68
Total	373	418	398	344

Licences are rolled over from the previous reporting period

HIGHLIGHTS

- There was an increase in the precious metals licences/permits issued in the 2015/16 financial year relative to the previous financial year, attributable to the renewal of jeweller's permits.
- During the year under review, a total of 875 diamond and precious metals licences, permits and certificates were issued, of which 457 were diamond licences (see table 5) and 418 precious metals licences (see table 6) as compared to 913 overall diamond and precious metals licences issued in the previous year.
- There was an overall decrease in diamond and precious metals licences issued for the period under review.

Diamond and Precious Metals Licences issued based on HDSA and non-HDSA ownership

Below is a table on historically disadvantaged South Africans (HDSA)* ownership in terms of the Broad-Based Socio-Economic Empowerment Charter (BBSEEC).

Table 7: Diamond and Precious Metals Licences issued based on HDSA and non-HDSA ownership for 2015/16

Licences issued and % ownership	Number of licences/ permits	100% HDSA ownership		90%-50% HDSA ownership		≥26% HDSA ownership		Non-HDSA	
		Male	Female	Male	Female	Male	Female	Male	Female
Diamond Dealers	137	80	20	15	9	11	7	19	1
Diamond Beneficiation	17	8	4	0	0	3	0	4	0
Jeweller's Permit	307	48	8	11	11	4	1	137	84
Precious Metals Beneficiation	3	0	1	0	0	0	0	0	0
Precious Metals Refining	7	1	0	0	0	1	0	2	0
Total	471	137	33	26	20	19	8	162	85

SUB-PROGRAMME: DIAMOND INSPECTORATE

The Diamond Inspectorate Division is responsible for ensuring compliance with the Diamond Act, 1986.

Functions include the following:

- Conducting compliance inspections relating to diamond licences
- Registering diamond producers in the SADPMR database, and
- Receiving, capturing and monitoring diamond trade transactions through the prescribed J Registers.

During the period under review, joint inspections with the Department of Mineral Resources were conducted, which focused on diamond trading houses and diamond producers with the intention to enforce the provisions of section 20A of the Diamond Act 1986. *"No licensee may be assisted by a non-licensee or holder of a permit referred to in section 26(e) i.e. (temporary buyer's permit), during the viewing, purchasing or selling of unpolished diamonds offered for sale in terms of this Act, except at the Diamond Exchange and Export Centre."*

Inspections conducted by licence/permit type

The table below shows that a total of 728 inspections were conducted during the 2015/16 period under review. 183 of these inspections related to new diamond licence applications, while 545 were follow-up inspections on existing licences. 125 follow-up inspections were conducted on diamond producers, which led to a further 53 diamond producers being registered at the SADPMR as required by the Diamond Act, 1986, as amended.



PERFORMANCE INFORMATION FOR THE 2015/16 FINANCIAL YEAR

HIGHLIGHTS

- Workshops were conducted for diamond producers in Wolmaransstad, Schweizer-Reneke, both in the North West Province, as well as in the Kimberley area in the Northern Cape Province. One workshop was held per area. These workshops were meant to inform stakeholders about the requirements in terms of Regulation 22(1) of the Diamond Regulations 30942, “in order to keep proper records of production and sales of diamonds, a) every producer must complete and submit Form J(viii) with the Regulator on or before 1 May 2008; and b) the Regulator shall issue a unique registration number which must be reflected always in the register or information to be submitted monthly by the registered producer to the SADPMR”.

The bulk of these 728 inspections (74%) were related to follow-up inspections on existing licences to ensure that licensees comply with the terms and conditions of their respective licences.

Diamond beneficiation

During the period under review, diamond beneficiators purchased 659 516 carats of rough diamonds, of which about 212 392 carats (32% of purchases in carat terms) were cut and polished. This figure was lower compared to the 2014/15 financial year (see table 1) and the decrease has been attributed to tough market conditions (lower demand in the market and stricter lending criteria of banks) during the year.

Table 1: Diamond beneficiation: 2015/16 vs 2014/15

Year	Diamond purchases by beneficiators (carats)	Diamonds benefited (carats)
2015/16	659 516	212 392
2014/15	880 000	224 000

Table: Breakdown of the inspections conducted by licence/permit type

Licence/permit type	Number of inspections 2015/16		Number of inspections 2014/15	
	New premises inspections	Follow-up inspections	New premises inspections	Follow-up inspections
Diamond Dealer Licence	156	206	176	190
Diamond Beneficiation Licence	26	74	25	34
Diamond Trading House Licence	1	105	1	79
Diamond Research Licence	0	1	0	2
Diamond Producer Permit	0	125	60	202
Import/Export Comfort Letters in terms of KP	0	34	0	47
Total	183	545	262	476

SUB-PROGRAMME: PRECIOUS METALS AND BENEFICIATION

The Precious Metals and Beneficiation sub-programme of the Regulatory Compliance Programme has two main functions:

- Precious metals inspections:** This function entails ensuring compliance with the Precious Metals Act, 2005 and involves:
 - Conducting inspections relating to precious metals licences and applications for such licences, and
 - Monitoring trade transactions through prescribed registers and information submission forms.
- Beneficiation:** The function involves monitoring and promoting the beneficiation of precious metals and diamonds in South Africa.

Precious metals inspections

During the year under review, a total of 750 inspections were conducted, of which 125 were for new precious metals licence/permit applications, while the balance of 625 were follow-up inspections conducted on the premises of existing licence/permit holders (see table 1). The number of inspections conducted represented a 2% decrease compared to the previous year (766 inspections, of which 144 were for new applications, and 622 were related to existing licences/permits).

Joint inspections on non-licences were conducted with the SAPS and the Directorate for Priority Crime Investigations (DPCI) in order to assist in combating illicit trade of regulated minerals.

During the year, some inspections were also directed on non-licensees – mainly importers of metals to ensure that their activities did not involve unwrought or semi-fabricated precious metals and therefore did not require a licence and/or permit from the South African Diamond and Precious Metals Regulator.

Through inspecting premises, transgressions were identified and dealt with in accordance with the provisions of the Precious Metals Act, 2005. Furthermore, follow-up inspections assisted in educating new licensees on register completion, thus ensuring registers were completed and submitted timeously.

Table 2: Breakdown of inspections done by licence/permit type

Licence/permit type	Number of inspections 2015/16		Number of inspections 2014/15	
	New premises inspections	Follow-up inspections	New premises inspections	Follow-up inspections
Precious Metals Refining Licence	10	63	11	58
Precious Metals Beneficiation Licence	3	61	7	39
Precious Metals Jeweller's Permit	102	490	118	524
Precious Metals Special Permit	10	5	8	1
Non-licensee	0	6	0	0
Total	125	625	144	622

Register of transactions

Every holder of a precious metals licence or permit must keep a true and correct register in the prescribed format and for the prescribed period, of all unwrought or semi-fabricated precious metals deposited, received, dispatched or otherwise disposed of by him or her. Such registers of transactions must be submitted to the SADPMR periodically (quarterly, bi-annually or annually, as the case may be).

During the period under review, register submission improved by about 5% relative to the period due mainly to vigorous follow-up on defaulters.

Beneficiation

• Precious metals beneficiation

The SADPMR estimates South Africa's total gold fabrication (beneficiation) in the financial year 2015/16 at some 21 tons, significantly down from the 24 tons fabricated in the financial year 2014/15 (see table 3). The decrease is attributed to lower coin fabrication due to lower demand. Nevertheless, most of the gold fabricated in 2015/16 still went into the minting of coins and minted bars (18.5 tons). This is down compared to the 21 tons consumed by the manufacture of coins and minted bars in the financial year 2014/15. The balance of gold fabrications is accounted for by jewellery manufacture/remodelling and industrial and decorative applications.

Platinum-group metal (PGM) fabrication is dominated by the fabrication of catalytic converters. The SADPMR estimates PGM fabrication at some 27 tons in 2015/16, marginally down compared to that in 2014/15 (28 tons). This was due to lower demand, particularly in Europe.

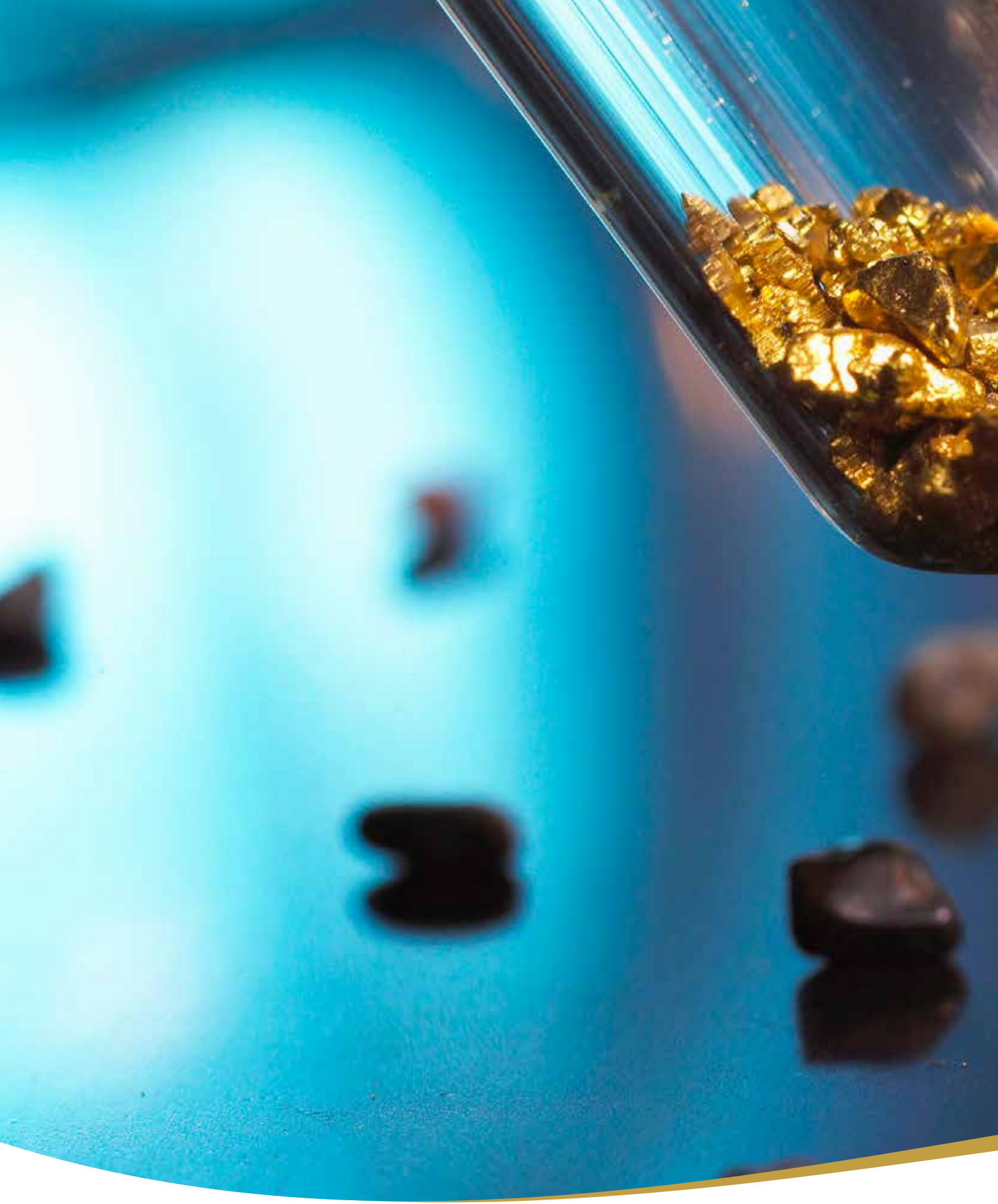
Table 3: Precious metals fabrication, 2015/16 and 2014/15

Year	Gold fabrication (tons)	PGM fabrication (tons)
2015/16	21e	27e
2014/15	24	28

HIGHLIGHTS

- The period under review was a difficult one due to market conditions, but two positives can be noted; viz., the 56% increase in the number of precious metals beneficiation licence follow-up inspections (see table 1: Breakdown of inspections done by licence/permit type) and the resilience of the diamond cutting industry which declined only marginally relative to the previous period, despite market weakness and labour issues.







PART C
REPORT ON CORPORATE GOVERNANCE

REPORT ON CORPORATE GOVERNANCE

The SADPMR is established in terms of section 3 of the Diamond Amendment Act, 29 of 2005 and is classified in terms of the Public Finance Management Act, 1999 as a Schedule 3A public entity.

THE DIAMOND AMENDMENT ACT, 29 OF 2005

As the enabling legislation of the SADPMR, the Diamond Amendment Act, 2005 provides for the objectives, functions and role of the SADPMR. Further makes provision for the appointment and composition of the Board and the appointment of the Chief Executive Officer.

THE PUBLIC FINANCE AND MANAGEMENT ACT, 1999 (PFMA), AS AMENDED

As a Schedule 3A public entity, the SADPMR's corporate governance is achieved through the application of the provisions of the PFMA, read together with the King Report on Corporate Governance.

Parliament, the Department of Mineral Resources (the Executive Authority of the SADPMR) and the Board of the SADPMR (the Accounting Authority) are responsible for the implementation of corporate governance within the SADPMR. Below is a detailed description of the functions of those components.

- **Parliament**

Parliament has an oversight role on the overall performance of the SADPMR. The Parliamentary Portfolio Committee on Mineral Resources (PPC) reviews and oversees all other functions and duties of the SADPMR, which reports to the committee.

- **Executive Authority**

The SADPMR is required to report its performance information and financial results quarterly to the Department of Mineral Resources and to align its strategic plan to the Department's Strategic Objectives.

The following are the members of the Board:

1. Ms N Mkhumane (Chairperson)
2. Mr S Phiri (Deputy Chairperson)
3. Mr L Delport
4. Mr L Grobler^{*}
5. Mr R Paola
6. Mr P Arendse
7. Ms N Mokoena (alternate from SAPS)
8. Ms D Mokgatle
9. Ms M Kobe
10. Mr A Bezuidenhout (alternate from SARB)
11. Mr P Bailey
12. Ms N Xaba
13. Mr S Ngcobo
14. Mr M Mabuza (alternate from DMR)
15. Ms N Zikalala

^{*} Deceased December 2015

MEETINGS AND ATTENDANCE

BOARD MEETING

Chairperson Ms N Mkhumane

Name	29/04/2015	28/05/2015	28/07/2015	20/08/2015 (special)	20/08/2016 (Board Strategic)	29/09/2015	22/10/2015	28/01/2016
N Mkhumane	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
S Phiri	No	Yes	No	No	No	No	Yes	No
GL Rapoo	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
L Delpont	No	No	Yes	Yes	Yes	Yes	Yes	Yes
L Grobler ⁺	Yes	No	Yes	Yes	Yes	Yes	Yes	–
R Paola	Yes	Yes	No	Yes	Yes	Yes	No	Yes
N Zikalala	No	Yes	Yes	Yes	Yes	No	Yes	No
N Xaba	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
S Ngcobo	Yes	No	No	Yes	Yes	Yes	No	Yes
P Bailey	No	No	Yes	Yes	Yes	Yes	Yes	Yes
A Bezuidenhout	Yes	No	No	No	No	Yes	No	Yes
Z Manase	No	No	Yes	No	No	No	No	No
N Mokoena	No	No	Yes	No	No	No	No	No
M Kobe	Yes	No	No	No	No	Yes	No	No

⁺ Deceased December 2015

THE EXECUTIVE COMMITTEE

Chaired by Ms N Mkhumane

Name	29/04/2015	28/05/2015	28/07/2015	22/10/2015	29/09/2015	28/01/2016
N Mkhumane	Yes	Yes	Yes	Yes	Yes	Yes
S Phiri	No	Yes	No	Yes	Yes	No
G L Rapoo	Yes	Yes	Yes	Yes	Yes	Yes
S Ngcobo	Yes	No	No	No	Yes	Yes
L Delpont	No	No	Yes	Yes	Yes	Yes
N Zikalala	No	Yes	Yes	Yes	Yes	No
L Grobler ⁺	Yes	No	Yes	Yes	Yes	–
R Paola	Yes	Yes	No	No	Yes	Yes

AUDIT AND RISK COMMITTEE

Chaired by Mr R Paola

Name	24/04/2015	19/05/2015	23/07/2015	14/10/2015	20/01/2016
R Paola	Yes	Yes	No	Yes	Yes
GL Rapoo	Yes	Yes	Yes	Yes	Yes
L Grobler ⁺	Yes	Yes	Yes	Yes	–
Z Manase	No	Yes	Yes	No	No
P Bersiks [*]	Yes	Yes	Yes	Yes	Yes
N Danisa ^{**}	Yes	Yes	Yes	Yes	Yes
M Seoka ^{**}	No	Yes	Yes	No	Yes
L Delpont [‡]	–	–	Yes	–	–
S Vilakazi ^{*^} (Internal audit review)	–	–	–	Yes	–

⁺ Deceased December 2015^{*} Independent^{**} Auditor-General[‡] Special invitation[^] Internal audit review

REPORT ON CORPORATE GOVERNANCE

FINANCE COMMITTEE

Chaired by Mr L Delpoit

Name	24/04/2015	19/05/2015	23/07/2015	08/10/2015	14/10/2015	20/01/2016
L Delpoit	Yes	Yes	Yes	–	Yes	Yes
GL Rapoo	Yes	No	Yes	–	Yes	Yes
R Paola	Yes	Yes	No	–	Yes	Yes
N Xaba	Yes	Yes	No	–	Yes	Yes
A Bezuidenhout	No	Yes	No	–	Yes	Yes
L Grobler [†]	–		–		Yes	–
P Bersiks [*]	–		–			Yes

[†] Deceased December 2015

^{*} Special invitation

^{*} Budget review

LICENSING COMMITTEE

Chaired by Ms N Zikalala

Name	16/04/2015	15/07/2015	08/10/2015
N Zikalala	No	Yes	Yes
GL Rapoo	Yes	No	Yes
N Mokoena	Yes	No	Yes
P Bailey	Yes	Yes	Yes
M Kobe	Yes	No	No

TECHNICAL COMMITTEE

Chaired by Mr S Ngcobo

Name	16/04/2015	5 June 2015 (special)	15/07/2015	08/10/2015	08/03/2016
L Grobler [†]	Yes	Yes	Yes	Yes	(deceased)
L Rapoo	Yes	Yes	Yes	Yes	Yes
N Xaba	Yes	Yes	Yes	Yes	No
N Mokoena	No	Yes	No	No	No
L Delpoit [#]	–	–	–	–	Yes
N Mkhumane [#]	–	–	–	–	Yes
S Ngcobo ^{##}	–	–	–	–	Yes
P Bailey	–	–	–	–	Yes

[†] Deceased December 2015

[#] Special invitation

^{##} Acting Chairperson

RISK MANAGEMENT

The Board of the SADPMR through its Audit and Risk Committee, has the overall responsibility to ensure that the SADPMR has and maintains effective, efficient and transparent systems of risk management and internal controls. The Audit and Risk Committee has an oversight role that is independent from the operations of the SADPMR. Furthermore, the Management Risk Steering Committee, which is comprised of senior management of the SADPMR has the responsibility to ensure the adequacy and effectiveness of the risk management and internal control systems.

The Management Risk Steering Committee continually reviews the risk management processes, internal controls and significant risks facing the organisation and reports these to the Audit and Risk Committee of the Board.

FRAUD AND CORRUPTION

The SADPMR has aligned itself with the government's initiative to fight corruption and has access to the use of the services of the National Anti-Corruption Hotline (NACH). The NACH is an initiative arising from the government's national anti-corruption strategy, in order to combat and prevent corruption. Induction courses were conducted to increase employees' awareness during the year under review.

Employees and the public are encouraged to use the NACH number, which is 0800 701 701 to report any acts, or intentions to commit acts of corruption. In this regard, the public and employees of the SADPMR may make anonymous calls to the NACH number, which is managed by the Office of the Public Service Commission.

Management of conflicts of interest

The SADPMR has transparent, effective procedures for identifying, disclosing and managing conflicts of interest, which reduce the opportunities for corruption or improper conduct within the organisation.

On an annual basis, members of the Board complete and submit disclosure forms to indicate other interests, which may potentially constitute a conflict of interests. In addition to the above, members of the Board are requested to disclose any conflicts at the beginning of every meeting, which are recorded and managed accordingly.

All employees of the SADPMR complete financial disclosure forms on an annual basis. Declaration measures are also in place to prevent conflicts of interest relating to job interviews, meetings, Bid Evaluation and Adjudication Committees.

Code of Conduct

The SADPMR has a Code of Conduct that requires employees to conduct themselves with integrity, openness, accountability and transparency when dealing with all stakeholders.

Internal Audit

Internal Audit ensures that the SADPMR has effective and efficient internal controls in place and that they are properly implemented as required by Section 51 and 77 of the Public Finance Management Act (PFMA) under the guidance of the Audit and Risk Committee.

The key activities and objectives of the Board Audit and Risk Committee are as follows:

- Review of financial statements for completeness, accuracy and to ensure they comply with disclosure requirements
- Monitor the effectiveness and adequacy of the internal control system of the SADPMR
- Monitor the effectiveness and independence of the Internal Audit function
- Review significant findings, recommendations, and corrective measures recommended by Internal Audit together with the responses of management, and
- Assess the steps management has taken to minimise significant risks and to ensure that a risk management module is developed and maintained.

Objective

The overall objective of the Audit and Risk Committee is to assist management with their responsibility of creating and maintaining an effective control environment within the SADPMR, including financial control, accounting systems and reporting, as well as identifying material risks and giving them the required attention.



REPORT ON CORPORATE GOVERNANCE

MEMBERS OF THE BOARD

AS AT 31 MARCH 2016



Nombulelo Mkhumane
Chairperson



Steve Phiri
Deputy Chairperson



Levy Rapoo
Chief Executive Officer



Llewellyn Delport
Board Member



André Bezuidenhout
Board Member



Sakhile Ngcobo
Board Member



Ntombifuthi Zikalala
Board Member



Raymond Paola
Board Member



Nthabiseng Xaba
Board Member



Peter Bailey
Board Member

Board members absent

Mr L Grobler (deceased)
Ms N Mokoena
Ms M Kobe
Ms Z Manase
Mr M Mabuza
Mr P Arendse







PART D
FINANCIAL INFORMATION

FINANCIAL INFORMATION

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

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GENERAL INFORMATION

COUNTRY OF INCORPORATION

Republic of South Africa

LEGAL FORM OF ENTITY

Schedule 3A entity listed in terms of the Public Finance Management Act, No 1 of 1999 as amended.

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Regulating control over possession, the purchase and sale of diamonds, the processing and the export of diamonds and implementing, administering and controlling all matters relating to acquisition, possession, smelting, refining, fabrication, use and disposal of precious metals.

MEMBERS OF THE ACCOUNTING AUTHORITY

N Mkhumane	Chairperson
S Phiri	Deputy Chairperson
L Rapoo	Chief Executive Officer
L Delpont	Member
R Paola	Member
N Zikalala	Member
S Ngcobo	Member
L Grobler ⁺	Member
P Arendse	Member
A Bezuidenhout	Member
P Bailey	Member
M Mabuza	Member
N Xaba	Member
M Kobe	Member
Z Manase	Member
NH Mokoena	Member

⁺ Deceased December 2015

BUSINESS ADDRESS

251 Fox Street
Jewel City
Johannesburg
2001

POSTAL ADDRESS

PO Box 16001
Jewel City
Doornfontein
2028

BANKERS

Nedbank Limited

AUDITORS

The Auditor-General of South Africa



REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2016.

AUDIT AND RISK COMMITTEE'S RESPONSIBILITY

The Audit and Risk Committee is a committee of the Board and has discharged its responsibilities accordingly in terms of sections 51(1)(a)(ii) of the PFMA and 27.1.8 of the Treasury Regulations. The Audit Committee adopted a formal terms of reference, its Audit Committee Charter.

The committee has conducted its affairs in compliance with these terms of reference for the year ended 31 March 2016 and has discharged its responsibilities contained therein.

The committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

STATUTORY DUTIES

The Committee has performed the following legislative mandates:

EXTERNAL AUDITOR

The committee has satisfied itself that the External Auditor, Auditor-General, was independent of the Regulator as set out in the PFMA, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board of Auditors.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2015/16 financial year.

EFFECTIVENESS OF INTERNAL CONTROLS

During the year, various reports of the Internal Auditors as well as the Audit Report on the Annual Financial Statements and Management Letter of the Auditor-General indicated that the system of internal control has shortcomings in limited areas. The Audit Committee has noted these and based on the outcome of such reviews and the information provided by management, the Audit Committee is of the opinion that the internal controls of the Regulator operated effectively throughout the year under review.

The Audit Committee is also of the view that progress has been made with respect to the control environment, especially in view of the fact that the Regulator has achieved its fifth successive unqualified audit report.

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The committee reviewed the Annual Financial Statements as well as the accounting policies and practices of the Regulator and is satisfied that they comply with the relevant provisions of the PFMA and the Generally Recognised Accounting Practice Standards. The committee recommended the Annual Financial Statements of the Regulator to the Board for approval.

GOING CONCERN

The Audit and Risk Committee agrees that the adoption of the going concern premise is appropriate in preparing the Annual Financial Statements.

DUTIES ASSIGNED BY THE BOARD

The committee has performed the following duties assigned to it by the Board:

INTERNAL AUDIT

The Regulator has an in-house Internal Audit function. The committee has an oversight responsibility for the Internal Audit function. As delegated by the Board, the committee reviews and approves the Internal Audit Charter annually. The Internal Audit function has the responsibility of reviewing and providing assurance on the adequacy of internal controls across the Regulator's operations. It therefore plays an integral role in the governance of risk.

The Audit Committee reviewed the activities of the Internal Audit function and has concluded the following:

- The function is effective and that there were no unjustified restrictions or limitations, and
- The Internal Audit reports were reviewed at Audit Committee meetings, including its annual work programme, co-ordination with the External Auditors, the reports of significant audit investigations and the responses of management to issues raised therein.

The 2015/16 Internal Audit Plan and budget were approved by the committee timeously. The committee is satisfied with the three-year rolling Internal Audit Plan in that there is a clear alignment with the major risks, adequate information systems coverage and a good balance between different categories of audits, i.e. risk-based audits, mandatory and follow-up audits.

RISK MANAGEMENT AND GOVERNANCE

The Board has assigned the oversight of the Regulator's risk management function to the committee. The committee fulfils an oversight function regarding risks in all areas of the Regulator.

A risk management framework and policy has been adopted and approved by the Board. A process of risk management was implemented by the Regulator wherein risk assessments are conducted on a quarterly basis by management and updated on an annual basis by the Internal Audit function at both senior management and Board level. During the year, the Regulator adopted and approved various policies and procedures to strengthen the control environment.

Based on this assessment and the ongoing oversight of the committee, nothing came to the attention of the committee that would suggest that the prevailing system of risk management is not in all material respects effective.

The quality of in-year management and monthly reports/quarterly reports submitted in terms of the PFMA

The committee has noted and is satisfied with the content and quality of quarterly financial reports prepared and issued by the Regulator during the year under review, in compliance with the statutory reporting framework.

On behalf of the Audit and Risk Committee



Mr R Paola

Chairperson of the Audit Committee

South African Diamonds and Precious Metals Regulator



REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT: SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

1. I have audited the financial statements of the South African Diamond and Precious Metals Regular set out on pages 49 to 52 which comprises the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. 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 this 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

OPINION

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African Diamond and Precious Metals Regulator as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Standards of GRAP and the requirements of the PFMA.

EMPHASIS OF MATTER

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

RESTATEMENT OF CORRESPONDING FIGURES

8. As disclosed in Note 22 to the financial statements, the corresponding figures for 31 March 2015 have been restated as a result of an error discovered during 2016 in the financial statements of the South African Diamond and Precious Metals Regulator at, and for the year ended, 31 March 2015. It relates to an accrual that was not raised in the prior year.

MATERIAL IMPAIRMENTS

9. As disclosed in Note 6 to the financial statements, material impairments to the amount of R2 571 860 were incurred as a result of expected irrecoverable debtors from exchange transactions.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

10. In accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

11. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected programmes presented in the annual performance report of the public entity for the year ended 31 March 2016:
- Programme 2: Diamond Trade pages 23 to 27
 - Programme 3: Regulatory Compliances on pages 28 to 31
12. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. I further performed tests to determine whether the indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPP).
13. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programmes:
- Programme 2: Diamond Trade
 - Programme 3: Regulatory Compliance

ADDITIONAL MATTERS

15. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, I draw attention to the following matters:

ACHIEVEMENT OF PLANNED TARGETS

16. Refer to the annual performance report on pages 12 to 31 for information on the achievement of the planned targets for the year.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

17. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for Regulatory Compliance programme. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

COMPLIANCE WITH LEGISLATION

18. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters. I did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

INTERNAL CONTROL

19. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. I did not identify any significant deficiencies in internal control.

Auditor-General



ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The members of the Board are required by the Public Finance Management Act (Act No 1 of 1999), as amended, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The members of the Board acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the accounting authority sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

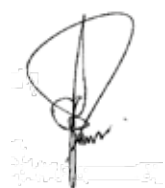
The members of the Board are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the reasonable, and not absolute, assurance against material misstatement or deficit.

The members of the Board have reviewed the entity's cash flow forecast for the year to 31 March 2017 and in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The SADPMP is dependent on the Government grants, Licence, Penalties and Service Fees for continued funding of its operations. The annual financial statements are prepared on the basis that the Regulator is a going concern and that the Board is primarily responsible for the financial affairs of the entity. It is supported by the entity's internal auditors.

The Auditor-General of South Africa is responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements for the period under review have been approved by the Auditor-General of South Africa.

The annual financial statements set out on pages 43 to 71 which have been prepared on the going concern basis, were approved by the accounting authority on 26 July 2016 and were signed on its behalf by:



Mr S Phiri
Deputy Chairperson



Ms L Nkhumishe
Acting Chief Executive Officer

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2016

	Notes	2016 R	Restated 2015 R
ASSETS			
Non-current assets			
Property, plant and equipment	3	9 637 526	10 843 683
Intangible assets	4	2 816 138	3 464 485
Total non-current assets		12 453 664	14 308 168
Current assets			
Inventory	5	318 345	479 504
Receivables from exchange transactions	6	6 645 662	3 719 846
Cash and cash equivalents	7	29 346 995	20 229 784
Other financial assets	8	14 573 769	21 684 644
Total current assets		50 884 771	46 113 778
Total assets		63 338 435	60 421 946
NET ASSETS AND LIABILITIES			
Accumulated surplus		49 589 201	43 298 459
		49 589 201	43 298 459
Non-current liabilities			
Finance lease obligations	9	5 888	57 160
		5 888	57 160
Current liabilities			
Payables from exchange transactions	10	4 789 105	6 429 272
Provisions	11	8 682 208	10 120 821
Finance lease obligations	9	51 272	127 614
Operating lease liability	12	220 761	388 620
Total current liabilities		13 743 346	17 066 327
Total net assets and liabilities		63 338 435	60 421 946



STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 R	Restated 2015 R
Revenue from exchange transactions			
Levy income, licence, penalty and service fees		39 823 846	36 402 529
Interest income		2 375 040	2 371 869
Other income	13	363 888	1 092 708
Revenue from non-exchange transactions			
Transfer payment (grant)		50 527 000	47 810 000
Total operating revenue		93 089 774	87 677 106
Expenditure			
Finance costs		17 283	34 724
Debtors impairment		1 227 892	(352 708)
Debtors written off		6 750	–
Employee costs	16	65 278 526	59 818 920
Depreciation and amortisation		2 703 044	1 006 803
Other operating expenses	15	17 554 521	32 592 550
Total expenditure		86 788 016	93 100 289
Fair value gains/(loss)		5 033	(125 085)
Profit/(loss) on disposal of property, plant and equipment		(16 049)	(8 508)
Total other income		(11 016)	(133 593)
Surplus/(deficit) for the period		6 290 742	(5 556 776)

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 31 MARCH 2016

Figures in R	Accumulated surplus restated	Total
Balance at 1 April 2014	48 855 235	48 855 235
Deficit for the period	(5 556 776)	(5 556 776)
Balance at 31 March 2015	43 298 459	43 298 459
Balance at 1 April 2015	43 298 459	43 298 459
Surplus for the period	6 290 742	6 290 742
Balance at 31 March 2016	49 589 201	49 589 201



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 R	Restated 2015 R
Cash flows from operating activities			
Cash receipts from customers, government and others		86 747 448	84 850 430
Transfer payment (grant)		50 527 000	47 810 000
Other receipts		36 220 448	37 040 430
Cash paid to suppliers and employees		(85 925 282)	(83 443 628)
Cash (used in)/generated from operations	18	822 166	1 406 802
Interest received		2 188 620	2 264 240
Finance costs		(17 283)	(34 724)
Net cash from operating activities		2 993 503	3 636 318
Cash flows from investing activities			
Property, plant and equipment acquired		(353 934)	(1 792 737)
Intangible assets acquired	4	(540 652)	(1 372 768)
Proceeds on disposals of property, plant and equipment		30 000	–
Decrease in other financial assets	8	7 980 926	2 736 611
Re-investment of interest	8	(865 018)	(1 281 977)
Net cash flows from investing activities		6 251 322	(1 710 871)
Cash flows from financing activities			
Increase/(decrease) in finance lease obligations		(127 614)	(12 987)
Cash flows from financing activities		(127 614)	(12 987)
Increase/(decrease) in cash and cash equivalents		9 117 211	1 912 460
Cash and cash equivalents at beginning of the period		20 229 784	18 317 324
Cash and cash equivalents at end of the period		29 346 995	20 229 784

BUDGET STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

Figures in R	Actual	Budget	Variance
Revenue from exchange transactions			
Levy income, licence, penalty and service fees	39 823 846	36 648 189	3 175 657
Interest received	2 375 040	1 031 403	1 343 637
Other income	363 888	588 000	(224 112)
Total revenue from exchange transactions	42 562 774	38 267 592	4 295 182
Revenue from non-exchange transactions			
Grant received	50 527 000	50 527 000	–
Total revenue	93 089 774	88 794 592	4 295 182
Expenditure			
Administration expenses	97 916	119 992	22 076
Advertising	329 020	915 930	586 910
Audit fees	2 068 207	2 123 366	55 159
Board fees	1 024 081	1 403 911	379 830
Domestic travel	624 342	692 980	68 638
Hospitality	6 945	13 160	6 215
Inspection costs	429 299	911 060	481 761
Insurance	1 366 301	2 700 000	1 333 699
International travel	700 482	866 220	165 738
Inventory costs	720 914	861 530	140 616
Kimberley Process	605 389	627 200	21 811
Licences	883 927	890 384	6 457
Medical expenses – retired staff	128 300	128 241	(59)
Office lease	3 121 133	3 652 269	531 136
Postage and courier	21 954	37 100	15 146
Recruitment and selection costs	108 181	129 300	21 119
Repairs and maintenance	590 966	708 044	117 078
Security	864 897	798 000	(66 897)
Staff remuneration	64 606 990	67 573 820	2 966 830
Staff-welfare	275 719	334 984	59 265
Subscriptions and membership fees	47 801	127 200	79 399
System support fees	77 314	220 565	143 251
Telecommunication	1 785 253	1 795 239	9 986
Training and development	474 049	545 790	71 741
Venue and facilities	50 768	203 660	152 892
Warehousing	69 486	86 212	16 726
Total expenditure excluding non-cash and abnormal expenditure	81 079 634	88 466 157	7 386 523
Surplus for the year before non-cash and abnormal expenditure	12 010 140	328 435	11 681 705
Non-cash and abnormal expenditure			
Less non-cash expenditure:			
Debtors impairment adjustment	1 227 892	–	(1 227 892)
Debtors written off	6 750	–	(6 750)
Depreciation and amortisation	2 703 044	–	(2 703 044)
Fair value adjustment	(5 033)	–	5 033
Finance costs	17 283	–	(17 283)
Leave pay provision	671 536	–	(671 536)
Profit on disposal of assets	16 049	–	(16 049)
Total non-cash expenditure	4 637 521	–	(4 637 521)
Surplus for the year including non-cash expenditure	7 372 619	328 435	7 044 184
Less abnormal expenditure:			
Legal fees	1 081 877	–	(1 081 877)
Net surplus for the year including abnormal expenditure	6 290 742	328 435	5 962 307



SEGMENT REPORTING

	Diamond trade	Regulatory compliance	Other	Total
For the year ended 31 March 2016				
Revenue				
Revenue from non-exchange transactions	–	–	50 527 000	50 527 000
Revenue from exchange transactions	33 895 983	6 024 310	2 642 481	42 562 774
Total segment revenue	33 895 983	6 024 310	53 169 481	93 089 774
Expenses				
Salaries and wages	9 157 970	18 350 257	37 770 299	65 278 526
Depreciation and amortisation	–	–	2 703 044	2 703 044
Other expenses	1 682 357	1 003 707	14 885 740	17 571 804
Total segment expenses	10 840 327	19 353 964	55 359 083	85 553 374
Assets				
Segmental assets	2 334 095	509 775	60 494 565	63 338 435
Liabilities				
Unallocated liabilities	–	–	63 338 435	63 338 435
Capital expenditure	106 615	4 706	783 265	894 586
Non-cash items excluding depreciation	–	–	1 234 642	1 234 642
For the year ended 31 March 2015				
Revenue				
Revenue from non-exchange transactions	–	–	47 810 000	47 810 000
Revenue from exchange transactions	32 854 802	3 636 241	3 376 063	39 867 106
Total segment revenue	32 854 802	3 636 241	51 186 063	87 677 106
Expenses				
Salaries and wages	8 632 060	17 156 652	34 030 208	59 818 920
Depreciation and amortisation	–	–	1 006 803	1 006 803
Other expenses	3 421 029	823 133	28 383 112	32 627 274
Total segment expenses	12 053 089	17 979 785	63 420 123	93 452 997
Assets				
Segmental assets	2 718 678	509 775	57 193 493	60 421 946
Liabilities				
Unallocated liabilities	–	–	60 421 946	60 421 946
Capital expenditure	478 475	205 761	2 481 269	3 165 505
Non-cash items excluding depreciation	–	–	(352 708)	(352 708)

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 MARCH 2016

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP), as issued by the Accounting Standards Board in accordance with section 91(1) of the Public Finance Management Act, (Act No 1 of 1999).

The annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.1 PRESENTATION CURRENCY AND FUNCTIONAL CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 GOING CONCERN ASSUMPTION

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern in the foreseeable future.

1.3 USE OF ESTIMATES AND JUDGEMENTS

Preparation of financial statements in conformity with GRAP requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenditure. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. RECOGNITION AND MEASUREMENT

2.1 REVENUE RECOGNITION

Revenue from exchange transactions

Revenue from the sale of diamond books and registers is recognised at the date of sale. Revenue from licence fees is recognised upon receipt of applications.

Revenue from service fees is recognised when services are completed and billed.

Revenue from non-exchange transactions

Transfer payments from the Department of Mineral Resources (DMR) are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

Interest received

Interest received is recognised on a time proportionate basis using the effective interest rate method.

2.2 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is charged to surplus/deficit so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method.

Useful lives and residual values are assessed on an annual basis.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired at no or nominal cost, its cost is its fair value as at the date of acquisition.



ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 MARCH 2016

The estimated useful lives of property, plant and equipment are currently as follows:

Item	Years
Furniture and fittings	20 years
Motor vehicles	10 years
Office equipment	10 years
Computer equipment	5 years
Security equipment – safes	50 years
Security systems – other	10 years
Leased office equipment	Shorter of the lease term or useful life
Leasehold improvements	Shorter of the lease term or useful life

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Subsequent expenditure incurred on items of property, plant and equipment is only capitalised to the extent that such expenditure enhances the value or previous capacity of those assets. Repairs and maintenance not deemed to enhance the economic benefit or service potential of items of property, plant and equipment are expensed as incurred.

2.3 INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation.

Amortisation is charged to surplus/deficit so as to write off the cost or valuation of intangible assets over their estimated useful lives, using the straight-line method.

The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis. The cost of an item of intangible assets is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired at no or nominal cost, its cost is its fair value as at the date of acquisition.

An intangible asset shall be derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

Gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the item is derecognised. Gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Item	Years
Software owned	3 years
Leased software	Shorter of the lease term or useful life

2.4 LEASES

Finance leases – lessee

Finance leases are recognised as assets in the statement of financial position at amounts equal to the lower of fair value of the leased property and the present value of the minimum lease payments. The corresponding lease commitments is recognised in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

2. RECOGNITION AND MEASUREMENT (CONTINUED)

2.4 LEASES (CONTINUED)

Operating leases – lessee

Operating lease payments are recognised as an expense in the statement of financial performance on a straight-line basis over the lease term. The difference between the actual amounts and straight-lined amounts is recognised as an operating lease asset or liability in the statement of financial position.

2.5 PROVISIONS AND CONTINGENCIES

Provisions

Provisions are recognised when the SADPMR has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the obligation.

All provisions of the SADPMR are short term in nature and thus ignore the effect of discounting.

Contingent liabilities

These are liabilities that will only become payable by the SADPMR should some other event occur.

Due to the uncertainty of the occurrence or non-occurrence of such events (the actual amount of the liability may not have been established), these are not accounted for in the statement of financial position and they are disclosed in the notes to the financial statements.

Contingent assets

These are possible assets that arise from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Due to the uncertainty of the occurrence or non-occurrence of such events, they are not accounted for in the statement of financial position and they are only disclosed in the notes to the financial statements.

2.6 INVENTORY

Inventory consists of broker's notes, certificates and registers held for resale and consumables held for office use.

Subsequent measurement

Inventories shall be measured at the lower of cost or current replacement cost where they are held for distribution at no charge or for a nominal charge.

Cost is determined on the following basis:

Broker's notes, certificates, registers and consumables are valued using the first-in-first-out basis.

Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down, adjustments and all deficits of inventories are recognised in the surplus or deficit.

2.7 FINANCIAL INSTRUMENTS

Initial recognition and measurement

All financial instruments are initially recognised at fair value including transaction costs, with the exception of financial instruments measured at fair value through surplus or deficit, which are valued at fair value excluding transaction costs.

Trade and other receivables from exchange transactions

Trade and other receivables from exchange transactions are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

Other receivables consist of deposits relating to the leasing of premises and legal fees recoverable.



ACCOUNTING POLICIES (continued)

FOR THE YEAR ENDED 31 MARCH 2016

Trade and other payables from exchange transactions

Trade and other payables from exchange transactions are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

Other payables consist of export levies payable to the South African Revenue Service (SARS). These payables are stated at cost.

Financial instruments at fair value

Financial instruments at fair value are subsequently measured at fair value and the fair value adjustments are recognised in the surplus or deficit.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash on hand and deposits held on call. Cash and cash equivalents are stated at amortised cost, which, due to their short-term nature, closely approximate their fair value.

Financial liabilities

Offsetting

Financial assets and financial liabilities have not been offset in the statement of financial position.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

For amounts due to the entity, significant financial difficulties of the debtor, e.g. defaulting on payment terms are all considered indicators of impairment, as the indicators are subject to uncertainty and as such may change in future financial periods. Such changes in estimates may have the effect of decreasing impairment losses recognised.

Impairment losses are recognised in surplus or deficit.

Derecognition

A financial asset (or, where applicable, a part of a financial asset) is derecognised when:

- The rights to receive cash flow from the asset have expired;
- The entity retains the right to receive cash flow from the asset, but has assumed the obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The entity has transferred its right to receive cash flows from the asset and either:
 - Has transferred substantially all the risks and rewards of the assets, or
 - Has neither transferred nor retained substantially all the risks and rewards of the assets, has transferred control of the asset

A financial liability is derecognised when an obligation under the liability is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial assets and the sum of the proceeds receivable and any prior adjustment to reflect the fair value of the asset that had been reported in net assets, is included in the surplus or deficit for the period.

2.8 ACCRUALS

Accruals are recognised as liabilities when the entity has taken receipt of the related goods or services without a corresponding payment.

The amount of accruals is the present value of the expenditure required to settle the obligation. Accruals are not recognised for future operating deficits.

2.9 BUDGETS

Budget information in accordance with GRAP 1 and 24 has been provided in a separate statement of comparison of budget and actual performance. The operational budget is monitored against actual expenditure incurred.

2. RECOGNITION AND MEASUREMENT (CONTINUED)

2.10 STANDARDS AND PRONOUNCEMENTS COMPRISING THE GRAP FINANCIAL REPORTING FRAMEWORK

The following standards have been approved but are not yet effective as at 31 March 2016. The impact that these standards will have on the entity is detailed below. A list of these standards is provided below:

GRAP	Standards	Impact	Effective date
GRAP 20	Related party disclosures	The SADPMR complies with the standard requirements.	No effective date
GRAP 32	Service concession Arrangements: Grantor	This standard will have no impact as the SADPMR does not engage in service concession arrangements.	No effective date
GRAP 108	Statutory receivables	This standard will have an impact on the entity, as there are receivables raised on the basis of legislative requirements.	No effective date
GRAP 109	Accounting by principals and agents	This will have an impact on the entity, if the Executive Authority engages in these types of transactions.	No effective date

2.11 SEGMENT REPORTING

The entity is organised and reports to management on the basis of three functional areas: Diamond trade, Regulatory compliance and other services. The segments were organised around the type of service delivered. Management uses these same segments for determining strategic objectives. Segments were not aggregated for reporting purposes.

Information reported on these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Segment results reported include items directly attributable to the segments as well as those that can be allocated on a reasonable basis.

Measurement

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

3. PROPERTY, PLANT AND EQUIPMENT

	Cost R	Accumulated depreciation R	31 March 2016 carrying value R	Cost R	Accumulated depreciation R	Restated 31 March 2015 carrying value R
Owned and leased assets						
Computer equipment	6 431 185	(4 723 446)	1 707 739	6 461 459	(4 545 089)	1 916 370
Furniture and fittings	3 904 537	(1 545 304)	2 359 233	3 908 472	(1 412 644)	2 495 828
Leased office equipment	346 986	(297 283)	49 703	346 986	(181 624)	165 362
Leasehold improvements	2 065 718	(1 473 024)	592 694	2 043 109	(1 162 730)	880 379
Motor vehicles	1 962 786	(1 107 286)	855 500	1 959 011	(1 082 243)	876 768
Office equipment	3 917 798	(1 486 766)	2 431 032	3 872 562	(1 197 356)	2 675 206
Security systems, machinery and safes	4 369 986	(2 728 361)	1 641 625	4 379 186	(2 545 416)	1 833 770
	22 998 996	(13 361 470)	9 637 526	22 970 785	(12 127 102)	10 843 683

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	Transfers R	31 March 2016 carrying value R
Owned and leased assets						
Computer equipment	1 916 370	114 321	(37 728)	(285 224)	–	1 707 739
Furniture and fittings	2 495 828	3 615	(2 604)	(137 606)	–	2 359 233
Leased office equipment	165 362	–	–	(115 659)	–	49 703
Leasehold improvements	880 379	22 610	–	(310 295)	–	592 694
Motor vehicles	876 768	162 800	–	(184 068)	–	855 500
Office equipment	2 675 206	50 588	(1 671)	(293 091)	–	2 431 032
Security systems, machinery and safes	1 833 770	–	(4 048)	(188 097)	–	1 641 625
	10 843 683	353 934	(46 051)	(1 514 040)	–	9 637 526

	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	Transfers R	Restated 31 March 2015 carrying value R
Owned and leased assets						
Computer equipment	1 751 810	275 748	–	(166 706)	55 518	1 916 370
Furniture and fittings	2 505 276	–	(445)	20 688	(29 691)	2 495 828
Leased office equipment	184 683	91 271	–	(110 592)	–	165 362
Leasehold improvements	666 035	583 666	–	(369 322)	–	880 379
Motor vehicles	1 056 763	–	–	(179 995)	–	876 768
Office equipment	1 989 150	829 033	(8 063)	(97 570)	(37 344)	2 675 206
Security systems, machinery and safes	1 905 228	13 019	–	(95 994)	11 517	1 833 770
	10 058 945	1 792 737	(8 508)	(999 491)	–	10 843 683

Obligations under finance leases are secured by the lessors' title to the leased assets.

4. INTANGIBLE ASSETS

	Cost R	Accumulated amortisation R	31 March 2016 carrying value R	Cost R	Accumulated amortisation R	Restated 31 March 2015 carrying value R
Owned and leased assets						
Computer software – owned	4 017 534	(1 201 396)	2 816 138	3 476 882	(12 397)	3 464 485
	4 017 534	(1 201 396)	2 816 138	3 476 882	(12 397)	3 464 485

The carrying amounts of intangible assets can be reconciled as follows:

	Carrying value at beginning of year R	Additions R	Amortisation R	Disposals R	31 March 2016 carrying value R
Owned and leased assets					
Computer software – owned	3 464 485	540 652	(1 188 999)	–	2 816 138
	3 464 485	540 652	(1 188 999)	–	2 816 138

	Carrying value at beginning of year R	Additions R	Amortisation R	Disposals R	Restated 31 March 2015 carrying value R
Owned and leased assets					
Computer software – owned	2 099 028	1 372 768	(7 311)	–	3 464 485
	2 099 028	1 372 768	(7 311)	–	3 464 485

5. INVENTORY

	2016 R	Restated 2015 R
Inventory comprises:		
Broker's notes, certificates and registers	25 556	29 875
Office stationery and cartridges	159 782	200 521
Tamper proof stationery	133 007	249 108
	318 345	479 504

Inventory consists of items on hand as at end of the reporting year. The cost of inventory recognised as an expense is included under other operating expenses.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2016 R	Restated 2015 R
Receivables	6 329 032	3 324 429
Receivables impairment	(2 571 860)	(1 343 968)
Interest receivable	186 420	107 629
Other receivables	326 883	349 849
Prepaid expenses	2 284 686	1 199 210
Staff debtors	90 501	82 697
	6 645 662	3 719 846

Staff debtors consist of unpaid leave days, study fees and telecommunication costs.

Reconciliation for debtors impairment

Opening balance	1 343 968	1 696 676
Raised/(reversed) during the year	1 234 642	(352 708)
Written off during the year	(6 750)	–
Closing balance	2 571 860	1 343 968

7. CASH AND CASH EQUIVALENTS

Cash on hand	50 635	426 963
Call accounts	28 226 205	18 088 048
Current accounts	1 070 155	1 714 773
	29 346 995	20 229 784

8. OTHER FINANCIAL ASSETS

Type: Financial instruments held for trading

Opening balance	21 684 644	23 264 363
Interest received	865 018	1 281 977
Withdrawals – other capital projects	(7 980 926)	(2 736 611)
Fair value adjustment	5 033	(125 085)
Closing balance	14 573 769	21 684 644

9. FINANCE LEASE OBLIGATIONS

Lease of photocopiers from Pinnacle Solutions (Pty) Ltd:

Repayable within two to five years	5 888	57 160
Repayable within one year, transferred to current liabilities	51 272	127 614
	57 160	184 774

Reconciliation between the total of the minimum lease payments and the present value of lease payments:

Minimum lease payments	59 635	204 532
– No later than one year	53 721	144 897
– Later than one year and no later than five years	5 914	59 635
Future finance charges on finance leases	(2 475)	(19 758)
	57 160	184 774

It is the practice of the SADPMR to lease certain items of office equipment and related software under finance lease.

10. PAYABLES FROM EXCHANGE TRANSACTIONS

	2016 R	Restated 2015 R
Trade creditors	238 740	1 199 471
Accruals	4 298 760	4 171 255
Other payables	248 386	140 020
Payroll third party payables	3 219	918 526
	4 789 105	6 429 272

All payables are paid within 30 days, where possible and where there are no disputes. Payables are not secured.

11. PROVISIONS

Legal fees	3 561 387	5 000 000
Performance bonus	5 120 821	5 120 821
	8 682 208	10 120 821
Reconciliation of legal fees provision:		
Carrying amount at the beginning of the year	5 000 000	5 000 000
Provision raised	750 000	–
Payments	(2 188 613)	–
Carrying amount at end of the year	3 561 387	5 000 000
Reconciliation of provision for performance bonus:		
Carrying amount at the beginning of the year	5 120 821	2 006 000
Amounts incurred and charged against the provision	(4 319 607)	(2 119 049)
Underprovision/(overprovision) of performance bonus	(801 214)	113 049
Additions	5 120 821	5 120 821
Carrying amount at end of the year	5 120 821	5 120 821

12. OBLIGATIONS UNDER OPERATING LEASES

12.1 AT THE STATEMENT OF FINANCIAL POSITION DATE, THE COMPANY HAS OUTSTANDING COMMITMENTS UNDER NON-CANCELLABLE OPERATING LEASES THAT FALL DUE AS FOLLOWS:

Johannesburg office

	10 009 225	3 214 744
– Not later than one year	1 982 925	2 248 554
– Greater than one year, less than five	8 026 300	966 190

The SADPMR entered into a five-year lease agreement with Redefine Properties Ltd, for the rental of office space in Jewel City, Johannesburg. The lease commenced on 1 September 2011 and was meant to terminate on 31 August 2016. The initial lease payment was R112 731 with additional charges for parking at R26 791 and security at R3 420 per month. The lease agreement was amended resulting in reduction in rental charges from September 2015 and it was extended to 31 August 2020. The lease provides for an escalation of 8% per annum on rental, parking and security charges.

Kimberley office

	1 169 342	169 993
– Not later than one year	459 587	169 993
– Greater than one year, less than five	709 755	–

The SADPMR entered into a three-year lease agreement with Providence Family Trust, for the rental of the Kimberley office. The lease commenced on 1 September 2015 and terminates on 31 August 2018 and provides for an escalation of rental of 8% per annum. The lease payment is R36 061 per month and with additional parking charges of R180.00 per bay.

Total lease obligations:

– Not later than one year	2 442 512	2 418 547
– Greater than one year, less than five	8 736 055	966 190
	11 178 567	3 384 737



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

	2016 R	Restated 2015 R
12.2 PAYABLES FROM OPERATING LEASES REFLECT THE DIFFERENCE BETWEEN THE ACTUAL LEASE PAYMENTS AND THE STRAIGHT-LINED AMOUNTS		
Lease liability	220 761	388 620
13. OTHER INCOME		
Administration fee (client fees)	15 936	17 996
Discount received	55 896	27 893
MQA grant income	–	173 159
Other income	188 407	782 147
Sale of diamond books and registers	96 452	88 513
Sale of tender documents	7 197	3 000
	363 888	1 092 708
14. AUDITORS' FEES		
External audit	2 068 207	2 767 839
15. OTHER OPERATING EXPENSES		
Administration expenses	97 916	114 450
Advertising	329 020	674 439
Audit fees	2 068 207	2 767 839
Board fees	1 024 081	1 285 090
Domestic travel	624 342	346 452
Hospitality	6 945	11 589
Inspection costs	429 299	369 894
Insurance	1 366 301	3 851 904
International travel	700 482	1 694 910
Inventory costs	720 914	780 716
Kimberley Process	605 389	1 652
Legal fees	1 081 877	11 578 800
Licences	883 927	548 034
Medical expenses – retired staff	128 300	100 900
Office lease	3 121 133	3 179 851
Postage and courier	21 954	26 538
Recruitment and selection costs	108 181	147 080
Repairs and maintenance	590 966	717 590
Security	864 897	794 848
Staff-welfare	275 719	114 635
Subscriptions and membership fees	47 801	58 220
System support fees	77 314	1 091 854
Telecommunication	1 785 253	1 758 083
Training and development	474 049	395 946
Venue and facilities	50 768	135 497
Warehousing	69 486	45 739
	17 554 521	32 592 550

16. EMPLOYEE COSTS

	2016 R	Restated 2015 R
Basic salaries	50 407 437	44 585 842
Bonus – 13th cheque	2 000 486	1 956 530
Compensation of injury and disease – COID	81 313	74 607
Disability cover	775 903	675 730
Housing allowance	168 000	174 000
Leave pay provision	671 536	811 247
Medical aid – entity contributions	1 985 400	1 823 298
Performance bonus	4 319 607	5 233 870
Post-employment benefits – pension	4 061 377	3 674 335
Skills Development Levy (SDL)	573 406	497 797
Travel allowance	16 800	106 800
Unemployment Insurance Fund (UIF)	217 261	204 864
	65 278 526	59 818 920

17. EXECUTIVE AND NON-EXECUTIVE MEMBERS' REMUNERATION

CHIEF EXECUTIVE OFFICER, GENERAL MANAGERS AND MANAGERS

L Rapoo – Chief Executive Officer

Basic salary	1 871 968	1 752 750
Bonus – 13th cheque	73 502	89 398
Disability cover	42 242	36 397
Performance bonus	396 035	155 726
UIF, SDL, medical and pension fund	53 817	47 568
Leave payout	153 773	94 695
	2 591 337	2 176 534

I Tshifura – Chief Financial Officer

Basic salary	1 266 686	1 199 123
Bonus – 13th cheque	73 549	66 994
Disability cover	17 183	14 899
Performance bonus	77 301	87 135
UIF, SDL, medical and pension fund	153 704	150 814
	1 588 423	1 518 965

L Nkhumishe – GM: Corporate Services

Appointed 1 October 2015		
Basic salary	1 095 508	875 622
Bonus – 13th cheque	63 635	48 854
Disability cover	14 967	10 914
Performance bonus	109 064	86 991
UIF, SDL, medical and pension fund	131 917	109 246
	1 415 091	1 131 627

M Mononela – GM: Legal and Compliance

Basic salary	1 297 943	1 232 700
Bonus – 13th cheque	73 549	66 994
Disability cover	17 183	14 899
Performance bonus	–	61 461
UIF, SDL, medical and pension fund	121 673	116 980
	1 510 348	1 493 034



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

17. EXECUTIVE AND NON-EXECUTIVE MEMBERS' REMUNERATION (CONTINUED)

	2016 R	Restated 2015 R
S Sikhosana – GM: Diamonds and Precious Metals		
Retired 31 December 2014		
Basic salary	–	784 265
Bonus – 13th cheque	–	72 829
Car allowance	–	97 200
Disability cover	–	11 081
Performance bonus	–	82 986
UIF, SDL, medical and pension fund	–	133 476
Leave payout	–	117 306
	–	1 299 143
NC Khosa – GM: Diamonds and Precious Metals		
Appointed 1 April 2015		
Basic salary	1 256 490	–
Bonus – 13th cheque	73 549	–
Disability cover	14 850	–
UIF, SDL, medical and pension fund	162 869	–
	1 507 758	–
C Mlondo – GM: Security and Risk Management		
Basic salary	1 313 278	1 248 396
Disability cover	17 215	14 927
Performance bonus	102 424	35 336
UIF, SDL, medical and pension fund	183 782	172 475
	1 616 699	1 471 134
KE Makgohlo – Manager: Human Resources		
Resigned 31 March 2014		
Performance bonus	–	60 304
	–	60 304
K Sibanyoni – Company secretary		
Appointed 1 January 2016		
Basic salary	214 796	–
Bonus – 13th cheque	12 498	–
Disability cover	2 701	–
UIF, SDL, medical and pension fund	25 229	–
	255 224	–
A Damarupurshad – Manager: Precious Metals and Beneficiation		
Basic salary	936 780	896 534
Car allowance	16 800	9 600
Disability cover	12 535	10 877
Performance bonus	79 375	42 966
UIF, SDL, medical and pension fund	124 471	115 762
	1 169 961	1 075 739

	2016 R	Restated 2015 R
J Lenka – Manager: Diamonds		
Basic salary	984 632	945 714
Disability cover	12 535	10 877
Housing allowance	12 000	–
Performance bonus	97 692	44 662
UIF, SDL, medical and pension fund	89 891	85 507
	1 196 750	1 086 760
M Babu – Manager: Licencing (Compliance)		
Basic salary	872 074	830 715
Bonus – 13th cheque	52 514	47 833
Disability cover	12 320	10 690
Performance bonus	73 991	–
UIF, SDL, medical and pension fund	142 783	133 146
	1 153 682	1 022 384
C Benn – Manager: Government Diamond Valuator		
Terminated 31 April 2015		
Basic salary	149 417	848 158
Bonus – 13th cheque	8 713	48 683
Disability cover	1 858	10 877
UIF, SDL, medical and pension fund	25 075	132 665
Leave payout	168 301	–
	353 364	1 040 383
S Mandlazi – Manager: Finance		
Basic salary	1 037 890	973 930
Disability cover	13 080	11 348
Performance bonus	58 648	62 960
UIF, SDL, medical and pension fund	93 225	99 709
	1 202 843	1 147 947
P Maka – Manager: Information and Communications Technology		
Basic salary	910 073	865 679
Bonus – 13th cheque	53 634	48 854
Disability cover	12 579	10 914
Performance bonus	102 937	62 785
UIF, SDL, medical and pension fund	126 667	119 210
	1 205 890	1 107 442
OA Thulare – Manager: Human Resources		
Acting allowance	–	161 308
Basic salary	961 895	641 646
Bonus – 13th cheque	17 352	28 415
Disability cover	12 610	8 269
Performance bonus	29 580	–
UIF, SDL, medical and pension fund	87 860	63 017
	1 109 297	902 655
Total executive remuneration	17 876 667	16 534 051

This represents the total cost to company; the choice of salary structure is that of the employee.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

17. EXECUTIVE AND NON-EXECUTIVE MEMBERS' REMUNERATION (CONTINUED)

NON-EXECUTIVE MEMBERS OF THE BOARD AND OTHER COMMITTEES

	Number of meetings	Paid to members	Paid to employers	2016	2015
N Mkhumane	15	129 280	–	129 280	105 056
S Phiri	5	31 712	–	31 712	41 536
L Grobler [#]	19	122 592	–	122 592	123 376
A Bezuidenhout	6	–	31 872	31 872	22 448
RJ Paola	18	–	83 584	83 584	108 944
L Delport	17	–	111 408	111 408	89 152
P Bailey	10	65 664	–	65 664	59 232
N Xaba	16	–	95 776	95 776	81 904
P Bersiks (Independent member)	5	33 344	–	33 344	20 560
S Ngcobo	9	–	54 176	54 176	53 792
Z Manase	3	16 592	–	16 592	10 224
S Vilakazi (Independent member)	4	28 512	–	28 512	20 560
Total non-executive remuneration		427 696	376 816	804 512	736 784

[#] Deceased

These fees exclude evaluation, training and other re-imbursing expenses.

18. CASH GENERATED FROM OPERATIONS

	2016 R	Restated 2015 R
Surplus/(deficit) per statement of financial performance	6 290 742	(5 556 776)
Adjustment for:	356 303	(1 196 749)
Depreciation and amortisation	2 703 044	1 006 803
Interest income	(2 375 040)	(2 371 869)
Finance costs	17 283	34 724
Deficit on disposal of assets	16 049	8 508
Fair value adjustment – other financial assets	(5 033)	125 085
	6 647 045	(6 753 525)
Movements in working capital	(5 824 879)	8 160 327
Decrease/(increase) in inventory	161 159	156 871
Increase/(decrease) in deferred income	–	(151 637)
Movements in operating lease liability	(167 859)	(100 061)
Increase/(decrease) in trade and other payables	(1 640 167)	947 849
Increase/(decrease) in provisions	(1 438 613)	8 114 821
Decrease/(increase) in trade and other receivables	(2 739 399)	(807 516)
Cash generated from operations	822 166	1 406 802

19. RELATED PARTY TRANSACTIONS

During the year under review, the entity entered into the following transactions:

	Amounts received/paid to related party		Amount owed to/by related party	
Name and nature of services	2016	2015	2016	2015
Department of Mineral Resources	50 527 000	47 810 000	–	–

The transactions relate to the transfer payment (grant) from the Department of Mineral Resources and there were no balances owed by or due to the DMR at the end of the year under review.

	2016 R	Restated 2015 R
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20. IRREGULAR AND WASTEFUL EXPENDITURE

Management did not detect any irregular expenditure during the year under review.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Management did not detect any fruitless and wasteful expenditure during the year under review.

22. CORRECTION OF ERROR

The comparative amount(s) relating to the Statement of Financial Performance have been restated as follows:

Increase in depreciation expense	–	2 790
Increase in advertising expense	–	470 000
Decrease in surplus/(deficit) for the year	–	(472 790)

This relates to the incorrect calculation of depreciation of R2 790 and advertising cost of R470 000 not accounted for in 2014/15 financial year.

The opening balance of the accumulated surplus account as at 1 April 2015, is restated to take into account in the corrected errors.

23. FINANCIAL RISK MANAGEMENT

The SADPMR has limited exposure to the financial risks in the course of normal operations and attempts to manage the following financial risks:

Liquidity risks

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves and liquid resources are also maintained.

The maturity analysis of trade payables at reporting date were as follows:

Payables

Current (0 – 30 days)	127 141	1 010 529
31 – 60 days	81 079	197 848
61 – 90 days	(12 426)	(9 133)
91 – 120 days	36 876	–
121 + days	6 070	227
	238 740	1 199 471

The following are the entity's other liabilities, including interest payments:

– Not later than one year

Finance lease obligations	51 272	127 614
Provisions	8 682 208	10 120 821
	8 733 480	10 248 435

– Greater than one year, less than five

Finance lease obligations	5 888	57 160
	5 888	57 160



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2016

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in commodity prices, interest rates and equity prices.

A significant part of the market risk encountered arises from financial instruments that are managed by other financial institutions.

The objective of the market risk management policy is to protect and enhance the statement of financial position and surplus or a deficit by managing and controlling market risk exposures and to optimise the funding of business operations and facilitate capital expansion.

	2016 R	Restated 2015 R
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Interest rate risk

Deposits and call accounts attract interest rates that vary from prime. The SADPMR's policy is to manage interest rate risk by investing in a range of balanced portfolios so that fluctuations in variable rates do not have a material impact on the surplus or (deficit).

At the end of the year, financial instruments exposed to interest rate risk were as follows:

- (i) Balances with banks, current and call accounts.

Credit risk

Credit risk is the risk of financial loss to the entity if a customer or other counterparty (including government and financial institutions) to a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the sale of goods and services in the ordinary course of business. Credit risk includes counterparty risk and delivery or settlement risk. Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the year of a transaction.

Credit risk consists mainly of call deposits, cash equivalents and trade receivables. The SADPMR only deposits cash with major banks with high-quality credit standing and limits exposure to any one counter-party. Trade receivables are presented net of allowance for doubtful receivables.

The maximum exposure to credit risk of financial assets is:

Loans and receivables	6 932 836	3 864 604
Other financial assets	14 573 769	21 684 644
Cash and cash equivalents	29 346 995	20 229 784
	50 853 600	45 779 032

The ageing of the entity's receivables is as follows:

	2016		2015	
	Gross	Impaired	Gross	Impaired
0 – 30 days	424 345	140 360	1 537 710	629 434
31 – 60 days	902 451	365 850	155 852	1 876
61 – 90 days	214 912	92 343	26 666	3 000
Over 91 days	4 787 324	1 973 307	1 604 201	709 658
	6 329 032	2 571 860	3 324 429	1 343 968

The impairment of debtors is analysed as follows:

	2016 R	Restated 2015 R
Debtors with expired licences and permits:	2 564 260	595 658
Long-outstanding and doubtful debts	7 600	748 310
	2 571 860	1 343 968

23. FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash and cash equivalents

Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents were as follows:

Bank	Type	Balance at 31 March 2016	Balance at 31 March 2015
Investec Ltd	Investment	9 608 159	9 079 379
Nedbank Ltd	Current	1 070 155	1 714 773
Nedbank Ltd	Call	10 896 530	2 153 173
Nedbank Ltd	Call (salary savings)	7 721 516	6 855 496
Petty cash	On hand	50 635	426 963
		29 346 995	20 229 784

24. CAPITAL COMMITMENTS

	2016 R	Restated 2015 R
Development of Web Administration System	615 495	1 280 948

This relates to capital commitments made towards procurement of capital expenditure which is still work in progress.



NOTES

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