



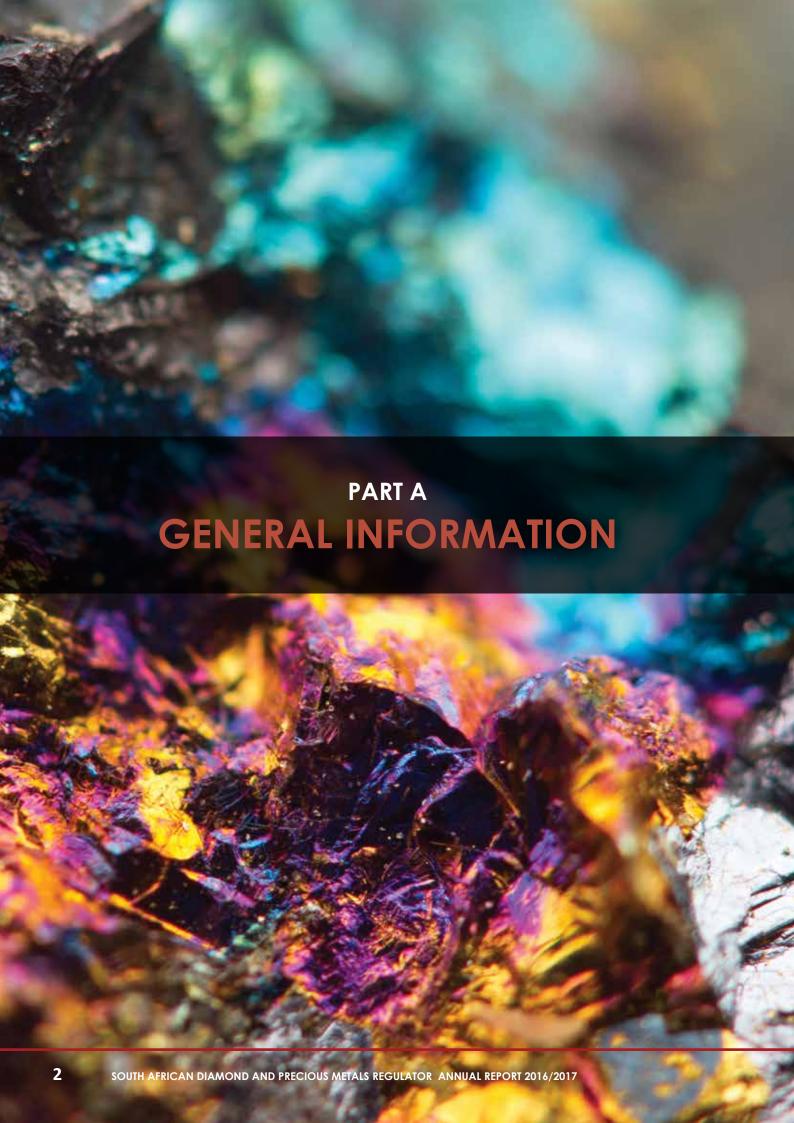
SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR

annual report 2016 | 17



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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 classified as a public entity under Schedule 3A of the Public Finance Management Act, 1999 (Act No 1 of 1999).

PHYSICAL ADDRESS

JOHANNESBURG (HEAD OFFICE)	KIMBERLEY OFFICE	DURBAN OFFICE	CAPE TOWN OFFICE
251 Fox Street DOORNFONTEIN 2028	66 Jones Street 3rd Floor, Trust Centre KIMBERLEY 8301	333 Smith Street Department of Mineral Resources 3rd Floor, Durban Bay House DURBAN	9 Riebeeck Street Atterbury House, 10th Floor CAPE TOWN 8001
P.O. Box 16001	P O Box 2990	4000	
Doornfontein, 2028	Kimberley, 8301		
Tel: +27 11 223 7000	Tel: +27 53 831 3121	Tel: +27 31 335 9677	Tel: +27 21 427 1070
Fax: +27 11 334 8898	Fax: +27 23831 3184	Fax: +27 31 301 6950	Fax: +27 086 612 4907
info@sadpmr.co.za	info@sadpmr.co.za	info@sadpmr.co.za	info@sadpmr.co.za
www.sadpmr.co.za	www.sadpmr.co.za	www.sadpmr.co.za	www.sadpmr.co.za

BANKERS INFORMATION

Nedbank Ltd

SA Jewel Centre 225 Main and Phillip Street JOHANNESBURG 2001

COMPANY SECRETARY

Ms. Karabo Sibanyoni

LIST OF ABBREVIATIONS/ ACRONYMS AND SYMBOLS

BBBEE	Broad Based Black Economic Empowerment
BBSEEC	Broad Based Socio-Economic Empowerment Charter
CEO	Chief Executive Officer
DEEC	Diamond Exchange and Export Centre
DMR	Department of Mineral Resources
GDV	Government Diamond Valuator
HR	Human Resources
ICT	Information and Communication Technology
KPCS	Kimberley Process Certification Scheme
MISS	Minimum Information Security Standards
MPSS	Minimum Physical Security Standards
MSP	Master Systems Plan
NVS	National Vetting Strategy
OHSA	Occupational Health and Safety Act
PFMA	Public Finance Management Act
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 Dollar unless otherwise specified
ZAR	South African Rands

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 2016/2017 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, Information and Communication Technology, Transformation, Communication, Finance and Supply Chain Management and Security Risk Management)
- **Programme 2:** Diamond Trade (Government Diamond Valuator and Diamond Exchange and Export Centre)
- **Programme 3:** Regulatory Compliance (Licencing Division, Diamond Inspectorate and Precious Metals and Beneficiation



■he current Board of Directors ("Board") of the South African Diamond and Precious Metals Regulator ("SADPMR") appointed in November 2016. The newly appointed Board commenced its tenure at the SADPMR in the midst of a significant decline in the beneficiation of diamonds and precious metals, which if left unabated would have led to immense unemployment in the diamond and precious metals industry. Thankfully the Board comprises of knowledgeable, skilled and dedicated co-directors who are steadfast in their conscientious efforts to stymie unemployment in our industry in addition to diligently implementing government's policies towards radical economic transformation, job creation and the development of skills.

I, as Chairperson of the Board am both privileged and pleased to have had the fulfilling opportunity to lead this wonderfully challenging yet dynamic organisation. Special mention needs to be made of the leadership and guidance of our Honourable Minister Mosebenzi Zwane (MP). His acute penchant for detail and culture of excellence have been remarkable in service delivery, the recognition of the Department of Minerals and Resources' ("DMR") mandate as well as the transformation of the sector. These attributes have ensured the enhanced transfer of benefits in mineral beneficiation and the improvement in mining related communities.

The SADPMR's Five Year Strategic Plan and Mid-Term Expenditure Framework ("MTEF") for the 2017/18 financial reporting period were reviewed in order to address the above-mentioned endeavours. As an integral fragment of its initiatives the Board intends formulating a SADPMR beneficiation strategy to achieve its goals.

Transformation remains at the core of the SADPMR's goals. It is imperative that all, with a special focus on Previously Disadvantaged Individuals, access the diamonds and precious metals of our country. It is for this reason that we support and welcome the revised Mining Charter of 2017. To this end, the Diamond Act 1986 (Act 56 of 1986) and the Precious Metals Act 2005 (Act 37 of 2005) require that the SADPMR adhere to the requirements of the Mining Charter as amended from time to time when considering applications.

The year 2017 has been a formidable year for South Africa and the SADPMR. South Africa is one of the founding members of the Kimberley Process Certification Scheme ("KPCS") and has been an active and influential participant within the KP. South Africa was elected and appointed as the Chair of the Kimberley Process Working Group on Monitoring ("WGM") from 2017 to 2019. It is important to appreciate that the SADPMR chairs this working group on behalf of the South African government.



"The year 2017 has been a formidable year for South Africa and the SADPMR"

The WGM is a significant working group within the KP in that it monitors the compliance of member countries to the international conditions and protocols related to the trading in rough diamonds.

The KPCS is a joint government, industry and civil society initiative created to stem the flow of conflict diamonds, in particular rough or illicit diamonds utilised by rebel movements to finance wars against legitimate governments. The Kimberly Process ("KP") has 54 participants and member countries, representing 81 countries (with the European Union and its member states constituting a single participant. The monitoring of these trade conditions and requirements is conducted through the facilitation of review visits to member countries, the submission of annual reports and lastly, the monitoring of fraudulent and suspicious shipments. We are both honoured and humbled to chair and lead the WGM.

I also wish to thank all members of the board for their continued advice on strategic decisions; thoughtful and actionable guidance. We have made strides in effectively translating our strategy into action and we continue to ask probing questions. The implementation of strategic decisions and organisational performance remain paramount.

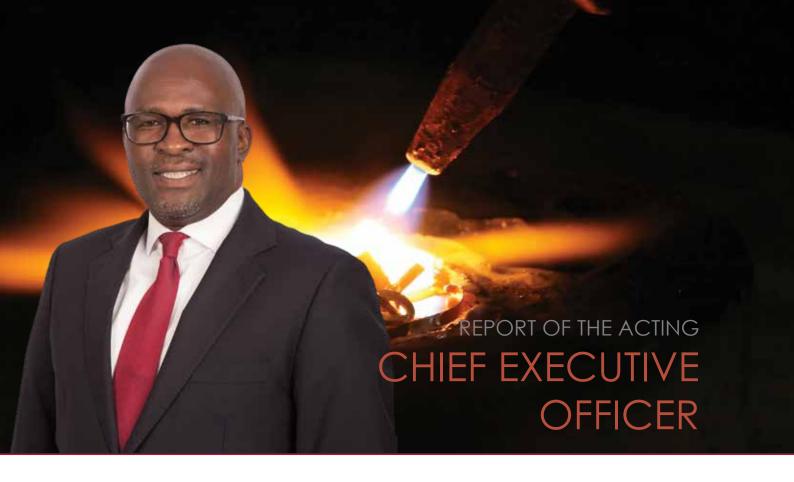
We wish to thank Mr Xolile Mbonambi the Acting Chief Executive Officer ("CEO") of the SADPMR,

his management team and the entire staff for their immense support. The Board recognises the CEO's passionate advocacy for improvements and his continued efforts to reinvent and reposition the SADPMR. Company Secretariat's commitment in ensuring that the board continues to unleash its statutory duties under the law, does not go unnoticed.

Therefore it remains our mission to continue on the great path we have started and attain the goals we have set for ourselves.

Finally, I wish to thank my fellow Board members and co-directors and pray that we continue on this path of greatness to attain the goals we have set for ourselves.

Dr Sipho ManeseChairperson



he South African Diamond & Precious Metals Regulator (SADPMR) was listed as a National Public Entity on 9 March 2007 (replacing the erstwhile South African Diamond Board at the end of its 20th year), thus 9 March 2017 marked the 10th anniversary of the creation of the SADPMR. While such a milestone is commemorated, it is also a time to reflect on the health and trends in the diamond and precious metals industries, during the first ten years of the existence of the SADPMR.

It would be fair to say that the last ten years have been challenging for the diamond and precious metals industries, and this had a lot to do with external factors and to a lesser extent on the implementation of the new diamond and precious metals legislation that came into effect in 2007.

Transformation still remains a challenge in the industry, during the period under review, we intensified the work of the Transformation Team, by adding more inspections, increasing engagements with licence-holders and making regular follow-ups on undertakings made by the licence-holders. Plans are underway to capacitate the SADPMR Transformation Team to interpret and enforce the provisions of the legislation and Mining Charter in order to ensure that the industry is fully compliant and transformed.

Diamond and precious metals mine production were on a declining trend over the last decade.

South Africa lost its prestigious title as the largest gold producing country, in 2008 and production continued to decline throughout the period to half of what it was in 2007, by the end of the 2016. Although South Africa remained the largest platinum-group metal producer, production also declined over the past ten years due to various factors including high production costs, and labour-related issues.

Diamond production, although recording a moderate recovery in 2016 also displayed a declining trend over the last decade, which negatively impacted the diamond industry and beneficiation of diamonds. There was a significant number of business and factory closures and the largest diamond producer decreasing their beneficiation clients to almost halve from what they used to be. Platinum-group metal fabrication, dominated by auto catalyst manufacture, was also lower, but this was due chiefly to lower demand from Europe over the period, where the effects of the global financial crisis, which began in 2009, continued to have an impact.

Underlining the negative outlook, rough diamond imports increased to about 496 000 carats during the financial year 2016/17 compared to 346 000 carats in financial year 2015/16. Alarmingly, the United Arab Emirates, a rough diamond trading country, was the main source of these imports in carat terms (173 847 carats) for the first time ever.



"The SADPMR's vision is to be the leading socioeconomic transformative regulator that is centred on local beneficiation of SA diamonds and precious metals and business excellence"

Consistent with the declining trend, polished diamond exports declined to about 80 000 carats valued at \$570 million from 85 000 carats valued at \$507 million the year before; whereas the figure recorded for polished diamond imports was higher in carat terms but lower in unit value (188 thousand carats valued at \$124 million in financial year 2016/17 compared with 98 thousand carats valued at \$128 million in the previous year).

The SADPMR intensify its cooperation with diamond producers with the intent to increase the supply of diamonds to local beneficiators. The Board has also approved project initiatives by management in which we intend to stimulate beneficiation, skill and develop of the HDSA's, assist mining communities and promote intra-Africa diamond and precious metals trading.

Gold and PGM fabrication during the period under review performed much better, despite headwinds in the form of rand weakness and a weaker global auto catalyst market. PGM fabrication was flat but gold fabrication was higher than in the previous year.

Despite this gloomy picture, there were a few highlights in the performance of the SADPMR during the period under review. A new record was set for the number of inspections conducted - surpassing the 2 000-mark for the first time; the number of Kimberley Process Certificates issued was a record 1 683 and 10 entrepreneurs had been assisted,

which was also the highest to date. Also noteworthy is the fact that South Africa assumed Chairmanship of the Working Group Monitoring, in the Kimberley Process, as of January 2017.

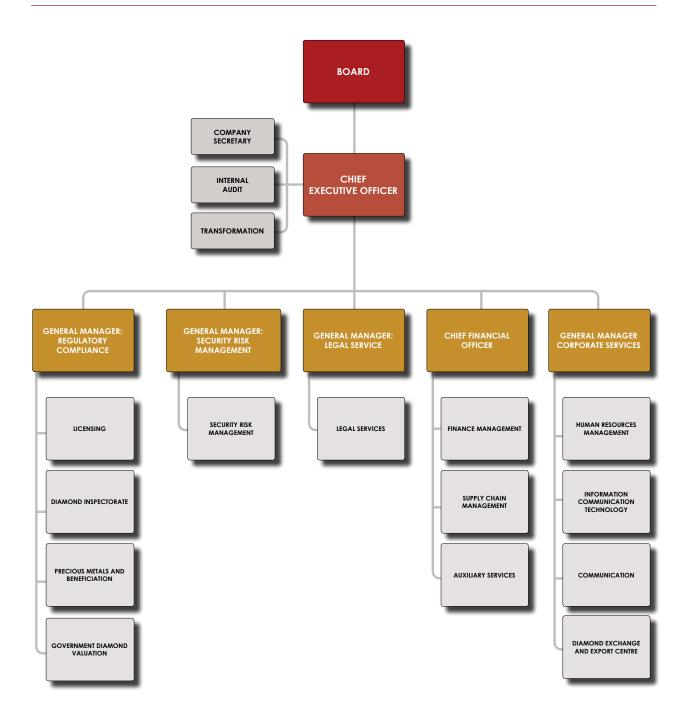
A new Board of Directors of the SADPMR was appointed by Minister Zwane in late 2016. I therefore welcome them and commit the SADPMR to tackling the challenges in the industry to restore South Africa as one of the leading diamond and precious metal beneficiation countries in the world. The SADPMR's vision is to be the leading socioeconomic transformative regulator that is centred on local beneficiation of SA diamonds and precious metals and business excellence.

In conclusion, I should thank the staff of the SADPMR for their efforts during a very tough year and it would be remiss of me not to thank the previous Board and former CEO for their sterling efforts and contributions in transforming the Diamond and Precious Metals industries during the past six years.



Mr X. Mbonambi
Acting Chief Executive Officer

SADPMR STRUCTURE



TOTAL ESTABLISHMENT: 127 | FILLED POSTS: 121 | VACANT POSTS: 6



STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY FOR THE PERFORMANCE INFORMATION FOR THE YEAR ENDED 31 MARCH 2017

The Chief Executive Officer is responsible for the preparation of the public entity's performance information and for the judgements made in this information.

The Chief Executive Officer is responsible for establishing and implementing a system of internal control 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 SADPMR for the financial year ended 31 March 2017.

Mr X. Mbonambi

Acting Chief Executive Officer

Dr Sipho Manese

Chairperson

AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on performance against predetermined objectives is included in the report to Management, under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the Auditor's Report.

The AG's report is currently included with the annual financial statements. The findings of the work performed by the AG and the performance information will be more useful and relevant if it is read with the reporting of the performance information in the Annual Report commencing from page 16.

Refer the Auditor's Report, published on page 50 in Part D: Financial Information.



FOR THE PERIOD UNDER REVIEW OF THE 2016/2017 FINANCIAL YEAR

REPORTING: ANNUAL PERFORMANCE PLAN FOR THE 2016/2017 FINANCIAL YEAR

PROGRAMME 1: ADMINISTRATION

SUB-PROGRAMMES:

STRATEGIC OBJECTIVE	KEY ACTIVITIES	MEASURES	BASELINE	ANNUAL TARGET	ACTUAL PERFORMANCE	CONSTRAINTS/ REMEDIES
To enforce compliance with legislative requirements	Comply with legislation, policies and procedures	Reduction in a number of repeated findings	5	Less than 5	Achieved All the repeat and new audit findings were addressed.	
To improve organisational capacity for maximum execution of excellence	Implement the approved Human Resource (HR) plan	Number of HR pillars implemented	5	5	Achieved Five pillars of Human Resources plan were implemented	
	Implement the approved SADPMR communication policy	Number of engagements with internal and external stakeholders	12	12	Achieved 13 workshops and meetings conducted	Improved coordination between the SADPMR and other state organs ensured that more stakeholders were reached
	Implement the Master Systems plan	Number of MSP programmes implemented	3	3	Achieved 3 MSP programmes Implemented	
	Implement the minimum information security standards (MISS)	Risk mitigation measures implemented	3	3	Achieved Three MISS programmes implemented	
To improve organisational capacity for maximum execution of	Provide legal support to the Regulator	% 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	
excellence		% of legal opinions obtained on behalf of the Regulator	100% of requests received and addressed	100%	Achieved 100% of matters referred and addressed	
		% of contracts and SLA's vetted within 30 days	100%	100%	Achieved 100% of contracts and SLAs vetted	

PROGRAMME 2: DIAMOND TRADE

SUB-PROGRAMMES: GOVERNMENT DIAMOND VALUATOR AND DIAMOND EXCHANGE AND EXPORT CENTRE

STRATEGIC Objective	KEY ACTIVITIES	MEASURES	BASELINE	ANNUAL TARGET	ACTUAL PERFORMANCE	CONSTRAINTS/ 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 beneficiators accessing the DEEC	131	135	Not Achieved 103 Diamond beneficiators accessed the DEEC	constraints Increase in the number of inactive beneficiators. REMEDIES Enhance Regulator marketing strategy, conduct workshops or information sessions with inactive licensees and propose solutions.
		Number of clients accessing the DEEC	2845	2860	Achieved 2873 clients accessed the DEEC	An improved response from clients who were interested in DEEC services
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% (425) of diamonds offered/ presented	
To enforce compliance with legislative requirements	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 to KPCS requirements	100% compliance with KPCS minimum requirements	100% compliance with KPCS minimum requirements	Achieved 1753 KPCS: issued in line with minimum requirements	

PROGRAMME 3: REGULATORY COMPLIANCE

SUB-PROGRAMMES: LICENSING, DIAMOND INSPECTORATE, PRECIOUS METALS AND BENEFICIATION

STRATEGIC OBJECTIVE	KEY ACTIVITIES	MEASURES	BASELINE	ANNUAL TARGET	ACTUAL PERFORMANCE	CONSTRAINTS/ REMEDIES
To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries	Issue licenses to enable diamond and precious metals trade	Number of new licenses issued within 60 working days based on completeness of the applications	195	195	Not Achieved 180 licences issued	CONSTRAINTS Unanticipated backlog in the applications due to unplanned changes in staffing. REMEDIES Internal controls were adjusted to respond to unplanned changes in staffing.
		Number of licence renewals processed within 60 working days based on completeness of the applications	90	90	Not Achieved 75 renewals issued	CONSTRAINTS Unanticipated backlog in the applications, unplanned changes in staffing. REMEDIES Internal controls were adjusted to respond to unplanned changes in staffing.
	Assist new entrepreneurs in the diamond and precious metals industries	Number of new entrepreneurs assisted	9	9	Achieved 10 new entrepreneurs assisted	Target for entrepreneurs assisted was surpassed due to the surge in interest in the diamond trade in the Durban area.
To improve competitiveness, sustainable development and job creation in the diamond and precious metals industries	Oversee the provision for issuing of beneficiation licenses	Number of beneficiation licenses issued	66	66	Not Achieved 56 Beneficiation licences issued	CONSTRAINTS Received lower number of applications. REMEDIES Enhance Regulator marketing strategy, Conduct Quarterly workshops for new entrants, Establishment of Forums for people who wish to enter the industry and beneficiate

STRATEGIC OBJECTIVE	KEY ACTIVITIES	MEASURES	BASELINE	ANNUAL TARGET	ACTUAL PERFORMANCE	CONSTRAINTS/ REMEDIES
To enforce compliance with legislative requirements	Conduct compliance audits on licensees	Number of BBSEEC compliance audits conducted	408	408	Achieved 461 compliance audits conducted	The increase was due to inspectors at the regions assisting with doing compliance audits
	Conduct inspection services within the diamond and precious metals sectors	Number of inspections conducted	1478	1478	Achieved 1610 inspections conducted (866 Precious metals inspections and 744 diamond inspections)	The increase in precious metal inspections was due to the higher number of inspections related to renewal of jeweler's permits and also due to the follow-up inspections on non-submitters of registers.
To transform the diamonds and precious metals sectors	Promote participation of HDSAs in the diamond and precious metals industries	Number of workshop/ information sessions conducted	Establish baseline	4	Achieved 4 workshops targeting HDSA licensees	
To transform the diamonds and precious metals sectors	Decrease the number of inactive businesses	Number of inactive businesses assisted	31	31	Achieved 31 (16 precious metals inactive licensees and 15 inactive diamond licensees engaged and assisted.	
	Facilitate skills development initiatives for the industries	Number of skills initiatives facilitated for diamonds and precious metals industries	3	3	Achieved 3 workshops on skills development initiatives conducted	
		Number of licences verified against their commitments on skills development	Establish Baseline	70	Achieved 75 licenses verified against their commitments	Improved coordination through the implementation of Technical indicators ensured that more clients were verified.
	State Bourse	Business Case Document Developed (State Bourse)	Establish Baseline	Consultation with stakeholders	Achieved	

OVERVIEW OF THE SADPMR'S PERFORMANCE

PROGRAMME 1: ADMINISTRATION

The SADPMR staff compliment is 122 with 58.2% females to 41.8% males. In addition, 7 interns comprising of 1 male and 6 females were recruited to Licensing, Diamond Exchange and Export Center, Diamond Inspectorate, Precious Metals and Beneficiation and Information Communication Technology divisions.

The SADPMR continues to make strides in developing its employee's skills levels. During the period under review 10 bursaries in various fields of study were awarded to employees. Employees attended short courses to address the gaps identified in Personal Development Plans (PDP) and for general development.

The Finance Division has achieved all targets set out in the SADPMR Strategic Plan and compliance checklists to this effect were sent to National Treasury on a quarterly basis. All issues raised by the Auditor-General as matters of emphasis, as well as other value-adding matters, were followed up and addressed properly. Spending was prudently monitored to ensure alignment with the approved budget.

The implementation of the web-based system has integrated processes between business units in the SADPMR, which led to seamless functioning of the entity.

PROGRAMME 2: DIAMOND TRADE

The Government Diamond Valuator (GDV) successfully managed to determine a fair market value of the 10% offer of diamond producers, pursuant to section 59 (B) (6) of Diamond Act 56 of 1986, as amended. As a result, there were no disputes declared over prices during the year under review.

South Africa experienced an increase of 20.92% in the volume of rough diamonds imported in 2016, relative to 2015. Diamond Exchange and Export Centre (DEEC) recorded a significant decrease of 10.75 % in polished diamond imports compared to the previous financial year. The number of clients accessing the DEEC increased slightlyby 0.95 % compared to the previous financial year.

PROGRAMME 3: REGULATORY COMPLIANCE

The period under review was a difficult one due to market conditions, but two positives can be noted; viz., the 56 percent increase in the number of precious metal beneficiation licence follow-up inspections (See Table below) and the resilience of the diamond cutting industry which declined only marginally relative to the previous period, despite market weakness and labour issues.

OUTLINE OF PROGRAMME PERFORMANCE

PROGRAMME 1: ADMINISTRATION

SUB-PROGRAMMES: FINANCE, COMMUNICATIONS, INFORMATION COMMUNICATION TECHNOLOGY, LEGAL SERVICES, SECURITY RISK MANAGEMENT, HUMAN RESOURCES AND TRANSFORMATION

FINANCE

All audit recommendations accepted in the prior year on matters included in the auditor-general report were implemented. In addition policies were reviewed to align with National Treasury prescripts on finance and supply chain matters. (\$&T, Financial delegation, procurement policy)

INFORMATION COMMUNICATION TECHNOLOGY

During the financial year under review, the ICT division ensured continuous maintenance and enhancements on the Web Administration System to ensure service delivery through the availability of a rigid and well secured system which ensures collection, modification and accessibility of the organisation's data.

The ICT division continued to prioritise Disaster Recovery by continuously monitoring the environment to ensure business continuity, data and application recoverability in the event of a catastrophe. The monitoring process entailed performing data integrity checks and ensuring recoverability of critical servers from the Disaster Recovery Site.

SECURITY AND RISK MANAGEMENT

In the period under review, South African Precious Metals Regulator (SADPMR) implemented the Minimum Information Security Standards (MISS), through Personnel Security (Vetting or Security Screening) processes a total of 7 vetting requests were forwarded to SSA.

Furthermore, a total of 10 Personnel Suitability Checks (PSC) reports were obtained from the SSA, which are meant to determine the Citizenship, Financial Worthiness and Criminal records for new employees. All appointed officials obtained positive PSC reports. That means SADPMR complies with the National Vetting Strategy (NVS) in terms of implementing PSC during the recruitment processes.

With regards to the Minimum Physical Security Standards (MPSS), the emergency preparedness plan was implemented as a component of the Contingency Plan through bi-annual evacuation practices. This determines response readiness to any physical emergency situations.

LEGAL SERVICES

Legal Services is responsible for providing legal support to the divisions within the SADPMR. To ensure that the SADPMR is compliant to the legislative framework within the public sector. To ensure that the SADPMR and the CEO complies with its functions in terms of the Diamond Act, 1986 as amended and to ensure that the diamond and precious metals industries adheres to the provisions and conditions of licences/permits of the Diamond Act, as amended and Precious Metals Act, 15 of 2005 respectively.

HIGHLIGHTS

During the year under review the SADPMR lodged an application for leave to appeal against a finding on the constitutionality of section 20A of the Diamond Act, 1986 as amended. As an entity that is mandated to implement the provisions of the Diamond Act, it is thus important to defend its integrity and validity. The application for appeal is lodged with the Constitutional Court and the matter will be heard on the 11th May 2017.

TRANSFORMATION

In order to assess progress against the BBSEEC within the industry, four distinct areas of economic transformation were considered for verification and these are Ownership, Procurement plans, Employment Equity plans, and Human Resources Development plans.

HIGHLIGHTS

1. Ownership

During the 2016/17 financial year a total of 75 companies within the diamonds and the precious metals industries were verified. Of the 75 companies that were verified, 5 (7%) are wholly-owned and managed black enterprises; 50 (66%) are BEE compliant with the 26% ownership; 11 (15%) are exempted as per the Code of Practice in the mining industry; and 9 (12%) have not reached the compliance threshold, and serious engagement is at an advance stage of ensuring that they comply.

2. Employment equity

Employment levels in the diamond and precious metals industries have been decreasing as both sectors have experienced high levels of down-sizing and closures. By far the greatest job losses in this industry have been in the diamond industry. Of the 75 verified only 15 comply with the Employment equity plan and others are mostly exempted based on the size of employment of their companies. There is less noticeable change at management level and the provision of opportunities in HDSA. The representation of HDSAs remains of concern as low levels of their involvement in the industries.

3. Skills Development Plan

The Mining Charter requires that companies spend a minimum of 5% of the annual salary spend on skills development. Companies in the sector have not adequately addressed external training as they are more reliant on-the-job training, whereas they could also provide additional skilling of employees for opportunities outside the industry, should they be retrenched. We can report that there are sufficient skills in this industry for manufacturing of goods. The SADPMR has directed the industry to keep record of internal training in order to quantify spending on this particular element. Of the 75 companies verified, 32 reported both external and internal training with records as evidence and the remaining 43 reported internal with little or no evidence of training.

4. Procurement and Enterprises Development Plan

The companies within diamond and precious metals industries largely source goods and services through tender processes. The majority of equipment used in both the diamonds and precious metals industries are procured overseas, which therefore has adversely affected the requirement of procuring locally. Of the 75 companies audited, it has been established that inadequate proper records are kept on procurement spend and measures are being taken to ensure compliance. Emphasis is placed by the SADPMR on support by the sector of entrepreneurial development, as this area was lagging behind set BBBEE objectives.

SUB- PROGRAMME: HUMAN RESOURCES MANAGEMENT

The Human Resources Management and Development division supports the business units of the SADPMR in ensuring that an improvement in organisational capacity for maximum execution of excellence is realised. The division continues to implement services in respect of recruitment and selection, performance management and development system, labour relations management, employee wellness programme, training and development as well as Human Resource administration.

HIGHLIGHTS

PERSONNEL COST BY SALARY BAND

Table 1: Personnel cost by salary band

LEVEL	PERSONNEL Expenditure	% OF PERSONNEL EXPENDITURE TO TOTAL PERSONNEL COST	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEES
Top management	7 122 550	11.6	6	1 187 092
Senior management	9 114 415	14.9	8	1 139 302
Professional qualified	19 371 384	31.6	31	624 883
Skilled	18 569 802	30.3	48	386 871
Semi -skilled	5 913 004	9.6	26	227 423
Unskilled	1 244 563	2	7	177 795
Total	61 335 718	100	126	3 743 366

PERFORMANCE REWARDS

In order to encourage good performance, the SADPMR granted a number of performance rewards during the period under review. This 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
Top management	3	410 212	8.4%
Senior management	6	673 033	13.8%
Professional qualified	32	1 772 992	36.2%
Skilled	47	1 553 357	31.7%
Semi -skilled	22	382 792	7.8%
Unskilled	7	100 260	2.1%
Total	117	4 892 646	100%

INTERNAL STAFF BURSARIES

Table 3: Internal bursaries

BURSARY BUDGET	BURSARIES EXPENDITURE	NO OF EMPLOYEES ALLOCATED BURSARIES FOR 2017	EXISTING BURSARY HOLDERS PRIOR 2017	TOTAL NO OF INTERNAL BURSARY HOLDERS
548 380	427 237	10	16	26

^{*} The above bursaries were offered in the following fields of study: Economic and Management Sciences, Engineering Sciences, Accounting Sciences in Financial, Information Technology, Law, Mining Faculty, Accounting Sciences and Internal Audit.

SHORT COURSES

Table 4: Short Courses

DIVISION	GEI	NDER	NUMBER OF	TRAINING OFFERE			
DIVISION	MALE FEMALE EMPLOYEES		EMPLOYEES	TRAINING OFFERED			
Human Resources Management	1	1	2	Recruitment, Selection, Competences Based- Behavioural Interviewing and Retention Skills Course x 1			
Precious Metals and Beneficiations	3	0	3	Skills Development Facilitator x 1 Environmental Law x 2 Import Export Procedure x 1			
Office of the CFO	1	2	3	Discovery Excel x 2 Excel on Steroids x 1			
Transformation	0	1	1	Broad Based Black Economic Empowerment Management Development Programme x 1			
Internal Audit	0	2	2	Effective Report Writing x 2			
Diamond Export Exchange Centre	4	6	10	Excellence in Customer Service Management Training x 10			
Security Risk Management	1	0	1	Course in the Investigation of Financial Crime x 1			
Information Communication Office	1	0	1	Microsoft Certified Solutions Expert: Messaging			
Licensing	1	7	8	Effective Business Writing x 8			
Total	12	19	31				

INTERNSHIP PROGRAMME

Table 5: Internship programme

	MALE			FEMALE			FOREIGN NATIONAL		TOTAL		
	Α	С	1	W	Α	С	- 1	W	MALE	FEMALE	
Internship Programme	1	0	0	0	6	0	0	0	0	0	7

^{*}African = A, Coloured = C, Indian = I, White = W

EMPLOYMENT AND VACANCIES

Table 6: Employment and Vacancies

OCCUPATIONAL CATEGORIES	2016/17 APPROVED POSTS	2016/17 NUMBER OF EMPLOYEES	2016/17 VACANCIES	% OF VACANCIES	2015/16 NUMBER OF EMPLOYEES
Executive management	6	4	2*	1.7	6
Senior management	8	8	0	0	6
Professional qualified and experienced specialist and mid-management	34	30	4*	3.3	33
Skilled	47	47	0	0	48
Semi –skilled	25	25	0	0	25
Unskilled	7	7	0	0	7
Total	127	121	6	5%	125

^{*}Posts Advertised

WORKFORCE PROFILE

As of 31 March 2017, the employment equity staffing ratios stood at 99% blacks to 1 % whites; 58, 2% female to 41.8% male; and 50% core function to 50% support function staff. The SADPMR's headcount is 121 employees as indicated in Table 6.

Table 7: Workforce profile

		M	ALE		FEMALE			FOR NATI	TOTAL		
	Α	С	1	w	Α	С	1	W	MALE	FEMALE	
Top management	3	0	0	0	1	0	0	0	0	4	
Senior management	3	0	1	0	4	0	0	0	0	0	8
Professionally qualified and experienced specialists and mid- management	14	0	1	0	13	1	0	1	0	0	30
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	14	0	0	1	28	2	2	0	0	0	47
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	47	0	2	1	64	4	2	1	0	0	121
Temporary employees	1*	0	0	0	0	0	0	0	0	0	1
GRAND TOTAL	48	0	2	1	64	4	2	1	0	0	122

^{*} Seconded employee

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

	MALE								
LEVELS	AFRICAN		COLOURED		INDIAN		WHITE		
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	
Executive Management	3	1	0	0	0	0	0	0	
Senior Management	3	0	0	0	1	0	0	0	
Professional Qualified	14	2	0	1	1	0	0	0	
Skilled	14	0	0	0	0	0	1	0	
Semi-Skilled	11	0	0	0	0	0	0	0	
Unskilled	2	0	0	0	0	0	0	0	
Total	47	3	0	1	2	0	1	0	

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

	FEMALE								
LEVELS	AFRICAN		COLOURED		INDIAN		WHITE		
	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	CURRENT	TARGET	
Executive Management	1	1	0	0	0	0	0	0	
Senior Management	4	0	0	0	0	0	0	0	
Professional Qualified	13	1	1	0	0	0	1	0	
Skilled	28	0	2	0	2	0	0	0	
Semi-Skilled	13	0	1	0	0	0	0	0	
Unskilled	5	0	0	0	0	0	0	0	
Total	64	2	4	0	2	0	1	0	

Table 10 : Current and target on Employees with disabilities

	EMPLOYEES WITH DISABILITIES							
OCCUPATIONAL CATEGORIES	M	ALE	FEMALE					
CATEGORIES	CURRENT	TARGET	CURRENT	TARGET				
Executive Management	0	0	0	0				
Senior Management	0	0	0	0				
Professional Qualified	0	0	0	1				
Skilled	0	0	0	0				
Semi-Skilled	1	0	0	0				
Unskilled	0	0	0	0				
Total	1	0	0	1				

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	1
Final Written warning	1
Dismissal	0
Total	5

STAFF TURNOVER

During the period under review, 5 (five) employees left the organisation due to various reasons as reflected in table below.

Table 12: Staff turnover

REASON	NUMBER
Death	0
Resignation	3
Dismissal	0
Retirement	1
III Health	0
Expiry of contract	1
Other	0
Total	5

PROGRAMME 2: DIAMOND TRADE (DEEC AND GDV)

SUB PROGRAMME: DIAMOND EXCHANGE AND EXPORT CENTRE (DEEC)

ROUGH DIAMOND TRADE AT THE DEEC

The DEEC received 5 639 302 carats valued at approximately \$ 689 353 671 and there is a notable increase of carats offered for local traders when compared to 2015/2016 financial year.

The table below indicates the rough diamond tender activities facilitated at the DEEC during the 2016/2017 financial year.

Table 1. Rough Diamonds offered for local sale by Diamond Producers, Dealers and Beneficiators

	2016/2017	2015/2016
Total carats received	5 639 302	4 611 154
Total \$ received	689 353 671	779 946 366
Total carats of parcels exported	5 639 301	4 610 871
Total \$ value of parcels exported	902 882 145	780 844 508
Total carats withdrawn	135	282
Total \$ value withdrawn	0	0

ROUGH DIAMOND EXPORTS

In the 2016 calendar year, South Africa exported 10.6 million carats of rough diamonds valued at more than \$1.5 billion. This trend indicates a significant increase by 2.22 million carats from 8.39 million carats valued at \$1.32 billion reported during the year 2015. Rough diamonds exported by South Africa to Botswana in 2016 accounted for 4.9 million carats compared to 4.25 million carats recorded in 2015. The increase is a clear indication that Botswana remains South Africa's major trading partner in rough diamond exports recorded for the year under review.

The European Union also recorded an increase of rough diamond exports traded from 2.4 million carats in 2015 to over 3.18 million carats in 2016. The data proves that the European Union still remains South Africa's second trading partner in terms of rough diamond exports. United Arab Emirates, which firmly holds position three had recorded a substantial increase of rough diamond exports in 2016. Its rough diamond exports spiraled from 912 thousand carats in 2015 to over 1.97 million carats recorded in 2016.

The following three countries: Israel, Switzerland and India had concluded the top six, with India falling one place from the 5th trading partner with more than 251 thousand carats reported in 2015 to being 6th with more than 99 thousand carats traded in 2016. Whereas, Israel and Switzerland had occupied positions 4 and 5 in 2016 at over 240 thousand carats and 179 613.75 carats respectively. Based on the above, it was observed that South Africa's rough diamond exports increased by more than 2 million carats for the period under review when compared to the 2015 calendar year.

The table below represents rough diamond exports of 2016 between South Africa and other KP Participants.

Table 2: Rough Diamond Exports: 2015 vs 2016

	ROUGH DIAMOND EXPORTS										
DADTICIDANT	2	016	2015								
PARTICIPANT	CARATS	VALUE (\$)	CARATS	VALUE (\$)							
Angola	0	0	5	100							
Australia	0	0	69	7379							
Botswana	4 935 448	554 257 019	4 254 861	514 700 356							
Canada	0.01	50	30	390							
China PR	4 440	5 596 628	20 371	2 199 587							
European Union	3 180 068	411 693 709	2 491296	343 239 943							
India	99 140	28 769 858	251 883	27 978 605							
Israel	240 317	92 941 196	304 88	127 780 321							
Mauritius	20	10 250	0	0							
Russian Federation	0	0	13	225 892							
Singapore	0	0	4 388	1 897 404							
Switzerland	179 613	160 220 945	154 273	131 585 114							
Thailand	220	2 221 805	1 841	2 179 013							
Turkey	13	11275	0	0							
United Arab Emirates	1 978 957	267 074 332	912 327	163 677 821							
United State of America	507	5 926 925	875	12 840 722							
TOTAL	10 618 743	1 528 723 992	8 397 242	1 328 312 648							

ROUGH DIAMOND IMPORTS

During the 2016 calendar year United Arab Emirates became South Africa's top trading partner with over 170 000 carats valued at more than \$ 73 million recorded compared to 49 251 carats valued at over \$33 million recorded in 2015. Botswana became South Africa's second trading partner in rough diamond imports with over 145 000 diamonds imported during 2016 calendar year.

This led to Switzerland being South Africa's third highest trading partner in 2016 with over 108 000 diamonds imported. The data further shows a shift in trade recorded whereby KPC participants such as European Union and Israel recorded a downturn trade of imports in 2016 compared to 2015 calendar year. The two countries recorded a decline of 43,091.08 carats and 21,921.41 carats in 2016 when compared to 82 379 carats and 44 597 carats imported in 2015 respectively.

In conclusion, the comparisons and analysis of statistical data for rough diamond imports between 2015 and 2016 indicated an improvement of import trade in 2016. As such, it was observed that South Africa recorded an overall increase of more than 149 thousand carats of rough diamond imports for the year under review when compared to the year 2015. This is evident from the data illustrated below where we witnessed an upswing trade of more than 495 thousand carats of rough diamonds valued at more than \$ 430 million being imported into South Africa in 2016. The trade surpassed the total carats of 345 840 valued at over \$371 million reported in the 2015 calendar year.

The table below represents rough diamond imports of 2016 between South Africa and other KP Participants

Table 3: Rough diamond imports 2015 vs 2016

	ROUGH DIAMOND IMPORTS										
DARTICIDANIT	2	2016	2015								
PARTICIPANT	CARATS	VALUE (\$)	CARATS	VALUE (\$)							
Botswana	145 613	188 354382	121 056	201 122 483							
Canada	0	0	1	200							
China, PR	0	0	27	74 134							
Congo, DR	2873	197 463	0.00	0.00							
European Union	39 288	13 329 659	82 379	21 281 374							
India	984	1 611 524	7 020	1 893 058							
Israel	22 675	16 721 075	44 597	30 455 080							
Namibia	264	52 169	65	16 066							
Singapore	23	52 390	16	73 326							
Switzerland	108 937	117 088 402	40 859	71 614 211							
Tanzania	135	120 501	0.00	0.00							
United Arab Emirates	173 847	73 617 740	49 251	33 133 806							
United State of America	903	19 257 275	297	7 933 285							
Zimbabwe	0	0	269	3 635 685							
TOTAL	495 542	430 402 580	345 840	371 232 711							

POLISHED DIAMOND EXPORTS

During the period under review, South Africa exported a total of 116 714 carats of polished diamonds, valued at approximately \$ 797 million. There was a decrease of approximately 12 558 carats of diamond exports received and declared during this period, when compared to the previous financial year.

Table 4: Polished diamond exports

		2016/2017		2015/2016		
	CARATS	VALUE (\$)	RAND VALUE (ZAR)	CARATS	VALUE (\$)	RAND VALUE (ZAR)
TOTAL	116 714	797 585 055	11 521 624 750	129 272	796 069 174	10 886 343 448

POLISHED DIAMOND IMPORTS

During the period under review, the DEEC received and cleared a total of 146 289 carats of polished diamond imports, valued at approximately \$ 5.2 billion. There was a decrease of approximately 1 355 carats of diamonds declared during this period, when compared to the previous financial year. Approximately 45 % of the polished diamonds were imported into South Africa for consultation and certification purposes at local laboratories and were re-exported back to their country of origin.

Table 5: Polished diamond imports

		2016/2017		2015/2016		
	CARATS	VALUE (\$)	RAND VALUE (ZAR)	CARATS	VALUE (\$)	RAND VALUE (ZAR)
TOTAL	146 289	372 073 01	5 272 777 411	147 644	411 757 188	5 593 545 843

SYNTHETIC DIAMOND POWDER IMPORTS

Synthetic diamonds come in different forms such as rough, polished and powder however the DEEC received and cleared 124 108 000 carats of synthetic diamonds powder, valued at approximately \$ 6 million. This indicates a significant increase of 46.05 % of carats imported during the current financial year when compared to 66 million carats imported in 2015/2016. The synthetic diamond powder was imported for the purposes of manufacturing diamond tools.

Table 6: Synthetic diamond powder imports 2016/2017

	2016/2017				2015/2016		
	CARATS	VALUE (\$)	RAND VALUE (ZAR)	CARATS	VALUE (\$)	RAND VALUE (ZAR)	
TOTAL	124 108 000	6 075 285	86 713 219	66 959 473	3 380 140.86	46 771 981	

SUB-PROGRAMME: KIMBERLEY PROCESS CERTIFICATION SCHEME (KPCS)

During the 2016 calendar year, SADPMR oversaw the administration and implementation of KPCS and KP participation, by ensuring compliance with KPCS requirements and other relevant legislation.

ISSUING OF KPCS CERTIFICATES

During the financial period under review, 1 683 KP certificates for exports were issued to 12 Kimberley Process participants, while 230 KP certificates were received from KP member countries. This shows an increase of 683 (37.55 %) in the number of KP certificates issued for exports and an increase of 6% (2.60 %) in the number of certificates received during 2016 calendar year.

SUBMISSION OF QUARTERLY REPORTS (STATISTICS)

Four (4) statistical reports were timeously submitted to the Kimberley Process working group on statistics.

SUBMISSION OF 2016 ANNUAL REPORT

The South African KP 2016 annual report was submitted on time and in line with the requirements.

SUB-PROGRAMME: GOVERNMENT DIAMOND VALUATOR (GDV)

The GDV provides valuation services related to diamond exports, imports including production offered to the State Diamond Trader, in terms of the Diamonds Act, No 56, of 1986 as Amended. In addition to that the GDV is required to ensure that diamonds are traded at fair market value and to provide technical assistance to the South African Police Services.

In terms of Section 59B of the Diamonds Act, No. 56 of 1986 as Amended, GDV is mandated to provide verification of fair market value for the diamonds offered to State Diamond Trader.

It was observed that during the beginning of the 2015/2016 financial year the global diamond market trade was stable until the first quarter of the period under review where prices fluctuated globally, this resulted in a decline of 5% in prices which affected mostly the +2 carats of polished diamonds. As a result, rough diamond prices remained unstable due to the significant gap between rough and polished diamond prices.

The table below illustrates the diamond production offered to the SDT by producers which were valued and verified by the GDV.

Table 1: Producer summary of all unpolished diamonds verified by the GDV in terms of Section 59B- 2016/2017 vs 2015/2016

	2016/2017	2015/2016
Production carats presented to the SDT	9 026 994.03	7 427 627.82
Production \$/value presented to the SDT	\$ 1 126 442 850.59	\$ 1 344 868 483.65
Carats Purchased by the SDT	177 889.47	155 922.22
10% \$/Value Purchased by the SDT	\$ 50 768 700.86	\$ 29 871 305.71

Diamond production offered to the State Diamond Trader in terms of Section 59B of the Diamond Act, 1986, increased by 17% from the previous financial year (2015/2016), as such there was a 12.34% increase in carats purchased by SDT in 2016/2017 compare to 2015/2016. The value of purchases increased by 41.16% in 2016/2017 compared to 2015/2016 financial year, where there was a decrease of -19.39%.

DIAMOND VALUATION SERVICES RENDERED TO SOUTH AFRICAN POLICE SERVICES (SAPS)

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

The table below represents exhibits presented for valuation to the GDV by SAPS

Table 2: Objects confiscated by the South African Police Services (SAPS)

		ЕХН	IBITS		TOTALS		EXH	IBITS	Ţ	OTALS
PROVINCE	2016/17	DIAMONDS	NON DIAMONDS	CARATS	VALUE (ZAR)	2015/16	DIAMONDS	NON DIAMONDS	CARATS	VALUE (ZAR)
Gauteng	294	27	267	28.64	60 747.00	244	53	191	81.52	770 882.45
Free state	230	21	209	52.38	42 351.99	1045	4	1041	15.47	22 104.16
Northern Cape	1043	121	922	53.99	98 994.58	468	23	445	8.78	18 116.00
Eastern Cape	0	0	0	0	0	26	25	1	7.57	14348.8
North West	181	5	176	2.13	2 706.00	41	29	12	15.01	29 348.79
Mpumalanga	11	0	11	0	0	1	1	0	2.64	3037.05
KwaZulu-Natal	0	0	0	0	0	0	0	0	0	0
Western Cape	80	3	77	4.63	32 874.00	129	71	58	4.6	23 877.00
Limpopo	3	3	0	6.42	3 179.53	62	0	62	0	0.00
TOTAL	1842	180	1662	148.19	240 853.10	2016	206	1810	135.59	881 714.25

During the 2016/2017 financial year, a total of 1842 objects were presented to the GDV for expert opinion compared to 2016 objects during the 2015/2016 financial year. The amount of diamond content confiscated increased to 12.60 carats in the year 2016/2017 compare to carats confiscated in 2015/2016. Most of the confiscated goods came from Free State and Northern Cape.



PROGRAMME 3: REGULATORY COMPLIANCE

SUB PROGRAMMES: (LICENSING, DIAMOND INSPECTORATE, PRECIOUS METALS AND BENEFICIATION)

The Licensing Division is responsible for processing and issuing of all licences and permits provided for in the Diamonds Act, 1986 and the Precious Metals Act, 2005.

LICENSING DIVISION

During the year under review, a total of 599 diamond and precious metals licences, permits and certificates were issued, of which 365 were diamond licences (see table 1) and 234 precious metals licences (see table 2) as compared to 875 overall diamond and precious metals licences issued in the previous year. There was an overall decrease of diamond and precious metals licences issued for the period under review. The main cause of the decrease in licences issued is due to the overall decline in the diamond and precious metals industries.

Table 1 Diamond licensces issued

	YEAR 2015/2016	YEAR 2015/2016	YEAR 2016/2017	YEAR 2016/2017
DIAMOND LICENCES/PERMITS	APPLICATION RECEIVED	LICENSE ISSUED	APPLICATION RECEIVED	LICENSE ISSUED
Diamond Beneficiation	17	17	20	20
Diamond Dealer	136	157	103	103
Diamond Trading House	1	1	0	0
Diamond Research	0	0	1	1
Temporary Buyers Permit	0	0	0	0
Diamond Certificate	0	0	0	0
Authorized Representative Certificate	203	206	192	192
Diamond Permit	31	34	29	29
Diamond Endorsements	42	42	29	29
Total	430	457	374	374

There was a decrease on Diamond Dealer's licence and authorised representative's applications received in the 2016/17 compared to the previous financial year. There was no variance in a number of applications received and a number of licences and permits issued in 2016/2017 financial year.

Table 2 Precious metals licences issued

	YEAR 2015/2016	YEAR 2015/2016	YEAR 2016/2017	YEAR 2016/2017
PRECIOUS METALS LICENSES/PERMITS	APPLICATION RECEIVED	LICENSE ISSUED	APPLICATION RECEIVED	LICENSE ISSUED
Precious Metals Refining	6	7	3	3
Precious Metals Beneficiation	3	3	0	0
Jeweler's Permits	266	307	122	122
Special Permit	11	12	12	12
Permit to Import	13	13	13	13
Export Approval	16	18	20	20
Precious Metal Certificate	3	3	1	1
Precious Metals endorsement	55	55	53	53
Total	373	418	224	224

Licences are rolled over from the previous reporting period

During the period under review precious metals licences decreased to 234, permits and certificates were issued as compared 418 in the previous year. There was no variance in number of applications received and the number of licences and permits issued in 2016/2017 financial year.

Table 3: Diamond and Precious Metals Licences issued based on HDSA's and non-HDSA's ownership for 2016/2017

LICENCES ISSUED AND % OWNERSHIP	NUMBER OF LICENCES/ 100% HDSA OWNERSHIP				% HDSA ERSHIP	≥26% HDSA OWNERSHIP	
OWNERSHIP	PERMITS	MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Diamond Dealer	103	29	10	1	2	7	2
Diamond Beneficiation	20	3	0	2	1	1	1
Jeweler's Permits	122	5	0	2	0	1	0
Precious Metals Beneficiation	0	0	0	0	0	0	0
Precious Metals Refining	3	1	0	0	0	1	0
Total	248	38	10	5	3	10	3

^{*}Historically Disadvantaged South Africans (HDSA) are South Africans of the Black, Coloured, Indian and Chinese (Resided or born in South African before 1994)

PURPOSE OF THE PROGRAMME: To regulate the diamond and precious metals industries

The Licensing Division is responsible for processing and issuing of all licences and permits provided for in the Diamonds Act, 1986 and the Precious Metals Act, 2005.

SUB- PROGRAMME: DIAMOND INSPECTORATE

The Diamond Inspectorate is responsible for conducting compliance inspections relating to diamond licences, registering diamond producers in the SADPMR database and receiving, capturing and monitoring diamond trade transactions through prescribed registers and compliance with the Diamond Act, 1986. Functions includes the following:

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

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

	NUMBER. OF INSF	PECTIONS 2016/17	NUMBER. OF INSPECTIONS 2015/16		
LICENCE/PERMIT TYPE	NEW PREMISES INSPECTIONS	FOLLOW-UP INSPECTIONS	NEW PREMISES INSPECTIONS	FOLLOW-UP INSPECTIONS	
Dealing Licence	135	239	156	205	
Beneficiation Licence	34	88	26	74	
Trading House Licence	2	88	1	105	
Research Licence	2	35	0	1	
Producer permit	0	96	0	125	
Import/Export comfort letters	0	25	0	34	
TOTALS:	173	571	183	544	

The table above shows that a total of 744 inspections were conducted during the period under review 2016/17. One hundred and seventy three (173) of these inspections were relating to new diamond license applications while five hundred and seventy two (571) were follow-up inspections on existing licenses.

The bulk of these 744 inspections (77%) were relating to follow-ups on existing licenses to ensure that licensees comply with terms and condition of their respective licenses.

SUB-PROGRAMME: PRECIOUS METALS AND BENEFICIATION

The Precious Metals and Beneficiation sub-programme has two main functions. The main function of Precious Metals Inspections entails ensuring compliance with the Precious Metals Act, 2005 which involves conducting inspections relating to precious metals licences and applications for such licences, and the monitoring of trade transactions through prescribed registers and information submission forms. The second function involves monitoring and promoting the beneficiation of precious metals in South Africa.

HIGHLIGHTS

The number of precious metals inspections increased by 15% from 750 in 2015/16 to 866 in 2016/17. This has been attributed mainly to the enhanced emphasis on follow-up inspections intended to ensure compliance by licence and permit holders.

PRECIOUS METALS INSPECTIONS

During the year under review, inspections increased by 15% due to the increased focus on follow-up inspections on holders of jeweller's permits.

A total of 866 inspections were conducted, of which 187 were related to new precious metal licence/permit applications, while the balance of 679 were follow-up inspections conducted on the premises of existing licence/permit holders (see Table 1). The number of inspections conducted represented a 15% increase compared with the previous year (750 inspections, of which 125 were for new applications, and 625 were related to existing licences/permits).

Most inspections were related to applications for jeweller's permits (165 – mainly renewals) and existing Jeweller's Permits (550), followed by inspections related to Refining licences and Beneficiation licences (see Table 1). Jeweller's permit follow-up inspections dominate inspections as these are the most issued permits in the precious metals industry. Jewellery manufacturing is the main activity relating to precious metals, in terms of the number of participants in the industry, in South Africa.

During the year, joint inspections were conducted with SAPS and the DPCI (Directorate for Priority Crime Investigations) relating to licence holders for which irregularities were either reported (by the industry) or identified in registers of transactions. There were also joint inspections conducted on the premises of non-licensees to ensure that their activities did not require a precious metal licence.

In cases where there was non-compliance, these were addressed in accordance to the provisions of the Precious Metals Act, 2005.

Table 1: Breakdown of inspections done by licence/permit type

	NUMBER. OF INSE	PECTIONS 2016/17	NUMBER. OF INSPECTIONS 2015/16		
LICENCE/PERMIT TYPE	NEW PREMISES INSPECTIONS	FOLLOW-UP INSPECTIONS	NEW PREMISES INSPECTIONS	FOLLOW-UP INSPECTIONS	
Refining Licence	10	49	10	63	
Beneficiation Licence	0	67	3	61	
Jeweller's Permit	165	550	102	490	
Special Permit	12	1	10	5	
Non-licensee	0	12	0	6	
TOTALS:	187	679	125	625	

REGISTERS 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 metal 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).

Non-submission of registers and irregularities identified in registers of transactions were followed up on during follow-up inspections. Registers may also be used for statistical purposes.

PRECIOUS METALS BENEFICIATION

South Africa's total gold fabrication (beneficiation) in the financial year 2016/17 at about 31 tons, was significantly higher than the 21 tons fabricated in financial year 2015/16 (see Table 3). The increase is attributed to higher demand for investment products. Most of the gold fabricated in 2016/17 went into the minting of coins and minted bars.

Platinum-group metal (PGM) fabrication is dominated by the fabrication of catalytic converters. PGM fabrication at 27 tons in 2016/17 was similar to the figure recorded in the previous year. This sector is stagnant due to excess supply in the market.

Table 3: Precious metals fabrication, 2016/17 and 2015/2016

YEAR	GOLD FABRICATION (TONS)	PGM FABRICATION (TONS)
2016/17	31	27
2015/16	21	27







REPORT ON CORPORATE GOVERNANCE

The SADPMR is established in terms of section 3 of the Diamond Act, 1986 and is classified in terms of the Public Finance Management Act, 1999 as a Schedule 3 A public entity.

THE DIAMOND ACT, 56 OF 1986, AS AMENDED. (THE DIAMOND ACT)

As the enabling legislation of the SADPMR, the Diamond Act, 1986 provides for the objectives, functions and role of the SAPDMR. The Diamond Act further makes provision for the composition and appointment of the Board and the appointment of the Chief Executive Officer.

THE PUBLIC FINANCE AND MANAGEMENT ACT, 1999 (PFMA)

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 the above-mentioned components.

- Parliament: Parliament has an oversight role on the overall performance of the public entity. The Standing
 Committee on Public Accounts (SCOPA), reviews the annual financial statements and audit reports of
 the external auditor. The Parliamentary Portfolio Committee on Mineral Resources (PPC), reviews and
 oversees all other functions and duties of the SADPMR, excluding financial matters.
- The SADPMR presented its Annual Report of the previous financial year and Strategic Plan on 11 October 2016
- 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 activities, projects and initiatives to the Department's Strategic Plan.

The following are the members of the board;

- 1. Dr. S Manese (Chairperson)
- 2. Ms. N Monedi-Noko (Deputy chairperson)
- 3. Mr X Mbonambi (Acting Chief Executive Officer)
- 4. Maj-Gen. P Arendse
- 5 Mr. P Bailey
- 6. Mr. B Deka
- 7. Ms. M Ledingwane
- 8. Mr. K Menoe
- 9. Maj-Gen. N Mokoena (alternate)

- 10. Ms. Mohlala-Mulaudzi
- 11. Ms. M Mosina
- 12. Mr. C Nevhutanda
- 13. Mr. M Noge
- 14. Mr. T Ngqeza
- 15. Mr. R Paola (alternate)
- 16. Adv. N Van Rooyen
- 17. Ms. N Zikalala-Mvelase

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 and objective in this regard. Furthermore, the 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 Risk Steering Committee continually review the risk management processes, internal controls and significant risks facing the organisation and reports to the Audit and Risk Committee on a quarterly basis.

FRAUD AND CORRUPTION

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

Employees are encouraged to use the Anti-Corruption Hotline number, which is 0800 701 701, to report any acts, or intentions to commit acts of any corruption. This may also be any act relating to SADPMR's employees, services, clients and stakeholders. In this regard, clients and employees of SADPMR may make anonymous calls to the National Anti-Corruption Hotline number which is managed by the Office of the Public Service Commission.

MINIMISING CONFLICTS OF INTERESTS

The SADPMR has transparent, effective procedures for identifying, disclosing and managing conflict of interests, which reduce the opportunities for corruption or improper conduct in the organisation.

On an annual basis, members of the board complete and submit a disclosure form which indicates their other interests, as well as potential areas of conflict if any. On a regular basis during board and committee meetings, members are also required to also disclose any conflict of interests prior to issues being discussed.

All employees of SADPMR complete financial disclosure forms on an annual basis. Declaration measures are also in place to prevent conflict 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 committee are:

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

OBJECTIVES

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

MEETINGS AND ATTENDANCE

BOARD MEETING (PREVIOUS BOARD)

NAME AND SURNAME	04 MAY 2016	30 MAY 2016	26 JULY 2016	28 SEPTEMBER 2016	11 OCTOBER 2016
Ms. N Mkhumane	Yes	Yes	No	No	No
Mr. S Phiri	No	No	Yes	Yes	Yes
Mr. GL Rapoo	Yes	Yes	No	No	No
Mr. L Delport	Yes	Yes	Yes	Yes	Yes
Mr. L Grobler †	-	-	-	-	-
Mr. R Paola	No	Yes	No	Yes	Yes
Ms. N Zikalala-Mvelase	Yes	Yes	Yes	Yes	No
Ms. N Xaba	Yes	Yes	Yes	Yes	Yes
Mr. \$ Ngcobo	Yes	No	Yes	No	No
Mr. P Bailey	Yes	Yes	Yes	Yes	Yes
Mr. A Bezuidenhout	No	Yes	No	No	No
Ms. M Kobe	Yes	No	No	No	Yes
Ms. N Mokoena	No	No	No	No	No
Ms. Z Manase	No	No	No	No	No
Ms. L Nkhumishe* (Jun 2016 – Aug 2016)	-	-	Yes	-	-
Mr. C Khosa* (Sep 2016 – Jan 2017)	-	-		-	Yes

^{*}Acting Chief Executive Officers of the SADPMR

BOARD MEETING (NEW BOARD)

NAME AND SURNAME	10/11/2016	11/11/2016	26/01/2017	28/03/2017 (SPECIAL BOARD MEETING)
Dr. S Manese (Chair)	Yes	Yes	Yes	Yes
Mr. B Deka	Yes	Yes	Yes	No
Mr.C Nevhutanda	Yes	Yes	Yes	Yes
Mr. S Mokoena (replaced)	Yes	Yes	No	-
Mr. M Noge	Yes	Yes	Yes	Yes
Mr. K Menoe	Yes	Yes	Yes	No
Ms. M Mohlala-Mulaudzi	Yes	No	Yes	No
Ms. M Ledingwane	Yes	Yes	Yes	Yes
Mr. B Stern	Yes	Yes	Yes	No
Ms. M Mosing	Yes	Yes	Yes	Yes
Mr.T Ngqeza	Yes	Yes	Yes	Yes
Ms. N Monedi-Noko (Deputy Chair)	Yes	Yes	Yes	Yes
Mr.N.J Van Rooyen	Yes	Yes	No	Yes
Mr. P Bailey	-	-	-	Yes
Mr. C Khosa (Acting CEO) Nov 2016 – Jan 2017	Yes	Yes	Yes	-
Mr. X Mbonambi (Acting CEO) Feb 2017 – to date	-	-	-	Yes
Ms. N Zikalala-Mvelase	Yes	No	Yes	Yes

[†] Member is deceased

EXECUTIVE COMMITTEE (PREVIOUS BOARD)

NAME & SURNAME	30/05/2016	26/07/2016
N Mkhumane	Yes	No
S Phiri	No	Yes
GL Rapoo	Yes	No
L Delport	Yes	Yes
L Grobler †	-	-
N Zikalala-Mvelase	No	Yes
R Paola	Yes	No
\$ Ngcobo	No	Yes

[†] Member is deceased

EXCO COMMITTEE MEETING (NEW BOARD)

INITIAL AND SURNAME	25/11/2016	23/01/2017	8/03/2017 (SPECIAL MEETING)
Dr S Manese	Yes	Yes	Yes
T Ngqeza	Yes	Yes	Yes
M Noge	Yes	Yes	Yes
M Ledingwane	Yes	Yes	Yes
N Monedi-Noko	Yes	Yes	Yes
M Mohlala-Mulaudzi	No	No	No
X Mbonambi	Yes	Yes	Yes
C Khosa	Yes	Yes	-

TECHNICAL COMMITTEE (PREVIOUS BOARD)

INITIAL AND SURNAME	13/04/2016	13/07/2016	25/07/2016
L Grobler †	-	-	-
N Xaba	Yes	Yes	Yes
N Mokoena	No	No	No
L Rapoo	Yes	No	-
\$ Ngcobo	Yes	Yes	Yes
P Bailey	Yes	Yes	Yes

[†] Member is deceased

TECHNICAL COMMITTEE (NEW BOARD)

INITIAL AND SURNAME	12/01/2017
N Monedi-Noko	Yes
M Mosing	Yes
B Stern	Yes
K Menoe	Yes

FINANCE COMMITTEE (PREVIOUS BOARD)

INITIAL AND SURNAME	20/04/2016	19/05/2016	19/10/2016
L Delport	Yes	No	No
N Xaba	Yes	Yes	Yes
R Paola	Yes	Yes	Yes
A Bezuidenhout	Yes	Yes	No
L Rapoo	Yes	No	No
L Grobler †	-	-	No
P Bersiks	-	Yes	Yes
\$ Vilakazi	-		-

[†] Member is deceased

FINANCE COMMITTEE MEETING (NEW BOARD)

INITIAL AND SURNAME	24 /11/ 2016	17/01/2017
M Noge	Yes	Yes
C Nevhutanda	Yes	Yes
M Mosing	Yes	Yes
B Deka	Yes	Yes
X Mbonambi	-	Yes
C Khosa	Yes	Yes

LICENSING COMMITTEE (PREVIOUS BOARD)

INITIAL AND SURNAME	13/04/2016
N Zikalala-Mvelase	Yes
P Bailey	Yes
N Mokoena	No
L Rapoo	Yes
M Kobe	Yes

LICENSING COMMITTEE (NEW BOARD)

INITIAL AND SURNAME	11/01/2017
M Ledingwane	Yes
\$ Mokoena	Yes
M Mohlala-Mulaudzi	No
Maj Gen N Mokoena	No
C Khosa	Yes

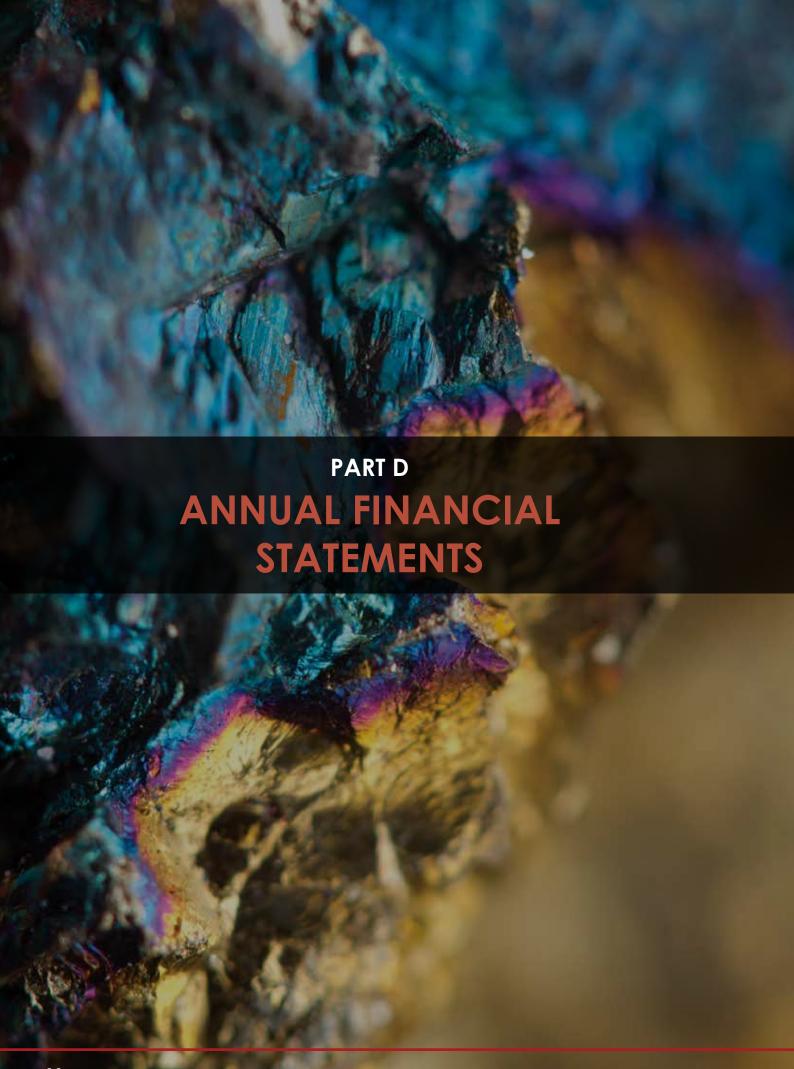
AUDIT AND RISK COMMITTEE (PREVIOUS BOARD)

INITIAL AND SURNAME	20/04/2016	19/10/2016	21/07/2016 (JOINT WITH FINANCE COMMITTEE)	19/10/2016 (JOINT WITH FINANCE COMMITTEE)
R Paola	Yes	Yes	Yes	Yes
L Grobler †	-	-	-	-
P Bersiks	Yes	Yes	No	Yes
L Rapoo	Yes	No	-	-
S Vilakazi	Yes	Yes	Yes	Yes
Z Manase	No	No	No	No
N Danisa (AG)	Yes	No	Yes	No
M Seoka (AG)	Yes	No	Yes	No
M Dunga (AG)	Yes	Yes	Yes	Yes
N Xaba	-	-	Yes	Yes
L Delport	-	-	Yes	No

[†] Member is deceased

AUDIT AND RISK COMMITTEE (NEW BOARD)

INITIAL AND SURNAME	18/01/2017
T Ngqeza	Yes
N Zikalala-Mvelase	Yes
N Monedi – Noko	No
N Van Rooyen	Yes
X Mbonambi	Yes





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. 29 of 1999 (PFMA) as amended.

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Regulating control over the possession, purchase, sale, processing and the export of diamonds as well as the implementation, administration 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
G L Rapoo #	Chief Executive Officer
S Ngcobo #	Member
L Delport #	Member
P Arendse	Member
A Bezuidenhout #	Member
L Grobler #	Member
M Mabuza #	Member
N Xaba #	Member
M Kobe #	Member
Z Manase #	Member
N Zikalala-Mvelase	Member
NH Mokoena	Member
Dr S Manese	Chairperson
X Mbonambi	Acting Chief Executive Officer
M Noge	Member
P Bailey	Member
T Ngqeza	Member
M Ledingwane	Member

M Mohlala-Mulaudzi	Member
B Stern	Member
M Mosing	Member
N Van Rooyen	Member
B Deka	Member
R Paola	Member
C Nevhutanda	Member
K Menoe	Member
N Monedi Noko	Member
S Mokoena	Member

Resigned in June 2016

Term ended

BUSINESS ADDRESS

251 Fox Street Jewel City Johannesburg 2001

POSTAL ADDRESS

P O Box 16001 Jewel City Doornfontein 2028

BANKERS

Nedbank

AUDITORS

The Auditor-General of South Africa



REPORT OF THE AUDIT AND RISK COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2017.

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 section 51 (1) a (ii) of the PFMA and 27.1.8 of the Treasury Regulations. The Audit and Risk Committee adopted a formal terms of reference, its Audit and Risk Committee charter.

The committee has conducted its affairs in compliance with these Terms of Reference for the year ended 31 March 2017 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 statutory duties:

EXTERNAL AUDITOR

The committee has satisfied itself that the external auditor, Auditor General, was independent of the Regulator as set out in 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 2016/2017 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 and Risk Committee has noted these and based on the outcome of such reviews and the information provided by Management, the Audit and Risk Committee is of the opinion that the internal controls of the Regulator operated effectively throughout the year under review.

The Regulator has achieved an 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 and Risk 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;
- The internal audit reports were reviewed at Audit and Risk 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 2016/2017 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 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.

MEETING WITH INTERNAL AND EXTERNAL AUDIT

During the year under review, in accordance with standard practices, the Audit and Risk Committee had an in committee meeting the external auditors.

On behalf of the Audit and Risk Committee

Mr. T Ngqeza

Chairperson of the Audit and Risk Committee

South African Diamonds and Precious Metals Regulator

ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The members of the Board are required by the Public Finance Management Act (Act 1 of 1999), as amended, to maintain adequate accounting records and are 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 were 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 2018 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.

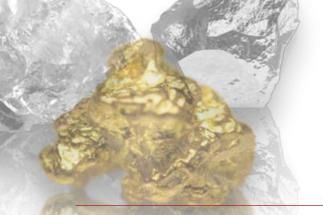
The Regulator is dependent on the government grants, license, penalties and service fees for the continued funding of its operations. The annual financial statements are prepared on the basis that the Regulator is a going concern and that the Board is primarily responsible for the financial affairs of the entity. The Regulator 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 have been examined by the Auditor-General of South Africa.

The annual financial statements set out on pages 55 to 84, which were prepared on the going concern basis, approved by the accounting authority on 29 May 2017 and signed on its behalf by:

Dr S ManeseChairperson

Mr. X Mbonambi
Chief Executive Officer



REPORT OF THE AUDITOR-GENERAL

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

- I have audited the financial statements of the South African Diamond and Precious Metals Regulator set out on pages 55 to 84, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets, budget statement, and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
- 2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African Diamond and Metals Regulator as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with South African Standards of 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) (PFMA).

Basis for opinion

- 3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.
- 4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

EMPHASIS OF MATTERS

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

RESTATEMENT OF CORRESPONDING FIGURES

7. As disclosed in note 23 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2017.

MATERIAL LOSSES-TRADE DEBTORS

8. As disclosed in note 5 to the financial statements, material losses to the amount of R1 654 457 were incurred as a result of a write-off of irrecoverable trade debtors

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

- 9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the PFMA 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.
- 10. In preparing the financial statements, the accounting authority is responsible for assessing the South African Diamond and Precious Metals Regulator's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

- 11. My objectives are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
- 12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

- 13. 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 material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
- 14. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance measures included in the planning documents. My procedures

- also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 15. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2017:

Objectives	Pages in the annual performance report
Programme 2: Diamond trade	17
Programme 3: Regulatory compliance	18 - 19

- 16. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
- 17. 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

OTHER MATTERS

- 18. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programmes, I draw attention to the following matters:
- 19. Achievement of planned targets

Refer to the annual performance report on pages 14 to 17 for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a number of targets.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

- 20. In accordance with the PAA and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
- 21. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:
- 22. Annual financial statements, performance and annual report
- 23. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records as required by section 55(1) (a) and (b) of the PFMA.

Material misstatements of non-current liabilities and disclosure items identified by the auditors in the submitted financial statement were corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

OTHER INFORMATION

- 24. The South African Diamond and Precious Metals Regulator's accounting authority is responsible for the other information. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.
- 25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
- 26. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

INTERNAL CONTROL DEFICIENCIES

27. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

FINANCIAL AND PERFORMANCE MANAGEMENT

28. Regular, accurate and complete financial and performance reports
Management did not adequately review the financial statements submitted for audit

Audin general

Pretoria

31 July 2017



Auditing to build public confidence

ANNEXURE – AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

- 2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements whether due to
 fraud or error, design and perform audit procedures responsive to those risks, and obtain audit
 evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting
 a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may
 involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit 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 public entity's internal control.
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting authority.
 - conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the South African Diamond and Precious Metals Regulator's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

- 3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
- 4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

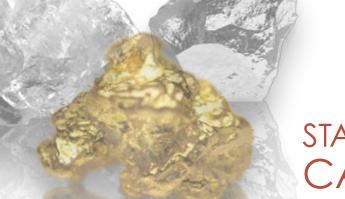
	NOTES	2017 R	RESTATED 2016 R
Assets			
Non-current Assets			
Property, plant and equipment	2	8,523,668	9,637,526
Intangible assets	3	1,530,111	2,816,138
Total Non-Current Assets		10,053,779	12,453,664
Current Assets			
Inventory	4	489,974	318,345
Receivables from exchange transactions	5	5,710,483	6,645,662
Cash and cash equivalents	6	33,572,591	29,346,995
Other financial assets	7	24,834,019	14,573,769
Total Current Assets		64,607,067	50,884,771
Total Assets	-	74,660,846	63,338,435
Net Assets and Liabilities			
Accumulated Surplus		53,577,576	48,153,201
		53,577,576	48,153,201
Non-current Liabilities			
Finance lease obligations	8	-	5,888
Post retirement medical aid	9	1,427,651	1,436,000
		1,427,651	1,441,888
Current Liabilities			
Payables from exchange transactions	10	8,520,152	4,789,105
Provisions	11	10,661,469	8,682,208
Finance lease obligations	8	5,889	51,272
Operating lease liability	12	468,109	220,761
Total Current Liabilities		19,655,619	13,743,346
Total Net Assets and Liabilities	-	74,660,846	63,338,435

STATEMENT OF FINANCIAL PERFORMANCE

			RESTATED
		2017	2016
	NOTES	R	R
Revenue from exchange transactions			
Levy income, license, penalty and service fees		44,524,571	39,823,846
Interest income		4,028,558	2,375,040
Other income	13	371,198	363,888
Revenue from non - exchange transactions			
Transfer payment (Grant)		53,205,000	50,527,000
Total operating revenue		102,129,327	93,089,774
Expenditure			
Finance costs		2,447	17,283
Debtors impairment		1,480,664	1,227,892
Debtors written off		15,250	6,750
Employee costs	17	69,614,392	65,278,526
Depreciation and amortisation		2,675,357	2,703,044
Other operating expenses	16	23,053,806	18,990,521
Total expenditure		96,841,916	88,224,016
Fair value gain		136,964	5,033
Loss on disposal of property, plant and equipment		-	(16,049)
Total other income		136,964	(11,016)
Surplus for the period		5 424 375	4 854 742
Surplus for the period		5,424,375	4,854,742

STATEMENT OF CHANGES IN NET ASSETS

		ACCUMULATED SURPLUS RESTATED	TOTAL
	NOTES	R	R
Balance at 1 April 2015		43,298,459	43,298,459
Restated surplus for the period		4,854,742	4,854,742
Surplus for the period		6,290,742	6,290,742
Correction of error	23	(1,436,000)	(1,436,000)
Balance at 31 March 2016		48,153,201	48,153,201
Balance at 1 April 2016		48,153,201	48,153,201
Surplus for the period		5,424,375	5,424,375
Balance at 31 March 2017		53,577,576	53,577,576



STATEMENT OF CASH FLOWS

		2017	RESTATED 2016
	NOTES	R	R
Cash flows from operating activities			
Cash receipts from customers, government and others		99,891,576	86,747,448
Transfer payment (Grant)		53,205,000	50,527,000
Other receipts		46,686,576	36,220,448
Cash paid to suppliers and employees		(89,101,345)	(87,361,282)
Cash generated from operations	19	10,790,231	(613,834)
Interest received		3,896,190	2,188,620
Finance costs		(2,447)	(17,283)
Net cash from operating activities		14,683,974	1,557,503
Cash flows from investing activities			
Property, plant and equipment acquired	2	(226,026)	(353,934)
Intangible assets acquired	3	(49,442)	(540,652)
Proceeds on disposals of property, plant and equipment		-	30,000
Re-investment of cash surplus	7	(8,800,000)	-
Decrease in financial instruments at fair value	7	-	7,980,926
Re-investment of interest	7	(1,323,286)	(865,018)
Net cash flows from investing activities		(10,398,754)	6,251,322
Cash flows from financing activities		(0.2.40)	1 42 / 000
Increase in defined benefits obligations		(8,349)	1,436,000
Decrease in finance lease obligations		(51,275)	(127,614)
Cash flows from financing activities		(59,624)	1,308,386
Increase in cash and cash equivalents		4,225,596	9,117,211
Cash and cash equivalents at beginning of the period		29,346,995	20,229,784
Cash and cash equivalents at end of the period		33,572,591	29,346,995

BUDGET STATEMENT

	ACTUAL R	BUDGET R	VARIANCE R	VARIANCE %
Revenue from exchange transactions				
Levy income, license, penalty and service fees	44,524,571	39,653,095	4,871,476	12 %
Interest received	4,028,558	1,500,000	2,528,558	169 %
Other Income	371,198	244,999	126,199	52 %
Total revenue from exchange transaction	48,924,327	41,398,094	7,526,233	
Revenue from non exchange transactions				
Grant received	53,205,000	53,205,000	-	0 %
Total revenue	102,129,327	94,603,094	7,526,233	
Expenditure				
Administration expenses	101,076	127,191	26,115	21 %
Advertising	466,039	710,200	244,161	34 %
Audit Fees	2,387,745	3,016,945	629,200	21 %
Board fees	1,818,891	1,362,193	(456,698)	-34 %
CSR Programmes	13,000	13,780	780	6 %
Domestic Travel	871,219	423,263	(447,956)	-106 %
Finance costs	2,447	2,447	-	0 %
Hospitality	13,103	7,952	(5,151)	-65 %
Inspection costs	421,892	415,613	(6,279)	-2 %
Insurance	1,499,465	1,980,000	480,535	24 %
International travel	641,405	792,855	151,450	19 %
Inventory costs	917,170	954,002	36,832	4 %
Kimberley Process	1,063,415	1,060,000	(3,415)	0 %
Licences	775,971	765,051	(10,920)	-1 %
Office lease	3,392,578	3,972,500	579,922	15 %
Postage and courier	71,006	41,552	(29,454)	-71 %
Post employment benefits - medical aid	121,000	121,056	56	0 %
Recruitment and selection costs	191,878	94,726	(97,152)	-103 %
Repairs and maintenance	1,027,086	421,214	(605,872)	-144 %
Security	872,513	826,800	(45,713)	-6 %
Staff remuneration	68,707,017	70,535,981	1,828,964	3 %
Staff Welfare	383,791	254,400	(129,391)	-51 %
Subscriptions and membership fees	55,182	66,135	10,953	17 %
System support fees	257,628	298,500	40,872	14 %
Telecommunication	1,976,666	1,537,000	(439,666)	-29 %
Training and Development	548,380	498,200	(50,180)	-10 %
Venue and Facilities	115,236	133,971	18,735	14 %
Warehousing	50,471	75,469	24,998	33 %
Total expenditure excluding non cash and abnormal expenditure	88,763,270	90,508,996	1,745,726	
Surplus for the year before non cash and	,. 30,2.		1,10,10,10	
abnormal expenditure	13,366,057	4,094,098	9,271,959	

BUDGET STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

	ACTUAL R	BUDGET R	VARIANCE R	VARIANCE %
Non cash and abnormal expenditure				
Less non cash expenditure:				
Debtors impairment adjustment	1,480,664	-	(1,480,664)	-100 %
Debtors written off	15,250	-	(15,250)	-100 %
Depreciation and amortisation	2,675,357	2,077,728	(597,629)	-22 %
Fair Value Adjustment	(136,964)	-	136,964	-100 %
Leave pay provision	907,375	750,000	(157,375)	-17 %
Total non cash expenditure	4,941,682	2,827,728	(2,113,954)	
Surplus for the year including non cash expenditure	8,424,375	1,266,370	7,158,005	
Less abnormal expenditure:				
Legal fees	3,000,000	-	(3,000,000)	
Net surplus for the year including abnormal expenditure	5,424,375	1,266,370	4,158,005	

SEGMENT REPORTING

FOR THE YEAR ENDED 31 MARCH 2017	DIAMOND TRADE R	REGULATORY COMPLIANCE R	OTHER R	TOTAL R
Revenue				
Revenue from non exchange transactions	-	-	53,205,000	53,205,000
Revenue from exchange transactions	40,672,146	3,946,623	4,305,558	48,924,327
Total segment revenue	40,672,146	3,946,623	57,510,558	102,129,327
Expenses				
Salaries and wages	10,449,105	20,538,408	38,626,879	69,614,392
Depreciation and amortisation	-	-	2,675,357	2,675,357
Other expenses	2,385,728	1,023,347	19,647,178	23,056,253
Total segment expenses	12,834,833	21,561,755	60,949,414	95,346,002
Assets				
Segmental assets	2,038,367	362,355	72,260,124	74,660,846
Liabilities	-	-	74,660,846	74,660,846
Capital expenditure	42,871	65,007	167,590	275,468
Non cash items excluding depreciation	-	-	1,495,914	1,495,914
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				
6 . 1				
Salaries and wages	9,157,970	18,350,257	37,770,299	65,278,526
Depreciation and amortisation	9,157,970	18,350,257	37,770,299 2,703,044	65,278,526 2,703,044
_	9,157,970 - 1,682,357	18,350,257 - 1,003,707		
Depreciation and amortisation	-	-	2,703,044	2,703,044
Depreciation and amortisation Other expenses	- 1,682,357	1,003,707	2,703,044 16,321,740	2,703,044 19,007,804
Depreciation and amortisation Other expenses Total segment expenses	- 1,682,357	1,003,707	2,703,044 16,321,740	2,703,044 19,007,804
Depreciation and amortisation Other expenses Total segment expenses Assets	1,682,357 10,840,327	1,003,707 19,353,964	2,703,044 16,321,740 56,795,083	2,703,044 19,007,804 86,989,374
Depreciation and amortisation Other expenses Total segment expenses Assets Segmental assets	1,682,357 10,840,327	1,003,707 19,353,964	2,703,044 16,321,740 56,795,083 60,494,565	2,703,044 19,007,804 86,989,374 63,338,435



1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with the 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.

1.2 PRESENTATION CURRENCY AND FUNCTIONAL CURRENCY

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

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 forseeable future.

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.

1.3 RECOGNITION AND MEASUREMENT

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.

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 costs is its fair value as at the date of acquisition.

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.

A gain or a loss arising from the derecognition of an item of property, plant and equipment included in the surplus or deficit when the item is derecognised. A gain or a 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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.

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 costs 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.

A gain or a loss arising from the derecognition of an intangible asset included in the surplus or deficit when the item is derecognised. A gain or a 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 lif

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.

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.

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.

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.

1.3 FINANCIAL INSTRUMENTS

Initial recognition and measurement

All financial instruments are initially recognised at fair value including transaction costs, with the

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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.

* 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 levy payable to the South African Revenue Services (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.

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.

Employee benefits

Employee benefits are all forms of consideration given by the Regulator in exchange for service rendered.

Post-employment Benefits

Post-employment benefits are benefits which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the SADPMR provides post-employment benefits for employees.

The SADPMR uses the cost to company remuneration policy and it expects its employees to make their own provisions for post-retirement benefits under this policy. Only three retired employees receives the post-employment medical contributions and this is disclosed under note 9 to the financial statements.

Valuation method

The actuarial valuation method used to value liabilities is the Projected Unit Credit Method prescribed by the accounting standards.

The most significant assumptions used for the current valuation are outlined below.

	2017
Consumer Price Inflation (CPI)	6.34%
Health care cost inflation (CPI+1.5%)	7.84%
Discount rate	8.84%
Real discount rate	0.93%

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

Standards and Pronouncements comprising the GRAP Financial Reporting Framework

The following standards have been approved but are not yet effective as at 31 March 2017. 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.

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

2. PROPERTY, PLANT AND EQUIPMENT

	31 MARCH 2017			31 MA	RCH 2016 (REST/	ATED)
OWNED AND LEASED ASSETS	COST R	ACCUMULATED DEPRECIATION R	CARRYING VALUE R	COST R	ACCUMULATED DEPRECIATION R	CARRYING VALUE R
Computer equipment	6,509,424	(5,018,763)	1,490,661	6,431,185	(4,723,446)	1,707,739
Furniture and fittings	3,933,607	(1,683,589)	2,250,018	3,904,537	(1,545,304)	2,359,233
Leased office equipment	346,986	(341,913)	5,073	346,986	(297,283)	49,703
Leasehold improvements	2,094,618	(1,653,608)	441,010	2,065,718	(1,473,024)	592,694
Motor vehicles	1,962,786	(1,303,564)	659,222	1,962,786	(1,107,286)	855,500
Office equipment	3,982,027	(1,781,468)	2,200,559	3,917,798	(1,486,766)	2,431,032
Security systems, machinery and safes	4,388,506	(2,911,381)	1,477,125	4,369,986	(2,728,361)	1,641,625
	23,217,954	(14,694,286)	8,523,668	22,998,996	(13,361,470)	9,637,526

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

2017 OWNED AND LEASED ASSETS	CARRYING VALUE AT BEGINNING OF YEAR	ADDITIONS	DISPOSALS	DEPRECIATION	TRANSFERS	31 MARCH 2017 CARRYING VALUE
OMNED AND LEASED ASSELS	R	R	R	R	R	R
Computer equipment	1,707,739	78,239	-	(295,317)	-	1,490,661
Furniture and fittings	2,359,233	29,070	-	(138,285)	-	2,250,018
Leased office equipment	49,703	-	-	(44,630)	-	5,073
Leasehold improvements	592,694	28,900	-	(180,584)	-	441,010
Motor vehicles	855,500	-	-	(196,278)	-	659,222
Office equipment	2,431,032	64,229	-	(294,702)	-	2,200,559
Security systems, machinery and safes	1,641,625	25,588	-	(190,088)	-	1,477,125
	9,637,526	226,026	-	(1,339,884)	-	8,523,668

2016 OWNED AND LEASED ASSETS	CARRYING VALUE AT BEGINNING OF YEAR R	ADDITIONS R	DISPOSALS R	DEPRECIATION R	TRANSFERS R	RESTATED 31 MARCH 2017 CARRYING VALUE R
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
O O		3,013	(2,004)	, , ,	-	, ,
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

Obligations under finance leases are secured by the lessors' title to the leased assets. Carrying value of assets pledged as security:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

3. INTANGIBLE ASSETS

	31 MARCH 2017 ACCUMULATED CARRYING COST DEPRECIATION VALUE R R R		RESTATED 31 MARCH 2016			
OWNED AND LEASED ASSETS			COST R	ACCUMULATED DEPRECIATION R	CARRYING VALUE R	
Computer software - owned	4,066,976	(2,536,865)	1,530,111	4,017,534	(1,201,396)	2,816,138
	4,066,976	(2,536,865)	1,530,111	4,017,534	(1,201,396)	2,816,138

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

2017 OWNED AND LEASED ASSETS	CARRYING VALUE AT BEGINNING OF YEAR R	ADDITIONS R	AMORTISATION R	DISPOSALS R	31 MARCH 2017 CARRYING VALUE R
Computer software - owned	2,816,138	49,442	(1,335,469)	-	1,530,111
	2,816,138	49,442	(1,335,469)	-	1,530,111
2016 OWNED AND LEASED ASSETS	CARRYING VALUE AT BEGINNING OF YEAR	ADDITIONS	AMORTISATION	DISPOSALS	RESTATED 31 MARCH 2016 CARRYING VALUE
OWNED AND LEASED ASSETS	R	R	R	R	R

4. INVENTORY	2017 R	RESTATED 2016 R
Inventory comprises:		
Broker's notes, certificates and registers	44,367	25,556
Office stationery and cartridges	170,951	159,782
Tamper proof stationery	274,656	133,007
	489,974	318,345

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

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Receivables	6,429,971	6,244,601
Receivables impairment	(2,413,317)	(2,571,860)
Interest receivable	132,368	186,420
Other receivables	267,981	411,311
Prepaid expenses	1,212,731	2,284,688
Staff debtors	80,749	90,502
	5,710,483	6,645,662

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

5. RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUED)	2017 R	RESTATED 2016 R
Reconciliation for debtors impairment		
Opening balance	2,571,860	1,343,968
Raised / (reversed) during the period	1,495,914	1,234,642
Amounts written off	(1,654,457)	(6,750)
Closing balance	2,413,317	2,571,860
6. CASH AND CASH EQUIVALENTS		
Cash on hand	13,618	50,635
Call accounts	32,904,083	28,226,205
Current accounts	654,890	1,070,155
Colletti decooriis	33,572,591	29,346,995
7. OTHER FINANCIAL ASSETS		
Type: Financial instruments held for trading		
Opening balance	14,573,769	21,684,644
Interest received	1,323,286	865,018
Re-investment of cash surplus	8,800,000	-
Withdrawals - other capital projects	-	(7,980,926)
Fair value adjustment	136,964	5,033
Closing balance	24,834,019	14,573,769
8. FINANCE LEASE OBLIGATIONS		
Lease of photocopiers from Pinnacle Solutions (Pty) Ltd		
Repayable within two to five years	_	5,888
Repayable within one year, transferred to current liabilities	5,889	51,272
	5,889	57,160
Reconciliation between the total of the minimum lease payments and the present value of lease payments:		
Minimum lease payments	5,916	59,635
- No later than 1 year	5,916	53,721
- Later than 1 year and no later than 5 years	-	5,914
Future finance charges on finance leases	(27)	(2,475)
	5,889	57,160

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

		RESTATED
	2017	2016
9. POST RETIREMENT MEDICAL AID	R	R

SADPMR has an obligation to provide medical benefits to certain pensioners and dependents. These liabilities have been provided for in full, calculated on an actuarial basis. These liabilities are unfunded. Periodic valuation of this obligation is carried out by an independent actuarial, the latest being 31 March 2017.

The amounts recognised in the statement of financial position arising the obligation in respect of the post-retirement medical plan is as follows:

Post-retirement benefit obligations	1,427,651	1,436,000
Reconciliation of the liability		
Opening balance	1,436,000	1,564,300
Interest cost	121,000	-
Contribution payments	(129,349)	(128,300)
	1,427,651	1,436,000
Net Expense Recognised in the Statement of Financial Performance		
Interest cost	121,000	-
Actuarial (gains) losses	-	1,564,300
	121,000	1,564,300

10. PAYABLES FROM EXCHANGE TRANSACTIONS

Trade creditors	950,390	238,740
Accruals	7,367,327	4,298,760
Other payables	175,214	248,386
Payroll third party payables	27,221	3,219
	8,520,152	4,789,105

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

11. PROVISIONS

Legal fees	5,208,408	3,561,387
Performance bonus	5,453,061	5,120,821
	10,661,469	8,682,208
Reconciliation of legal fees provision:		
Carrying amount at the beginning of the year	3,561,387	5,000,000
Provision raised	3,000,000	750,000
Payments	(1,352,979)	(2,188,613)
Carrying amount at end of the year	5,208,408	3,561,387

11. PROVISIONS (CONTINUED)	2017 R	RESTATED 2016 R
Reconciliation of provision for performance bonus:		
Carrying amount at the beginning of the year	5,120,821	5,120,821
Amounts incurred and charged against the provision	(4,892,646)	(4,319,607)
Overprovision of performance bonus	-	(801,214)
Additions	5,224,886	5,120,821
Carrying amount at end of the year	5,453,061	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

- Not later than one year
- Greater than one year, less than five

8,026,300	10,009,225
2,141,559	1,982,925
5,884,741	8,026,300

The SADPMR entered into a 5 year lease agreement with Redefine Properties Ltd, for the rental of office space in Jewel City, Johannesburg. The lease commenced on 01 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

- Not later than one year
- Greater than one year, less than five

709,755	1,169,342
496,354	459,587 709,755
213,401	709,755

The SADPMR entered into a 3 year lease agreement with Providence Family Trust, for the rental of Kimberley office. The lease commenced on 01 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
- Greater than one year, less than five

8,736,055	11,178,567
6,098,142	8,736,055
2,637,913	2,442,512

12.2 Payables from operating leases reflect the difference between the actual lease payments and the straight-lined amounts .

Lease liability 468,109 220,761

13. OTHER INCOME	2017 R	RESTATED 2016 R
Administration Fee (client fees)	16,007	15,936
Bad Debts Recovered	89,117	-
Discount Received	108,609	55,896
Other income	39,265	188,407
Sale of diamond books and registers	94,200	96,452
Sale of tender documents	24,000	7,197
	371,198	363,888
14. AUDITORS' FEES External audit	2,387,745	2,068,207
15. BOARD EXPENSES		
Air travel	377,934	86,387
Adhoc administration	89,968	-
Meeting fees	882,756	804,512
Travel re-imbursement	152,979	47,913
Vehicle rental	116,381	6,071
Other expenses	198,873	79,198
	1,818,891	1,024,081

Other expenses consist of accommodation, telecommunication and catering.

16. OTHER OPERATING EXPENSES	2017 R	restated 2016 R
Administration expenses	101,076	97,916
Advertising	466,039	329,020
Audit Fees	2,387,745	2,068,207
Board fees	1,818,891	1,024,081
CSR Programmes	13,000	-
Domestic Travel	871,219	624,342
Hospitality	13,103	6,945
Inspection costs	421,892	429,299
Insurance	1,499,465	1,366,301
International travel	641,405	700,482
Inventory costs	917,170	720,914
Kimberley Process	1,063,415	605,389
Legal fees	3,000,000	1,081,877
Licences	775,971	883,927
Post-employment benefits - medical aid	121,000	1,564,300
Office lease	3,392,578	3,121,133
Postage and courier	71,006	21,954
Recruitment and selection costs	191,878	108,181
Repairs and maintenance	1,027,086	590,966
Security	872,513	864,897
Staff Welfare	383,791	275,719
Subscriptions and membership fees	55,182	47,801
System support fees	257,628	77,314
Telecommunication	1,976,666	1,785,253
Training and Development	548,380	474,049
Venue and Facilities	115,236	50,768
Warehousing	50,471	69,486
	23,053,806	18,990,521
17. EMPLOYEE COSTS		
Basic salaries	52,868,724	50,407,437
Bonus -13th cheque	1,994,992	2,000,486
Compensation of injury and disease - COID	85,427	81,313
Disability cover	733,292	775,903
Housing allowance	154,000	168,000
Leave pay provision	907,375	671,536
Medical aid - entity contributions	2,079,116	1,985,400
Performance bonus	5,475,535	4,319,607
Pension - entity contributions	4,397,221	4,061,377
Skills Development Levy (SDL)	603,242	573,406
Travel allowance	96,000	16,800
Unemployment Insurance Fund (UIF)	219,468	217,261
	69,614,392	65,278,526

18. EXECUTIVE AND NON- EXECUTIVE MEMBERS' REMUNERATION	2017 R	RESTATED 2016 R
CHIEF EXECUTIVE OFFICER, GENERAL MANAGERS AND MANAGERS		
L. Rapoo - Chief Executive Officer #		
Basic Salary	349,611	1,871,968
Bonus - 13th cheque	-	73,502
Disability cover	7,365	42,242
Performance bonus	-	396,035
UIF, SDL, Medical and Pension fund	9,272	53,817
Leave payout	75,928	153,773
	442,176	2,591,337
I Tshifura - Chief Financial Officer ##		
Basic Salary	163,864	1,266,686
Bonus - 13th cheque	6,156	73,549
Disability cover	2,970	17,183
Performance bonus	-	77,301
UIF, SDL, Medical and Pension fund	28,288	153,704
Leave payout	98,268	-
	299,546	1,588,423
X Mbonambi - Acting Chief Executive Officer		
Acting allowance	65,622	-
	65,622	-
L Nkhumishe - GM: Corporate Services		
Acting allowance	65,551	-
Basic Salary	1,370,750	1,095,508
Bonus - 13th cheque	79,152	63,635
Disability cover	17,287	14,967
Performance bonus	142,292	109,064
UIF, SDL, Medical and Pension fund	161,712	131,917
	1,836,744	1,415,091
M. Mononela - GM: Legal and Compliance		
Basic Salary	1,399,510	1,297,943
Bonus - 13th cheque	79,152	73,549
Disability cover	17,287	17,183
UIF, SDL, Medical and Pension fund	131,137	121,673
	1,627,086	1,510,348

[#] Contract expired

^{##} Resigned

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

	RESTATED
2017	2016
R	R

CHIEF EXECUTIVE OFFICER, GENERAL MANAGERS AND MANAGERS (CONTINUED)

NC Khosa - GM: Diamonds and Precious Metals		
Acting allowance	69,238	-
Basic Salary	1,349,161	1,256,490
Bonus - 13th cheque	79,152	73,549
Disability cover	17,287	14,850
Performance bonus	155,571	162,869
UIF, SDL, Medical and Pension fund	183,733	-
	1,854,142	1,507,758
C Mlondo - GM: Security and Risk Management		
Basic Salary	1,411,252	1,313,278
Disability cover	17,320	17,215
Performance bonus	112,350	102,424
UIF, SDL, Medical and Pension fund	202,770	183,782
	1,743,692	1,616,699
K Sibanyoni - Company secretary		
Basic Salary	927,833	214,796
Bonus - 13th cheque	53,568	12,498
Disability cover	11,424	2,701
UIF, SDL, Medical and Pension fund	28,671	25,229
	1,130,413	255,224
A Damarupurshad - Manager: Precious Metals & Beneficiation		
Basic Salary	939,552	936,780
Car allowance	96,000	16,800
Disability cover	12,608	12,535
Performance bonus	113,050	79,375
UIF, SDL, Medical and Pension fund	135,693	124,471
	1,296,903	1,169,961

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

	RESTATED
2017	2016
R	R

CHIEF EXECUTIVE OFFICER, GENERAL MANAGERS AND MANAGERS (CONTINUED)

	,	
J Lenka - Manager: Diamonds		
Basic Salary	1,063,510	984,632
Disability cover	12,608	12,535
Housing allowance	11,000	12,000
Performance bonus	114,445	97,692
UIF, SDL, Medical and Pension fund	96,896	89,891
	1,298,459	1,196,750
M Babu - Manager: Licencing (Compliance)		
Basic Salary	938,204	872,074
Bonus - 13th cheque	56,514	52,514
Disability cover	12,391	12,320
Performance bonus	97,470	73,991
UIF, SDL, Medical and Pension fund	156,164	142,783
	1,260,743	1,153,682
C Benn - Manager: Government Diamond Valuator		
Basic Salary	_	149,417
Bonus - 13th cheque	_	8,713
Disability cover	-	1,858
UIF, SDL, Medical and Pension fund	-	25,075
Leave payout	-	168,301
	-	353,364
S Mandlazi - Manager: Finance		
Acting allowance	100,514	-
Basic Salary	1,121,847	1,037,890
Disability cover	13,156	13,080
Performance bonus	118,030	58,648
UIF, SDL, Medical and Pension fund	102,035	93,225
	1,455,582	1,202,843

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

	RESTATED
2017	2016
R	R

CHIEF EXECUTIVE OFFICER, GENERAL MANAGERS AND MANAGERS (CONTINUED)

	1,126,877	-
UIF, SDL, Medical and Pension fund	137,609	_
Performance bonus	62,171	
Disability cover Housing allowance	12,000	_
Bonus - 13th cheque	52,003 7,953	-
Basic Salary	855,141	_
Appointed 1 May 2016	055 141	
A Pholoha - Manager: Government Diamond Valuator		
	1,278,656	1,109,297
UIF, SDL, Medical and Pension fund	95,308	87,860
Performance bonus	115,191	29,580
Disability cover	12,391	12,610
Bonus - 13th cheque	-	17,352
Basic Salary	1,055,766	961,895
O Thulare - Manager: Human Resources		
	1,303,043	1,205,890
UIF, SDL, Medical and Pension fund	137,320	126,667
Performance bonus	114,847	102,937
Disability cover	12,651	12,579
Bonus - 13th cheque	57,720	53,634
P Maka - Manager: Information and Communications Technology Basic Salary	980,505	910,073

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

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

Non- executive members of the Board and Other Committees

	NO OF MEETINGS	PAID TO MEMBERS R	PAID TO EMPLOYERS R	2017 R	RESTATED 2016 R
N Mkhumane ##	4	34,312	-	34,312	129,280
S Phiri #	4	35,952	-	35,952	31,712
L Grobler #	0	-	-	-	122,592
A Bezuidenhout #	4	-	-	-	31,872
RJ Paola	11	-	57,680	57,680	83,584
L Delport #	9	-	56,806	56,806	111,408
N Xaba #	11	-	63,166	63,166	95,776
P Bersiks (Independent member) #	4	14,118	-	14,118	33,344
S Ngcobo #	7	-	46,658	46,658	54,176
Z Manase #	0	-	-	-	16,592
S Vilakazi (Independent member) #	4	18,824	-	18,824	28,512
P. Bailey	12	70,152	-	70,152	65,664
Dr S Manese	16	130,688	-	130,688	-
M Noge	13	-	79,454	79,454	-
T Ngqeza	13	73,350	-	73,350	-
M Ledingwane	10	-	59,232	59,232	-
M Mohlala-Mulaudzi	5	28,090	-	28,090	-
B Stern	4	25,664	-	25,664	-
M Mosing	11	-	60,886	60,886	-
N Van Rooyen	4	25,664	-	25,664	-
B Deka	5	-	-	-	-
C Nevhutanda	6	-	-	-	-
K Menoe	7	-	-	-	-
N Monedi Noko	13	-	73,350	73,350	-
S Mokoena	3	18,678	-	18,678	-
TOTAL NON-EXECUTIVE REMUNERA	TION	475,492	497,232	972,724	804,512

^{##} Resigned

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

[#] Term ended

19. CASH GENERATED FROM OPERATIONS	2017 R	RESTATED 2016 R
Surplus/ (Deficit) per statement of financial performance	5,424,375	4,854,742
Adjustment for:	(1,487,718)	356,303
Depreciation and amortisation	2,675,357	2,703,044
Interest income	(4,028,558)	(2,375,040)
Finance costs	2,447	17,283
Deficit on disposal of assets	-	16,049
Fair value adjustment - financial instruments at fair value	(136,964)	(5,033)
	3,936,657	5,211,045
Movements in working capital	6,853,574	(5,824,879)
Decrease/(Increase) in inventory	(171,629)	161,159
Increase/ (Decrease) in operating lease liability	247,348	(167,859)
Increase/ (Decrease) in trade and other payables	3,731,047	(1,640,167)
Increase/ (Decrease) in provisions	1,979,261	(1,438,613)
(Increase)/Decrease in trade and other receivables	1,067,547	(2,739,399)
Cash generated from operations	10,790,231	(613,834)

20. RELATED PARTY TRANSACTIONS

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

	Amounts received / paid to related party		Amount owed pa	
Name and nature of services	2017	2016	2017	2016
Department of Mineral Resources	53,205,000	50,527,000	-	-

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

21. IRREGULAR EXPENDITURE

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

22. FRUITLESS AND WASTEFUL EXPENDITURE

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

23. CORRECTION OF AN ERROR	2017 R	RESTATED 2016 R
The comparatives have been restated as follows:		
Increase in expenses	-	1,436,000
Increase in liabilities	-	1,436,000
Decrease in surplus for the year	-	(1,436,000)

The error relates to the post employment liability which was not recognized in the previous years.

24. 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)	809,936	127,141
31 - 60 Days	137,266	81,079
61 - 90 Days	-	(12,426)
91 - 120 Days	(684)	36,876
121 + Days	3,872	6,070
	950,390	238,740

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

Not later than one year

- Finance lease obligations	5,889	51,272
- Provisions	10,661,469	8,682,208
	10,667,358	8,733,480

Greater than one year, less than five

- Finance lease obligations	-	5,888
	-	5,888

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.

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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.

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
Financial instruments at fair value
Cash and cash equivalents

65,317,679	50,853,598
33,572,591	29,346,995
24,834,019	14,573,769
6,911,069	6,932,834

	2017		2016	
	Gross	Impaired	Gross	Impaired
0 - 30 days	628,517	-	424,345	140,360
31 - 60 days	324,565	-	902,451	365,850
61 - 90 days	210,385	-	214,912	92,343
Over 91 days	5,266,504	2,413,317	4,702,893	1,973,307
	6,429,971	2,413,317	6,244,601	2,571,860

The impairment of debtors consists of non responsive and expired licences and permits

24. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Bank	Туре	Balance at 31 March 2016	Balance at 31 March 2015
Investec LTD	Investment	10,256,733	9,608,159
Nedbank LTD	Current	654,890	1,070,155
Nedbank LTD	Call	22,646,320	10,896,530
Nedbank LTD	Call (Salary savings)	1,030	7,721,516
Petty Cash	On hand	13,618	50,635
		33,572,591	29,346,995

25. CAPITAL COMMITMENTS	2017 R	RESTATED 2016 R
Development of Web Admin System	615,495	615,495

26. UNRECOGNISED CONTRACTUAL COMMITMENTS

Bytes Systems Intergration	-	346,099
Careways	-	426,489
Fidelity Security Services	1,747,248	-
Finware Enterprise Systems	56,088	149,568
Freshive New Media Replay	6,156	12,312
Gunnebo Security SA (Pty) Ltd	9,137	10,733
Khoram Consulting (Pty) Ltd	-	169,603
Microsep (Pty) Ltd	9,747	96,866
Monabo Hygiene Services	-	30,651
Omega Fire & Security	29,758	257,949
SITA	1,864,202	131,340
	3,722,336	1,631,610



15 - 17 Chapel Street, 2nd Floor Chapwood Chambers, Kimberley, 8301 Tel: 053 831 3121 Fax: 053 831 3101

Durban Office

3rd floor, Durban Bay House, 333 Anton Lembede Street, Durban, 4000 Tel: 031 335 9677 Fax: 031 301 6950

Cape Town Office

10th floor, Atterbury House, 9 Riebeek Street, Cape Town, 8000 Tel: 021 427 1070 Fax: 0866 124 907

www.sadpmr.co.za

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