

# ANNUAL REPORT 2021|22



SOUTH AFRICAN DIAMOND AND  
PRECIOUS METALS REGULATOR





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PRECIOUS METALS REGULATOR

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# CONTENTS

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<b>PART A</b>	
<b>GENERAL INFORMATION</b>	<b>3</b>
PUBLIC ENTITY'S GENERAL INFORMATION	4
ABBREVIATIONS AND ACRONYMS	5
FOREWORD BY THE CHAIRPERSON	6
CHIEF EXECUTIVE OFFICER'S OVERVIEW	8
STATEMENT OF RESPONSIBILITY	10
FOR THE PERFORMANCE INFORMATION	10
STRATEGIC OVERVIEW	11
LEGISLATIVE MANDATE OF SADPMR	12
ORGANISATIONAL STRUCTURE	13
<b>PART B</b>	
<b>PERFORMANCE INFORMATION</b>	<b>14</b>
AUDITOR-GENERAL'S REPORT	15
<b>PART C</b>	
<b>GOVERNANCE</b>	<b>46</b>
<b>PART D</b>	
<b>HUMAN RESOURCE MANAGEMENT</b>	<b>57</b>
<b>PART E</b>	
<b>ANNUAL FINANCIAL STATEMENTS</b>	<b>63</b>
<b>PART G</b>	
<b>ANNEXURES</b>	<b>112</b>

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PART A

**GENERAL  
INFORMATION**



# PUBLIC ENTITY'S GENERAL INFORMATION

<b>Johannesburg</b> (Head Office)	<b>Kimberley Office</b>	<b>Durban Office</b>	<b>Cape Town Office</b>
<p>Corner Bonaero Drive and Cote Dazur Avenue Kempton Park 1622</p> <p>PO Box 16001 Doornfontein Gauteng 2028</p>	<p>31 Schmidtsdrift Road c/ o Schmidtsdrift and Drakensberg Ave Cartersglen Kimberley 8301</p>	<p>333 Anton Lembede (Smith Street) Department of Mineral Resources and Energy 3<sup>rd</sup> Floor Durban Bay House Durban 4000</p>	<p>9 Riebeeck Street Atterbury House 16<sup>th</sup> Floor Cape Town 8001</p>
<p>Tel: +27 11 223 7000 Fax: +27 11 334 8898</p>	<p>Tel: +27 53 831 3121 Fax: +27 53 831 3184</p>	<p>Tel: +27 31 335 9677 Fax: +27 31 301 6950</p>	<p>Tel: +27 21 427 1070 Fax: +27 86 612 4907</p>
<p>info@sadpmr.co.za www.sadpmr.co.za</p>	<p>info@sadpmr.co.za www.sadpmr.co.za</p>	<p>info@sadpmr.co.za www.sadpmr.co.za</p>	<p>info@sadpmr.co.za www.sadpmr.co.za</p>
<b>Bankers information</b>	Nedbank Ltd, Sievert Road, Johannesburg, 2001		
<b>Company Secretary/ GM: Governance</b>	Advocate Paul Motsepe		



# ABBREVIATIONS AND ACRONYMS

<b>AGSA</b>	Auditor-General of South Africa
<b>APP</b>	Annual Performance Plan
<b>B-BBEE</b>	Broad-Based Black Economic Empowerment
<b>B-BSEEC</b>	Broad-Based Socio-Economic Empowerment Charter
<b>CEO</b>	Chief Executive Officer
<b>CFO</b>	Chief Financial Officer
<b>DEEC</b>	Diamond Exchange and Export Centre
<b>DMRE</b>	Department of Mineral Resources and Energy
<b>EU</b>	European Union
<b>FY</b>	Financial Year
<b>GDV</b>	Government Diamond Valuator
<b>GIDZ</b>	Gauteng Industrial Development Zone
<b>HDP</b>	Historically Disadvantaged Persons
<b>HR</b>	Human Resources
<b>ICT</b>	Information and Communication Technology
<b>KP</b>	Kimberley Process
<b>KPCS</b>	Kimberley Process Certification Scheme
<b>KPC</b>	Kimberley Process Certificate
<b>MISS</b>	Minimum Information Security Standards
<b>MPSS</b>	Minimum Physical Security Standards
<b>MSP</b>	Master Systems Plan
<b>NACH</b>	National Anti-Corruption Hotline
<b>NVS</b>	National Vetting Strategy
<b>OHSA</b>	Occupational Health and Safety Act
<b>PFMA</b>	Public Finance Management Act
<b>PMDS</b>	Performance Management and Development System
<b>PPC</b>	Parliamentary Portfolio Committee
<b>PPPFA</b>	Preferential Procurement Policy Framework Act
<b>SADPMR</b>	South African Diamond and Precious Metals Regulator
<b>SEZ</b>	Special Economic Zone
<b>SDT</b>	State Diamond Trader
<b>WSP</b>	Workplace Skills Plan
<b>\$</b>	US Dollar unless otherwise specified
<b>UAE</b>	United Arab Emirates
<b>USA</b>	United States of America
<b>ZAR</b>	South African Rand



## FOREWORD BY THE CHAIRPERSON

### MR ABIEL MNGOMEZULU

In last year's Annual Report, which was our first as the new Board, we indicated that our task is two-fold, namely, to help the South African Diamond and Precious Metals Regulator (SADPMR) achieve all its goals in being the most efficient regulator, and to collaborate with the now ailing industry we serve, to bring it back to life and to introduce measures that will ensure sustainability within the sector and the SADPMR. I am happy to indicate that we are well on our path towards achieving these goals.

To achieve our main task, we first did an introspection as an organisation and from this activity we realised that the SADPMR was not efficiently fulfilling its main mandate. To address this, we undertook a project aimed at the optimal utilisation of our human resource capital. The objective of this project was to ensure that the existing SADPMR human resources are strategically positioned and utilised effectively. The main area of focus was to capacitate the licensing as well as the inspectorate sections with the view of ensuring that licenses are issued within the stipulated time frame and are inspected regularly. The project was successfully completed and the organisational structure of the SADPMR was reconfigured to ensure that the entity is better positioned to deliver on its mandate. It also gives me pleasure to confirm that none of the SADPMR staff members lost employment with the organisation, instead, a lot more career growth opportunities were realised as a result of the project. These changes are starting to bear fruit and will definitely improve our efficiencies which will be felt by both our staff and our clientele.

On our clientele front, we continued to engage in stakeholder meetings where we jointly identified activities that the SADPMR and its main stakeholders needed to partner in addressing them. Top on the list was removing the red tape in doing business with the SADPMR. As a Board, we can indicate that most of the red tape has been removed and further legislative related impediments have been identified and are being properly processed for our shareholders' consideration. It is worth noting that the industry remained resilient and continued to contribute positively to the economy. Diamond production remained steady at 8,7 million carats and the dollar per carat has reached an unprecedented value of \$1,1 billion, which has not been seen in recent years.

The impact of the High Court Ruling during the year resulted in some of the clauses in the Mining Charter 2018 ("the Charter") being reviewed and set aside. This exclusion included clauses in relation to the applicability of both the Diamonds Act (Act 56 of 1986, as amended) and the Precious Metals Act (Act 37 of 2005) and necessitated the entity to go back to the drawing board in an effort to realign its Strategic Plan with the new legal status quo. The judgement has, however, not discouraged us in the pursuance of our transformational strategic objectives, which, *inter alia*, are to: ensure effective transformation of the Diamonds and Precious Metals sectors and to ensure equitable access to resources for local beneficiation, hence we are continuing to monitor our licensees' willingness to transform on a voluntary basis. We are encouraged by the cooperation received from our clients, who are voluntarily complying with our transformation agenda. It is proof of healthy engagements and augur well for the future of the country, if this kind of cooperation could be emulated in other industries.

The Board managed to approve over 30 policies which were due for review, these included policies on human resource (HR), finance, information and communication technology (ICT), security and risk management. The objective of reviewing these policies was to streamline and strengthen corporate governance within the SADPMR.


The SADPMR revenue for the year increased by R18 million which is significantly high compared to the previous year. The increase in revenue is attributed to the higher dollar value per carat. This increase compensated for the grant allocation from the Department of Mineral Resources and Energy (DMRE) which unfortunately continued to reduce. A surplus of R12 million was reported for the period under review. The SADPMR continues to maintain a strong financial position. The net assets are valued at R82.8 million with a remarkable liquidity ratio of 6:2 compared to 6:4 in the previous year.



Of concern is the employee costs to total expenditure which remain at above 70%. This expenditure translates to R80,4 million compared to R80,7 million in the previous year. During the year, the SADPMR approved a financial sustainability strategy and implementation thereof commenced in the fourth quarter of the year. The strategy is implementable over a five-year period and will be revised, when necessary, to respond to any changes in the environment, both internally and externally, as the entity continues to work towards identifying new revenue streams.

The Board will have to take advantage of the relaxation of COVID-19 restrictions and conduct a proper strategic session with the management team; this will be the first time since the Board's appointment. Hopefully, this will assist in bringing forth new ideas to the SADPMR and improve working relations between the Board and the management team. A healthy environment can only be created through honest and robust engagements.

As we are at mid-term, I would like to thank the SADPMR staff and management led by the CEO, Mr Cecil Khosa, for their cooperation and working together with the Board in bringing changes to the regulator that will benefit the entire establishment. In thanking my fellow Board members, I would like to state that we still have a lot to cover before we can start to enjoy the fruits of our labour. Lastly, I would like to extend my sincere gratitude to the Honourable Minister of Mineral Resources and Energy, Mr Gwede Mantashe, for his leadership and support, and to the DMRE team, thank you.



**Mr Abiel Mngomezulu**  
Chairperson



## CHIEF EXECUTIVE OFFICER'S OVERVIEW

### MR CECIL KHOSA

It is my pleasure to present the 2021/22 Annual Report for the South African Diamond and Precious Metals Regulator (SADPMR). During the financial year the SADPMR embraced the challenges emanating from the pandemic and strived to provide access to its mandatory services whilst maintaining balance to the adherence of COVID-19 regulations. The impact of this has been that in some instances we had to interrupt services for short periods of time to make sure that our staff and clients are protected from potential infection. However, we have put measures

in place to mitigate the infection rate. It is worth mentioning that we have seen a growth in the diamond and precious metals sectors even in these challenging times of the COVID-19 pandemic.

The SADPMR head office relocated from its old premises in Johannesburg Central Business District (CBD) to the Gauteng Industrial Development Zone (GIDZ) precinct located at the OR Tambo International Airport. The new office is strategically located especially for those clients who would like to conduct exports and imports. The Finance and Supply Chain Management division played an integral role in ensuring a smooth transition by providing adequate support on finance and procurement requirements for the move to the GIDZ. The division also contributed to the support of Historically Disadvantaged Persons (HDPs) by implementing processes to increase the involvement of HDPs in its procurement processes.

Due to the relocation to OR Tambo GIDZ precinct, the entity focused on the implementation of physical security measures which are meant to ensure that security breaches are minimised.

The government diamond valuator (GDV) continues to ensure that diamonds are traded at fair market value. The GDV provides expert opinion to the South African Police Service (SAPS) on confiscated objects suspected of being diamonds. Diamond production remained constant at 8.7 million carats in 2021/22 compared to 8.6 million carats in 2020/21. This constant in production is attributed to the same demand of rough diamond that is coupled with increased value of dollar per carat. The dollar per carat was at an average of \$112.68 in 2020/21 compared to \$133.88 in 2021/22. In the beginning of the third quarter of the year, the rough diamond industry started experiencing a steady increase in prices due to an unusual high demand of rough diamonds. This demand was further accelerated in the fourth quarter of the year. The panic led to a high demand in rough diamonds resulting in a price increase, since the market was focusing on buying for purpose of stockpiling in anticipation of possible stock shortages. The increase in dollar per carat has boosted the revenue collected for services rendered by the SADPMR.

The Diamond Exchange and Export Centre (DEEC) realised an increase of 6 078 921 carats of rough diamond trade compared to 4 901 382 carats traded in 2020/21. The SADPMR has placed access to licensees of local diamond Beneficiaries and HDPs, top on its list of priorities. In compliance with the Kimberley Process Certification Scheme (KPCS) statute, the SADPMR submitted all quarterly trade statistic reports and annual diamond production statistic reports. The DEEC received and cleared a total of 143 094 carats of polished diamond imports, valued at approximately \$463 million.

During the period under review, the Regulatory Compliance programme surpassed licensing targets by 30% to issue all licenses within the prescribed regulatory period and all beneficiation licenses during this period. The challenges presented by the High Court Judgment relating to the Mining Charter affected the output indicators of verification audits and enforcement of compliance. The programme also assisted sixteen (16) HDPs' enterprises in developing themselves through projects in which the SADPMR partnered within the industry. Coupled with the full compliance of the 73 licensees verified, all licensees complied with all the pillars of the Mining Charter.

In the financial year 2021/2022, a total number of 323 precious metals licenses, permits and certificates were issued as compared to 388 in the previous year, which signifies a significant decrease. The industry seems to appeal more to South Africans as we continue to receive more new application yearly. Our five-year license renewal cycle only starts in 2023, but the number received during previous three years shows a tremendous increase in new applications.

During the year under review jewellery fabrication showed signs of resurgence from the lingering challenges brought about by the COVID-19 pandemic. South Africa's total gold jewellery fabrication amounted to 1 180 kilograms (kgs) compared to 683 kgs recorded in the preceding year. While the SADPMR notes the improved jewellery fabrication, we still remain concerned that jewellery fabrication numbers remain subdued, which does not augur well with the promotion of local beneficiation of South Africa's precious metals. During the next financial year the SADPMR will commence a process of developing a beneficiation strategy encapsulating interventions that will hopefully provide the necessary impetus and set jewellery fabrication on a steep growth trajectory.

During the period under review, a total of four (4) collaborations were forged between the SADPMR and various license holders, to form a public-private partnership. These collaborative projects were designed to invest time and capital towards assisting emerging black entrepreneurs in establishing, expanding, and improving business; through skills training and support in all aspects of business start-up. In these projects, the partnership contributed towards the creation of an enterprise development culture in the diamond and precious metals sectors, by investing in the next crop of black industrialists.

As part of improving efficiency as well as service delivery, the SADPMR developed an online application system to assist clients to access the SADPMR services remotely. In this regard, the licensing online application and DEEC online tender booking systems were finalised.

During the year under review, the human resources function facilitated the initiation and execution of the Optimal Utilisation of Human Resources project. The objective of the project was to ensure that existing human resources are fully utilised to enable the entity to achieve its mandate. In this regard the position of General Manager Legal and Governance was filled with effect from 1 November 2021. The post of the Chief Financial Officer became vacant on the 2 February 2022. The recruitment process has been concluded and the new incumbent Chief Financial Officer resumed duty in July 2022. The entity had a total of 57 permanently employed females which represents 52.7% of the total workforce within the SADPMR. The status of female employees exceeds the national target of 50%.

In an effort to improve stakeholder relations, the SADPMR introduced a customer satisfaction survey to its stakeholders within the diamond and precious metals industries. The aim of the survey was for the SADPMR to measure the customer satisfaction levels experienced by its clients and the industry as a whole, and thereafter implement plans to improve accordingly.

The financial year under review proved to be a year that tested our true resilience and determination for excellence amidst the unprecedented COVID-19 global pandemic. Moving forward, we will continue to capitalise on growth opportunities and deliver value for our Shareholders, the Board and Customers.



**Mr Cecil Khosa**  
Chief Executive Officer



# STATEMENT OF RESPONSIBILITY FOR THE PERFORMANCE INFORMATION

## FOR THE YEAR ENDED 31 MARCH 2022

To the best of my knowledge and belief, I confirm that:

- all information and amounts disclosed throughout the annual report are consistent.
- the annual report is complete, accurate and free from any omissions.
- the annual report has been prepared in accordance with the guidelines on the annual report as issued by the National Treasury.
- the Annual Financial Statements (Part E) have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the relevant frameworks and guidelines issued by National Treasury.

The CEO is responsible for the preparation of the public entity's performance information and for the judgements made on this information.

The CEO 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.

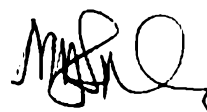
In my opinion, the performance information fairly reflects the operations of the public entity for the financial year ended 31 March 2022.



**Ms Busisiwe Mahlangu**  
Acting Chief Financial Officer



**Mr Cecil Khosa**  
Chief Executive Officer



**Mr Abiel Mngomezulu**  
Board Chairperson

# STRATEGIC OVERVIEW

## 1. VISION

To make diamonds and precious metals synonymous with South Africa.

## 2. MISSION

To regulate and promote the diamonds and precious metals industries in the best interests of the people of South Africa by:

- Transforming the downstream diamond and precious metals industries;
- Ensuring equitable access to diamonds and precious metals resources;
- Promoting local beneficiation of diamonds and precious metals;
- Collaborating with the industry and other stakeholders;
- Identifying initiatives that will develop and support black industrialists;
- Enforcing compliance with legislation;
- Advancing Intra-Africa trade;
- Promoting business development support and growth;
- Supporting skills development in the diamond and precious metals industries;
- Promoting and marketing diamonds and precious metals;
- Conducting research.

## 3. VALUES

- Ethical culture
- Service culture
- Transparency
- Teamwork
- Respect
- Integrity
- Consistency

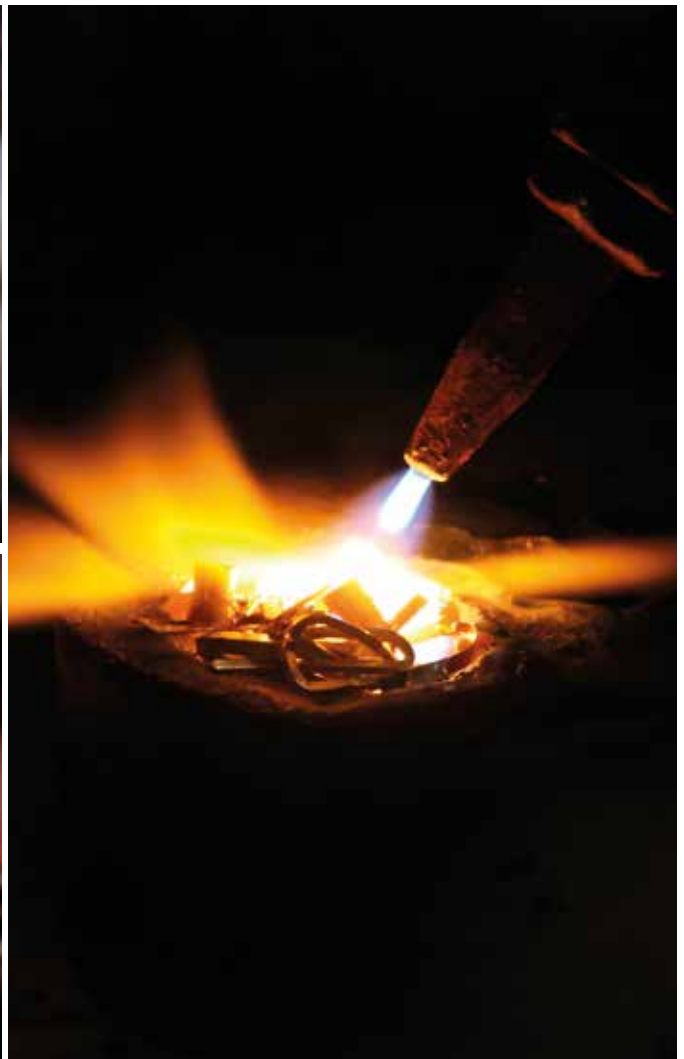


# LEGISLATIVE MANDATE OF SADPMR

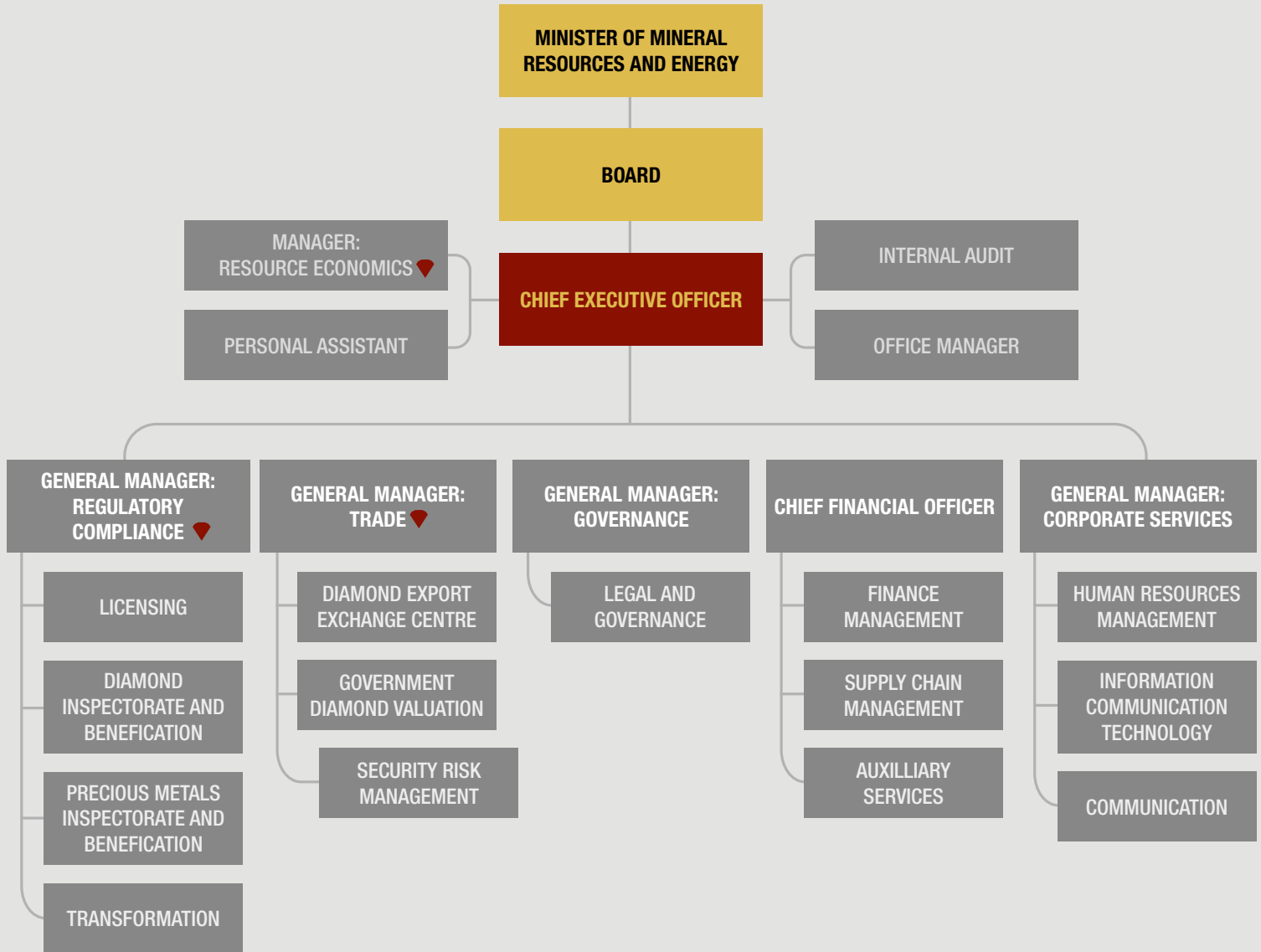
The SADPMR is an organ of the state deriving its constitutional mandate from section 239 of the Constitution of the Republic of South Africa, 1996, in terms of which it is defined as an institution performing public function in terms of the legislation.

The SADPMR is classified as a Schedule 3A Public Entity in accordance with The Public Finance Management Act No. 1 of 1999 (PFMA) (Act No.1 of 1999), as amended. The entity was established in terms of Section 3 of the Diamonds Act No. 56 of 1986 (Diamonds Act), as amended.

The SADPMR's mandate is to implement and enforce the provisions of the Diamonds Act and Precious Metals Act (Act No. 37 of 2005), the Diamond Export Levy (Administration) Act (Act No.14 of 2007) and the Diamond Export Levy Act (Act No.15 of 2007). The above-mentioned pieces of legislation are implemented in conjunction with other legal frameworks that directly and indirectly affect the role and mandate of the organisation.



# ORGANISATIONAL STRUCTURE



AS AT 31<sup>st</sup> March 2022



## PART B

# PERFORMANCE INFORMATION



# AUDITOR-GENERAL'S REPORT

## 1. AUDITOR-GENERAL'S REPORT: PREDETERMINED OBJECTIVES

The Auditor-General of South Africa (AGSA) currently performs the necessary audit procedures on performance information to provide the SADPMR with reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to management, with no material findings reported under the Predetermined Objectives heading in the report as well as under the rubric of other legal and regulatory requirements of the AGSA's report.

The AGSA report is included with the Annual Financial Statements (AFS).



## 2. SITUATIONAL ANALYSIS

### 2.1 Service Delivery Environment

The SADPMR annual target relating to new licences and permits issued to enable legitimate diamond and precious metals trade was exceeded, particularly as regards especially beneficiation licences. The increase was due to the successful implementation of the SADPMR Beneficiation and Marketing Strategies, which resulted in the issuing of 206 beneficiation licences during the period under review. The number of inspections aimed at ensuring compliance with legislation for new applications and existing licensees increased from 1 007 to 1 212 due to the implementation of a hybrid system of virtual and physical modes of work.

On 21 September 2021, the North Gauteng High Court handed down judgement following a judicial review of the Broad Based-Socio-Economic Empowerment Charter, 2018 (Mining Charter) instituted by the Minerals Council South Africa (Minerals Council) in which it requested the High Court to set aside some clauses of the Mining Charter. The court reviewed and set aside key clauses of the Mining Charter related to, amongst others, its application to licences granted in terms of the Diamond Act, 1986 and Precious Metals Act, 2005. Due to the setting aside of these clauses the SADPMR could not continue to enforce Mining Charter Compliance resulting in it having conducted 73 out of an annual target of 120 Mining Charter Compliance Audits. Notwithstanding the setback occasioned by the High Court Judgement, the SADPMR continues to undertake assessment of the extent of voluntary transformation in both the downstream diamond and precious metals sectors and has thus far been receiving unfettered support from industry which it highly appreciates.

SADPMR believes that enterprise development, in partnership with industry partners, is one of the most effective ways of delivering sustainable, broad-based economic growth in local economies. Enterprise development was the most effective method of facilitating access to technical skills and funding in order to create a cohort of sustainable enterprises that create jobs and contribute to addressing the triple challenges of unemployment, poverty and inequality facing South Africa. To that end, during the year under review, four (4) enterprise development projects, with a focus on women and youth, saw the advancement of sixteen (16) black entrepreneurs being assisted with a focus on women and youth.

The South African diamond industry experienced an increase in diamond production. The Government Diamond Valuator valued 8.7 million carats during the financial year under review as compared to 8.6 million in the preceding one. The prevalence of lab-grown / synthetic diamonds remains a risk in the trade platform. This risk, if not properly mitigated, will undermine the country's diamond trade and integrity. The GDV continued to value and verify all diamonds presented for diamond tenders, exports and imports and also provided expert opinions on objects presented to it by the south african police service (SAPS).

The global reduction, caused by COVID-19 related restrictions (especially of international travel) has also contributed to an increase in local clients conducting business in South Africa. The reduced COVID-19 restrictions thus positively contributed towards achieving the objective of promoting equitable access to diamond resources and local beneficiation. It is noteworthy that the DEEC experienced an increase in diamonds submitted for local sale and it is only thereafter that diamonds are exported. The DEEC experienced an increase in the number of clients accessing its services from 1 504 to 1 684. The increase is attributed to the high demand in rough diamonds coupled with increase in dollar per carat.

The SADPMR, as a focal point of the Kimberley Process Certification Scheme (KPCS), has ensured that South Africa remains compliant with minimum requirements of the KPCS through processing of exports, imports of unpolished diamonds and submission of compliance reports.

## 2.2 Organisational Environment

The COVID-19 pandemic continued during the 2021-2022 financial year. Some of the economic and social effects of the pandemic had a negative impact on the SADPMR. However, the entity proved to be resilient during the difficult period. Despite the conditions brought by the COVID-19-enforced National State of Disaster, the SADPMR managed to deliver services to its clients. As part of balancing livelihood and saving lives, the SADPMR rigorously implemented measures to ensure sustainability of the entity and its clients. In the midst of COVID-19, the Regulator relocated from its old premises based in the Johannesburg CBD to the Special Economic Zone (SEZ) at the Gauteng Industrial Development Zone (GIDZ) precinct located near the OR Tambo International Airport. The new office is strategically located especially for clients who would like to conduct exports and imports, as it is close to an international airport.

During the year under review, the diamond and precious metals industries performed very well, both locally and globally. Some of the players within the industry achieved positive results due to these improving market conditions. There was appreciable growth in production for the precious metals sector.

Some of the clients of the SADPMR were able to reap these benefits. Although market conditions were positive, a couple of SADPMR clients were not able to continue with their businesses as they were negatively affected financially by effects of COVID-19 that occurred in the 2020-2021 financial year. In its efforts to assist the industry to navigate the new normal presented by COVID-19 restrictions, the SADPMR held a total of three workshops, two for the diamond industry and one for the precious metals industry. In this way the red tape issue raised by the industry in the workshop resulted in the review of internal administrative process.

## 2.3 Revenue Collection

SOURCES OF REVENUE	FY2021-2022			FY2020-2021		
	BUDGET R'000	ACTUAL AMOUNT COLLECTED R'000	(OVER)/ UNDER COLLECTION R'000	BUDGET R'000	ACTUAL AMOUNT COLLECTED R'000	(OVER)/ UNDER COLLECTION R'000
Licence and service fees	45 520	57 273	11 753	52 556	39 616	(12 940)
Interest received	2 730	2 559	171	3 548	2 007	(1 541)
Other income	185	860	675	492	657	(165)
Grant received	62 027	62 027	0	76 054	76 054	0
<b>Total</b>	<b>110 462</b>	<b>123 574</b>	<b>13 112</b>	<b>132 650</b>	<b>118 333</b>	<b>(14 317)</b>

Revenue from licences and service fees were R12.3 million higher than the budget. The service fees accounts for the bulk of the increase at R10, 7 million compared to the budget.

Revenue from grants received decreased by R14.0 million compared to the preceding financial period due to the additional R14 million funding allocated in the 2021 financial year. Total revenue exceeded budget by R12.3 million.

## 2.4 Capital Investment

INFRASTRUCTURE PROGRAMME	FY2021-2022			FY2020-2021		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/ UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	(OVER)/ UNDER EXPENDITURE R'000
Computer equipment	0	1 675	(1 675)	6 800	4 075	2 725
Furniture and fitting	0	63	(63)	70	0	70
Leased office equipment	0	774	(774)	0	0	0
Office equipment	0	32	(32)	2 670	1 153	1 517
Security systems, machinery and safes	0	2 944	(2 944)	7 766	73	7 693
<b>Total</b>	<b>0</b>	<b>5 488</b>	<b>(5 488)</b>	<b>17 306</b>	<b>5 301</b>	<b>12 005</b>

Due to budget constraints, the organisation's asset acquisitions were kept to a minimum while focusing on capital acquisitions that were necessary to facilitate the relocation to the GIDZ. These asset acquisitions were funded from reserves and related to the procurement of servers and audio-visual equipment for fitting out of the new office premises at the GIDZ. Other acquisitions related to security equipment for the Kimberly Regional Office. The purchase of the assets was funded from the reserves allocated for the move to GIDZ offices.

## 2.5 Key Policy Developments and Legislative Changes

On the 21<sup>st</sup> September 2021, the Gauteng High Court passed a judgement setting aside some of the clauses in the Mining Charter 2018 ("the Charter"), which, *inter alia*, are upheld in relation to the applicability of the Charter on the Diamonds Act 1986 (as amended) and the Precious Metals Act, 2005. The legal implication of this judgement on the applicability of the Charter has negatively affected the SADPMR's objectives of ensuring effective transformation of the Diamonds and Precious Metals sectors as well as ensuring equitable access to the country's minerals through beneficiation.

The SADPMR however continues to encourage both the Diamonds and Precious Metals sectors to continue playing an active collaborative role in ensuring that the SADPMR's transformative objectives are promoted and given effect on a voluntary basis.

## PROGRAMME PERFORMANCE PART C: MEASURING OUR PERFORMANCE

### PROGRAMME 1: ADMINISTRATION

**Purpose:** To provide efficient administrative support by ensuring human resources management, communication, and information and communications technology services that are effectively operational and maintained at all times, while these are responsive to the needs and aspirations of the SADPMR's stakeholders.

**Sub Programmes:** Finance, Corporate Services, Security Services and Legal Services

#### 1.1 Sub-Programme: Finance

**Purpose:** To provide overall financial and supply chain management support.

**Highlights:** The main focus of the Finance and Supply Chain Management divisions this year was to provide adequate support for finance and procurement requirements as centred on the move to the GIDZ. Whilst ensuring that all the needs for the GIDZ were complied with, the budget was closely monitored to guarantee alignment with a limited approved budget. The Supply Chain division also contributed towards facilitating historically disadvantaged individuals (HDIs) by implementing processes of increasing the involvement of HDIs in its procurement processes.

#### 1.2 Sub-Programme: Human Resources Management

**Purpose:** To maximize the productivity of the entity by optimizing the effectiveness of its employees.

**Highlights:** During the year under review, the Human Resources function facilitated the initiation and execution of the project of Optimal Utilisation of Human Resources. The objective of the project was to ensure that the existing Human Resources were fully utilised to enable the entity to achieve its mandate. As such, the key focus was to reposition the core function of the entity which provided services relating to licensing and inspection for both diamond and precious metals industries. During the execution of the project all stakeholders were consulted, including employees, organised labour and the Board. The project was successfully completed and approved by the Board for implementation in the following financial year.

As part of improving good corporate governance, eighteen (18) Human Resources policies were reviewed and approved by the Board for implementation. Amongst others, this included the Recruitment and Selection Policy, Disciplinary Policy, Code of Conduct and Ethics as well as the Employee Wellness Policy, which included a portion on vaccination of employees.

The SADPMR had strategic vacancies in the executive management level, which were filled timeously.

#### 1.3 Sub-Programme: Communication

**Purpose:** The communications sub-programme is responsible for promoting stakeholder engagement as well as brand awareness so as to enhance the industry of diamond and precious metals industries.

**Highlights:** The communication function continued to implement the approved communication and marketing strategy. As such, the SADPMR organised and participated in six (6) career expos across the country, especially in the rural areas of Limpopo, North West, Northern Cape, Mpumalanga and Kwa-Zulu Natal. The objective of the exhibitions was to promote careers within the diamonds and precious metals sectors as well as in the mining sector. Also, the SADPMR participated in international events such as the Dubai Expo where the services of the SADPMR and some of its clients were shared with potential investors.

Furthermore, the internal and external communication policy as well as language policy were reviewed and approved by the Board during the 2021-2022 financial year. As part of its mandate, the SADPMR continued to participate in the Kimberley Process Certification Scheme and contributed significantly during the intersession and plenary meetings.

In the efforts to improve stakeholder relations, the SADPMR introduced a customer satisfaction survey to its stakeholders within the diamond and precious metals industries. The aim of the survey is for the SADPMR to measure customer satisfaction levels experienced by its clients and industries, and accordingly implement plans for improvement.

## 1.4 Sub-Programme: Information Communication and Technology

**Purpose:** To align ICT strategy with business strategy and automation of business processes.

**Highlights:** During the year under review, five (5) information communication technology (ICT) policies were reviewed and approved by the Board. The review of these policies was aimed at strengthening the ICT governance within the SADPMR.

As part of improving efficiency as well as service delivery, the SADPMR developed online applications to assist clients to access the SADPMR services remotely. In this regard, the licensing online application and DEEC online tender booking systems were finalised.

The ICT division continued making provision for remote services to ensure that the SADPMR staff are able to operate remotely, and were operational during unforeseen disruptions. Also, the SADPMR introduced and implemented audio-visual systems, Microsoft Teams telephony and wi-fi services for both its clients and staff to connect wirelessly within or with the SADPMR premises. Furthermore, ICT security measures as well as bi-annual disaster recovery tests were conducted to ensure continuity in the services of the SADPMR.

## 1.5 Sub-Programme: Security Risk Management

**Purpose:** To implement the minimum information security standards (MISSs), minimum physical security standards (MPSSs), national vetting strategy (NVS) and relevant pieces of legislation.

**Highlights:** The Security Risk Management Division continued to implement the provisions of the NVS, MISS and MPSS. These security measures were employed to minimise the security risk against the entity. In view of relocation from the Johannesburg CBD to the O. R. Tambo GIDZ precinct, the entity focused on the implementation of physical security measures. These measures were meant to ensure that security breaches were minimised.

In preparation for an emergency, the contingency plan continued to be the main focus for the year. This was implemented in the form of emergency evacuation drills and occupational health and safety audits.

## 1.6 Sub-Programme: Legal Services

**Purpose:** To provide efficient and effective general legal support by ensuring compliance with legislation; identify and mitigate legal risks; and provide well-informed legal advice.

**Highlights:** In the year under review, legal services were involved in a number of litigation cases and contractual matters. One of the major contractual matters related to relocation of the SADPMR to GIDZ Special Economic Zone in the O.R. Tambo Airport.

## Institutional outcomes

An effective, efficient and development-oriented SADPMR.

## Outcomes, outputs, output indicators, targets and actual achievement

SUB-PROGRAMMES	OUTPUT INDICATORS
<b>Finance Management</b>	<ul style="list-style-type: none"> <li>• Number of contracts awarded to Historically Disadvantaged Individuals (HDI's).</li> <li>• Percentage of rand value of Procurement spend awarded to HDI (levels 1 and 2).</li> <li>• Number of instances of non-compliance with the PFMA.</li> <li>• Revenue strategy developed and implemented.</li> <li>• Identify and implement application systems to optimise utilisation of ERP system.</li> </ul>
<b>Human Resource Management</b>	<ul style="list-style-type: none"> <li>• Percentage of compliance with the WSP requirements.</li> <li>• Number of new bursaries awarded.</li> <li>• Number of young graduates recruited into the internship programme.</li> <li>• Percentage of signed performance agreements and work plans facilitated.</li> <li>• Number of wellness programmes events / activities facilitated.</li> <li>• Number of wellness programme interventions coordinated.</li> <li>• Number of employee recognition events coordinated.</li> <li>• Number of organisational culture interventions coordinated.</li> <li>• Number of leadership development programmes coordinated.</li> <li>• Number of women, and youth empowerment skills development facilitated for internal staff.</li> </ul>
<b>Communication</b>	<ul style="list-style-type: none"> <li>• Number of internal and external stakeholder engagements conducted.</li> <li>• Number of brand promotion activities implemented.</li> <li>• Number of diamond and precious metal industry specific articles published about the services of the SADPMR.</li> <li>• Number of Internal newsletter articles published.</li> <li>• Number of engagements uploaded on digital media platforms.</li> </ul>
<b>Information and Communications Technology</b>	<ul style="list-style-type: none"> <li>• Number of disaster recovery tests implemented.</li> <li>• Phases online applications developed.</li> <li>• Number of ICT security measures implemented.</li> </ul>
<b>Security and Risk Management</b>	<ul style="list-style-type: none"> <li>• Number of vetting files submitted to SSA.</li> <li>• Number of fraud and corruption prevention activities implemented.</li> <li>• Number of occupational, health and safety initiatives implemented.</li> </ul>
<b>Legal Services</b>	<ul style="list-style-type: none"> <li>• Percentage of matters referred for legal advice and addressed within 30 days.</li> <li>• Percentage of legal opinions obtained on behalf of the Regulator.</li> <li>• Percentage of contracts and SLAs vetted within 30 days.</li> </ul>

## Sub-Programmes: Finance, Human Resource Management, Information Communication Technology, Communications, Security Risk Management and Legal Services - Annual Performance Plan

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/ 2020	AUDITED ACTUAL PERFORMANCE 2020/ 2021	PLANNED ANNUAL TARGET 2021-2022	AUDITED ACTUAL PERFORMANCE 2021-2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/ 2021	REASONS FOR DEVIATIONS FOR ALL INDICATORS
An effective, efficient and development orientated Regulator	Increase participation of Historically Disadvantaged Individuals (HDI's).	Number of contracts awarded to Historically Disadvantaged Individuals (HDI's).	New Output	8	5	13	6	Exceeded due to a concerted effort to catch up on expired contracts most of which were rolled over from the prior year
	Increase participation of HDI's	% of rand value of Procurement spend awarded to HDI (levels 1 and 2)	New Output	63%	70%	61%	9%	During Q1 and Q2 less procurement activities were undertaken since the focus was on finalisation of relocation to the GIDZ.
	Compliance to PFMA (Irregular, fruitless and wasteful expenditure)	Number of instances of non-compliance with the PFMA	New Output	6	Nil	5	5	There was non-compliance to SCM policy and National Treasury Regulations. Training was provided by National Treasury and consequence management implemented as per National Treasury Guidelines.
	Financial sustainability	Revenue strategy developed and implemented	New Output	Strategy not approved	Implement the strategy	Strategy Implemented	-	



## Sub-Programmes: Finance, Human Resource Management, Information Communication Technology, Communications, Security Risk Management and Legal Services - Annual Performance Plan (continued)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/ 2020	AUDITED ACTUAL PERFORMANCE 2020/ 2021	PLANNED ANNUAL TARGET 2021-2022	AUDITED ACTUAL PERFORMANCE 2021-2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/ 2021	REASONS FOR DEVIATIONS FOR ALL INDICATORS
An effective, efficient and development orientated Regulator (continued)	Improve effectiveness and efficiency of ERP systems	Identify and implement application systems to optimise utilisation of ERP system	New Output	Application Renewal Plan compiled	Implementation of the approved application System renewal plan	Approved application not implemented	Achieved one of the two modules	Assets module currently available on Pastel is not compatible with unique needs of SADPMR. The SADPMR is currently investigating other alternatives
		Percentage of compliance with workplace skills plan requirements	New Output	100%	100%	100%	-	
		Number of new bursaries awarded	New Output	9	5	5	-	
		Number of young graduates recruited on the internship programme	New Output	10	8	8	-	
		Percentage of signed performance agreements and work plans facilitated	New Output	96,6%	100%	100%	-	
		Number of bi-annual performance assessments facilitated	New Output	1	2	2	-	
		Number of employee wellness programmes events / activities facilitated	New Output	3	2	2	-	

## Sub-Programmes: Finance, Human Resource Management, Information Communication Technology, Communications, Security Risk Management and Legal Services - Annual Performance Plan (continued)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/ 2020	AUDITED ACTUAL PERFORMANCE 2020/ 2021	PLANNED ANNUAL TARGET 2021-2022	AUDITED ACTUAL PERFORMANCE 2021-2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/ 2021	REASONS FOR DEVIATIONS FOR ALL INDICATORS
An effective, efficient and development orientated Regulator (continued)	Improve effectiveness and efficiency of ERP systems (continued)	Number of employee wellness programme interventions coordinated	New Output	4	4	4	-	
		Number of employee recognition events coordinated	New Output	1	1	2	1	Exceeded due to recognition of three retirees for their long service at the SADPMR.
		Number of organisational culture intervention implemented	New Output	1	1	1	-	
		Number of leadership development programmes implemented	New Output	1	1	1	-	
		Number of women and youth empowerment skills development facilitated for internal staff	New Output	2	2	2	-	
	Business continuity through replication of information from primary to secondary site	Number of disaster recovery tests implemented	New Output	1	2	2	-	
	Automated business applications	Phases of online applications developed	New Output	Approved business impact assessment report. Phases of two online applications developed.	Development and implementation of licensing application	Developed and implemented a licensing online application module	-	

## Sub-Programmes: Finance, Human Resource Management, Information Communication Technology, Communications, Security Risk Management and Legal Services - Annual Performance Plan (continued)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/ 2020	AUDITED ACTUAL PERFORMANCE 2020/ 2021	PLANNED ANNUAL TARGET 2021-2022	AUDITED ACTUAL PERFORMANCE 2021-2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/ 2021	REASONS FOR DEVIATIONS FOR ALL INDICATORS
An effective, efficient and development orientated Regulator (continued)	Secured ICT environment	Number of ICT security measures implemented	New Output	2	3	4	1	Exceeded due to increased ICT security awareness as a result of officials working remotely.
	Promotion of SADPMR and its services and improved stakeholder relations through the implementation of Marketing strategy	Number of internal and external stakeholders' engagements conducted	New Output	7	10	13	3	Exceeded due to the travel relaxation; more stakeholders were reached during the financial year.
		Number of brand promotion activities implemented	New Output	9	10	11	1	
		Number of diamond and precious metal industry-specific articles published about the services of the SADPMR	New Output	4	4	4	-	
		Number of internal newsletter articles published	New Output	5	6	8	2	Exceeded due increased awareness regarding relocation to the new SADPMR offices at the GIDZ.
		Number of engagements uploaded on digital media platforms	New Output	198	200	200	-	

## Sub-Programmes: Finance, Human Resource Management, Information Communication Technology, Communications, Security Risk Management and Legal Services - Annual Performance Plan (continued)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/ 2020	AUDITED ACTUAL PERFORMANCE 2020/ 2021	PLANNED ANNUAL TARGET 2021-2022	AUDITED ACTUAL PERFORMANCE 2021-2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/ 2021	REASONS FOR DEVIATIONS FOR ALL INDICATORS	
An effective, efficient and development orientated Regulator (continued)	Fulfil the national vetting strategy compliance by verifying that employees are security competent	Number of vetting files submitted to SSA	New Output	4	10	12	2	More employees were added for vetting due to the special project that was undertaken during the year.	
	Reduction in fraud and corruption-related matters	Number of fraud and corruption prevention activities implemented	New Output	3	4	4	-		
	To ensure that the work environment is safe and secure in line with health and safety requirements	Number of occupational, health and safety initiatives implemented	New Output	6	6	6	-		
	Accurate, well-informed and up to date legal advice	Percentage of matters referred for legal advice and addressed within 30 days	100%	100%	100%	100%	100%	-	
		Percentage of legal opinions obtained on behalf of the Regulator	100%	100%	100%	100%	100%	-	
		Percentage of contracts and SLAs vetted within 30 days	100%	100%	100%	100%	100%	-	

## Reporting on the Institutional Response to the COVID-19 Pandemic

During the financial year 2021-2022, the country continued to experience the COVID-19 pandemic. In this financial year, the SADPMR services were not adversely affected despite the negative effects of the pandemic. The measures and control put in place in view of the pandemic were effective and assisted in preventing the closing of our business. The entity will continue with implementation of counter-measures such as engineering controls, administrative controls, and the use of personal protective equipment. A total of 28 employees tested COVID-19 positive and all have since recovered.

Table 1: Progress around Institutional Response to the COVID-19 Pandemic

PROGRAMME/ SUB-PROGRAMME	INTERVENTION	GEOGRAPHIC LOCATION (PROVINCE/ DISTRICT/ LOCAL MUNICIPALITY)	NO. OF BENEFICIARIES	DISAGGREGATION OF BENEFICIARIES	TOTAL BUDGET ALLOCATION PER INTERVENTION R'000	BUDGET SPENT PER INTERVENTION R'000	CONTRIBUTION TO THE OUTPUTS IN THE APP	IMMEDIATE OUTCOMES
All Programmes	Engineering controls, administrative controls, personal protective equipment as COVID-19 control measures, work shifts, quarantine in case of exposure and isolation in the case of positive cases	Gauteng Johannesburg and Northern Cape- Kimberley	26	N/A	550 000	518 192	N/A	N/A

## Strategy to overcome areas of under performance

Consequence management was held to address areas of non-compliance with the PFMA, and National Treasury was requested to provide extensive training on irregular expenditure and fruitless and wasteful expenditure.

## Linking Performance with Budgets

Programme administration over the year reflects an overspending of R3.8 million in expenditure mainly due to the impairment or loss or disposal of assets and actuarial remeasurement costs.

Table 2: Linking performance with budgets.

PROGRAMME/ ACTIVITY/ OBJECTIVE	FY2021-2022			FY2020-2021		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	OVER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	UNDER EXPENDITURE R'000
Programme 1: Administration	69,039	72,988	(3,949)	76,221	69,267	6,954

## PROGRAMME 2: DIAMONDS TRADE

**Purpose:** The Diamond Trade Programme is responsible for the facilitation of local trade as well as exports and imports of diamonds as well as ensuring that diamonds are traded at fair market value, in accordance with the KPCS.

**Sub Programmes:** Government Diamond Valuator (GDV), Diamond Exchange and Export Centre (DEEC).

### 2.1 Sub-programme: Government Diamond Valuator (GDV)

**Purpose:** To ensure that diamond imports and exports are at fair market value.

**Highlights:** Diamond production remained constant at 8.7 million carats during the year when compared to 8.6 million carats in 2020/2021. This consistency in production is attributed to the constant demand of rough diamond coupled with an increased value of dollar per carat. The dollar per carat was at an average of \$ 112.68 in the previous year when compared to \$133.88 in the current year. The increase is attributed to the last quarter of this year where rough diamond prices increased drastically due to the uncertainty of markets because of the war in Ukraine. The increase in dollar per carat boosted the revenue collected for services rendered by the SADPMR.

All diamonds that were imported and exported were verified to ensure fair market value. The major risk to the business is failure to detect synthetic/lab-grown diamonds. The measures to enhance detection ability by the SADPMR is underway to protect trade integrity.

The GDV conducted skills facilitation by training six new entrants into the diamond industry. These trainees were trained in diamond planning, marking, sorting, valuation and pricing. Half of the trainees fell under the youth group, including two youthful women and two youthful men. This training increases chances

#### Institutional outcomes:

- Job creation, skills development and value addition to precious metals and diamonds.
- Compliance to legislation.
- Ensuring compliance with KPCS statute.

of employment and of subsequently becoming an entrepreneur. Some of the beneficiaries of this training are already running businesses.

### 2.2. Sub-programme: Diamond Exchange and Export Centre (DEEC)

**Purpose:** The DEEC is responsible for the facilitation of local trade as well as exports and imports of diamonds in accordance with the KPCS and to ensure that imports and exports are at fair market value.

**Highlights:** There was a noticeable increase of 6 078 921 carats of rough diamond traded in the DEEC in contrast with the 4 901 382 carats traded in 2020/2021. The SADPMR placed the access of diamond beneficiaries and HDPs licensees at the top of the priority list. This approach assisted in increasing the numbers of these prioritised groups when it came to accessing DEEC services. In the year under review, the number of diamond beneficiaries and HDPs licensees improved when compared with preceding years. This increase is attributed to the innovations that promote removal of red tape in booking for diamond benefactors which caused greater ease in doing business with the DEEC.

In compliance with the KPCS's statute, the SADPMR submitted all quarterly trade statistics reports and annual diamond production statistics reports.

## Outcomes, outputs, output indicators, targets and actual achievement

SUB-PROGRAMMES	OUTPUT INDICATORS
DEEC	<ul style="list-style-type: none"> <li>• Number of companies owned by HDPs accessing the DEEC.</li> <li>• Number of benefactors accessing the DEEC for the first time</li> <li>• Percentage of compliance to KPCS</li> </ul>
GDV	<ul style="list-style-type: none"> <li>• Number of skills initiatives facilitated for the industry</li> <li>• Percentage of Diamond valuations conducted</li> <li>• Percentage of undisclosed synthetic diamonds subjected to detection</li> </ul>

## Sub programmes: Government Diamond Valuator and Diamond Exchange and Export Centre - Annual Performance Plan

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/ 2020	AUDITED ACTUAL PERFORMANCE 2020/ 2021	PLANNED ANNUAL TARGET 2021-2022	AUDITED ACTUAL PERFORMANCE 2021-2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/ 2021	REASONS FOR DEVIATIONS FOR ALL INDICATORS
Job creation, skills development and value addition to precious metals and diamonds	Trained new entrants in diamond planning, marking, sorting, valuation and pricing	Number of skills initiatives facilitated for the industry	2	3	5	7	2	Exceeded due to increased marketing of the services rendered by the SADPMR
Compliance to legislation	To verify the fair market value of diamonds	Percentage of diamond valuation conducted.	100%	100%	100%	100%	-	
	Subject all diamonds to manual verification	Percentage of undisclosed synthetic diamonds subjected to detection	New Output	100%	100%	99%	1%	Failure to detect the undisclosed synthetic / lab-grown diamond in one melee consignment. Procurement of a more advanced synthetic detecting equipment is at an advanced stage.
	Equitable access of diamonds.	Number of HDP's owned companies accessing the DEEC	New Output	7	6	6	-	
Number of Beneficiators accessing the DEEC for the first time		New Output	6	3	7	4	Special tenders and prioritisation of diamond Beneficiators during normal tenders encouraged more participation.	
To ensure compliance with KPCS statute	Oversee the administration of KPCS	Percentage of compliance to KPCS requirements	100%	100%	100%	100%	-	

## Programme Performance

### (i) Sub-programme: Government Diamond Valuation (GDV)

The GDV provides valuation services related to diamond exports, imports and diamond production offered to the State Diamond Trader (SDT) by producers in terms of the Diamonds Act 56 of 1986 as amended, to ensure that diamonds are traded at fair market value. Its further function is to provide technical and expert opinion on diamonds in criminal investigations and judicial proceedings.

The production remained constant. However, the dollar per carat rate increased by 16.6% in 2021-2022 when compared to 2020/ 2021. In pursuance of Section 59 (B) of the Diamond Act, the SDT was able to increase its purchases of rough diamonds with assistance of the GDV. During this financial year, the GDV trained six new (6) entrants comprising of two women, three youth and one male. This initiative proved to have a positive impact in the diamond industry by adding value to the businesses of these trainees. During the last quarter of the financial year it was observed that the US dollar per carat rate had increased as a result of the demand for rough diamonds locally and internationally.

Diamond production in the country remained the same when compared to the preceding financial year. However, as indicated, the dollar per carat rate increased by 16.6% in 2021-2022. The increase is attributed to the last quarter of 2021-2022 where rough diamonds prices increased drastically due to the uncertainty of markets because of the war between Ukraine and Russia. The increase in dollar per carat has boosted the revenue collected for services rendered by the SADPMR.

SDT diamond purchases increased by 40.6% in carats when compared with the preceding financial year of 2020/ 2021. The increase was due to the high demand for rough diamonds locally from diamond beneficiaries. There was also an increase of 45.76% in the dollar value of the purchased price in 2021-2022 when compared to 2020/ 2021. This demand was further accelerated in the fourth quarter of the year due to the panic in diamond market which was caused by the war between Ukraine and Russia. The panic led to high demand in rough diamond and price increase since the market was focusing on buying for purpose of stockpiling in anticipation of possible stock shortage.

Table1: Diamond producers (in carats) of all unpolished diamonds verified by the GDV in terms of Section 59B of the Diamond Act

	FY2021-2022		FY2020-2021	
	CARATS	VALUE (\$)	CARATS	VALUE (\$)
Diamond production presented to the SDT	8 724 003.88	1 168 005 571.87	8 642 373.97	973 861 492.57
Diamonds purchased by the SDT	543 832.23	84 873 130.94	323 014.52	46 029 198.75

#### Diamond Valuation Services rendered to South African Police Service

The GDV provides a service to the South African Police Service (SAPS) for all objects suspected to be diamonds that had been confiscated for the purpose of seeking an expert opinion about their nature. Table 8 represents exhibits presented for valuation to the GDV by the SAPS.

During the 2021-2022 financial year, the SAPS presented a total of 1 291 objects to the GDV for valuation, compared to 746 objects in the preceding financial year. This shows an increase of 545 objects. Among 1 291 objects, 873 were found to be rough diamonds of 312.09 carats, compared to 133.10 objects in 2020/ 2021 which had 179 confirmed rough diamonds of 133.10 carats. There was an increase of 694 rough carats compared to 2020/ 2021. The Western and Northern Cape provinces were found to facilitate the increase in rough diamonds confiscated by SAPS.



Table 2: Diamond Valuation Services rendered to South African Police Service

PROVINCE	2021-2022	EXHIBITS		TOTALS		2020-2021	EXHIBITS		TOTALS	
		DIAMONDS	NON-DIAMONDS	CARATS	VALUE (ZAR)		DIAMONDS	NON-DIAMONDS	CARATS	VALUE (ZAR)
Gauteng	16	0	16	0	0.00	68	27	41	46.5	23 487.00
Free state	9	6	3	7.43	20 293.00	158	11	147	10.66	20 175.00
Northern Cape	650	417	233	179.41	1 746 582.32	467	133	334	55.08	877 015.00
Eastern Cape	0	0	0	0	0.00	0	0	0	0	0.00
North West	18	0	18	0	0.00	45	4	41	20.86	814 401.00
Mpumalanga	0	0	0	0	0.00	0	0	0	0	0.00
KwaZulu Natal	2	2	0	0.79	24 170.00	0	0	0	0	0.00
Western Cape	596	448	148	124.46	1 360 404.00	8	4	4	0	54 283.00
Limpopo	0	0	0	0	0.00	0	0	0	0	0.00
<b>Total</b>	<b>1291</b>	<b>873</b>	<b>418</b>	<b>312.09</b>	<b>3 151 449.32</b>	<b>746</b>	<b>179</b>	<b>567</b>	<b>133.1</b>	<b>1 789 361.00</b>

## (ii) Sub-programme: Diamond Exchange and Export Centre (DEEC)

### Diamond Beneficiaries Accessing the DEEC during 2021/2022

Diamond beneficiaries were given priority during tender viewing in the DEEC, which is in line with the beneficiation strategy. In the year under review, DEEC services exceeded the planned performance. The table below shows a positive trend whereby the number of beneficiaries has been gradually increasing year after year. This is attributed to a special tender that was facilitated for beneficiaries in the year. During this period, beneficiaries had the opportunity to compete for parcels amongst themselves and this yielded positive results.

### Clients Accessing the DEEC

The DEEC observed an increase in the number of clients accessing the services during the period of 2021-2022. This upward trend was engendered by changes in the demand for trade in diamonds globally.

Table 3: Diamond Beneficiaries Accessing the DEEC

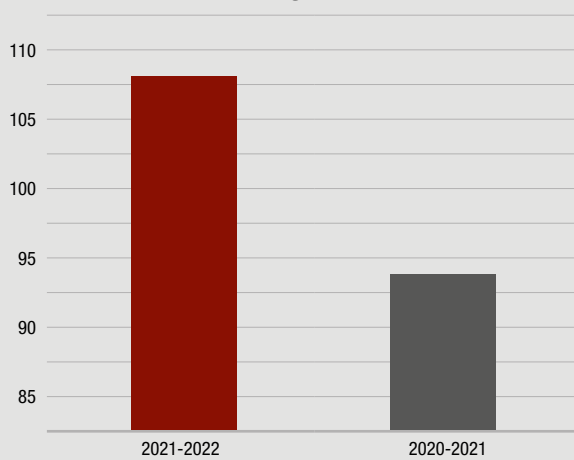
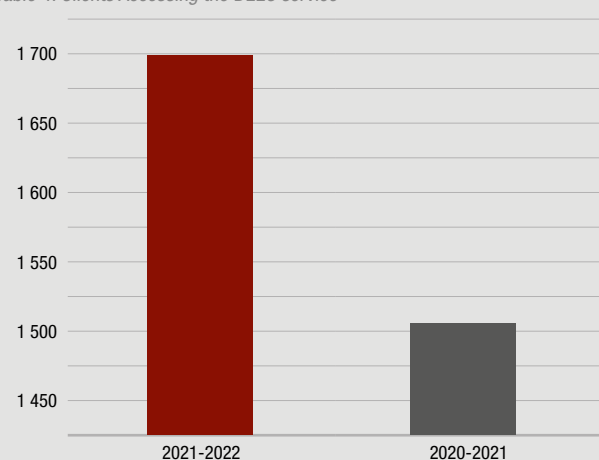


Table 4: Clients Accessing the DEEC service



## Rough Diamond Trade Activities at the DEEC

During the beginning of the financial year trade started picking up gradually. However, it was observed that trade demand progressively started showing improvements towards the middle of 2021. As a result, the financial year ended on a positive note, as trade showed some recovery both locally and internationally due to an increase in the trade of rough diamonds.

Table 5: Rough Diamonds Offered for Local Sale by Diamond Producers, Dealers and Beneficiaries

	FY2021-2022	FY2020/ 2021
Total carats received	6 078 921.17	4 901 382.92
Total \$ received	1 323 263 529.23	746 605 270.53
Total carats of parcels sold and qualified to be exported	6 022 827.99	4 763 139.42
Total \$ value of parcels sold and qualified to be exported	2 463 348 300.10	778 441 834.29
Total carats withdrawn	56 093.18	2 689.34

The above table indicates the rough diamond tender activities facilitated at the DEEC during the 2021-2022 financial year. The DEEC received over 6 million carats valued at approximately \$ 1.3 billion, which shows a significant increase in both volume and value offered locally at the DEEC when compared with the preceding financial year. This increase resulted from a slight shift in trade coupled with the fluctuating demand among traders internationally.

## Rough Diamond Exports

During the calendar year 2021, South Africa traded with 16 KP Participants, which resulted in exports of 10.4 million carats of rough diamonds valued at more than \$1.7 billion. This trend indicates a significant increase of 25.52 % in the volume of rough diamonds traded when compared to the 7.7 million carats valued at \$1 billion reported during the year 2020. Out of the total exports, the United Arab Emirates accounted for 41%, the European Union 29%, Botswana 26% and India 2%, whilst 2 % was traded with Australia, Canada, India, Israel, Switzerland, the Peoples Republic of China, Namibia, the Russian Federation, Singapore, Thailand, the United States of America and the United Kingdom.

The table below demonstrates rough diamond exports for 2021 between South Africa and other KP Participants.

Table 6: Rough Diamond Exports: 2021 vs 2020 (Calendar Year)

PARTICIPANT	2021		2020	
	CARATS	VALUE (\$)	CARATS	VALUE (\$)
Australia	5	863	0	0
Botswana	4 274 653	420 307 481	2 501 005	249 267 809
Canada	3 314	108 784	0.24	5
China PR	424	2 217 749	199	364 247
European Union	3 036 742	477 453 268	2 505 553	351 932 334
India	235 561	78 366 249	112 609	22 271 520
Israel	44 069	47 117 382	151 200	89 886 055
Namibia	632	631	0	0
Lesotho	169	21 898	0	0
Russian Federation	713	553 884	2 187	2 187
Singapore	88 181	2 523 736	0	0
Switzerland	192	4 706 314	3 689	1 267 931
Thailand	1 727	1 002 340	2 236	194 048
United Arab Emirates	2 733 733	642 019 248	2 483 758	356 275 902
United State of America	3 761	24 242 592	2 366	2 889 887
United Kingdom	977	7 277 700	0	0
<b>TOTAL</b>	<b>10 424 853</b>	<b>1 707 919 849</b>	<b>7 764 802</b>	<b>1 077 860 776</b>

## Rough Diamond Imports

During 2021, South Africa imported 890 889 rough diamonds valued at more than \$ 649 million, as traded with 11 KP Participants. The comparisons and analysis of statistical data for rough diamonds imports for 2021 indicates a sharp increase of 63.31% in volume when compared to 309 062 imported in 2020. Throughout 2021, 95% of the rough diamonds were imported from the United Arab Emirates (75%), Botswana (14%) and the European Union (6%), whilst 5% was traded with the countries listed in the table below.

The table below represents rough diamond imports for 2021 between South Africa and other KP Participants.

Table 7; Rough Diamond Imports: 2021 vs 2020 (Calendar Year)

PARTICIPANT	2021		2020	
	CARATS	VALUE (\$)	CARATS	VALUE (\$)
Angola	0	0	448	315 567
Botswana	122 147	207 034 220	76 956	128 693 046
Brazil	0	0	0.41	1.18
Canada	0	0	3 319	108 640
Congo, DR	232	38 882	643	12 401
European Union	50 755	27 242 477	53 531	51 710 150
India	5 727	1 851 253	8 927	166 924
Israel	13 933	15 904 744	77 297	23 055 848
Namibia	5 743	5 163 714	2 253	10 363 576
Switzerland	2 058	40 385 229	13 796	37 801 190
United Arab Emirates	671 988	263 358 953	65 641	98 675 427
United State of America	17 321	81 658 037	6 251	3 932 475
United Kingdom	979	7 258 401	0	0
<b>TOTAL</b>	<b>896 883</b>	<b>649 895 910</b>	<b>309 062.41</b>	<b>354 835 245</b>

## Polished Diamond Exports

During the period under review, South Africa exported a total of 128 869 carats of polished diamonds, valued at approximately \$ 970 million. There was an increase of 42.33 % in the volume of diamonds exports received and declared during this period when compared to the preceding financial year. Some of these diamonds were imported by the local laboratories for the purposes of being certified.

Table 8: Polished diamond exports

FY2021-2022			FY2020-2021		
CARATS	VALUE (\$)	RAND VALUE (ZAR)	CARATS	VALUE (\$)	RAND VALUE (ZAR)
128 869	970 232 441	14 628 881 383	74 701	505 558 536	8 113 262 894

## Polished Diamond Imports

During the period under review, the DEEC received and cleared a total of 143 094 carats of polished diamond imports valued at approximately \$ 463 million. There was a decrease of 52.52% in the volume of diamonds declared during this period when compared to the preceding financial year. Some of these 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 9: Polished diamond imports

FY2021-2022			FY2020-2021		
CARATS	VALUE (\$)	RAND VALUE (ZAR)	CARATS	VALUE (\$)	RAND VALUE (ZAR)
143 094	463 854 408	7 022 414 014	67 929	215 898 105	3 477 847 160

## Synthetic Diamond Powder Imports

The DEEC received and cleared over 82 million of carats of synthetic diamonds powder valued at approximately \$3 million. The synthetic diamond powder was imported for the purposes of manufacturing diamond tools.

Table 10: Synthetic Diamond Powder Imports

FY2021-2022			FY2020-2021		
CARATS	VALUE (\$)	RAND VALUE (ZAR)	CARATS	VALUE (\$)	RAND VALUE (ZAR)
82 215 075	3 469 359	52 167 762	74 541 500	2 079 019	35 542 682

## Synthetic Diamond Imports

In this period, a total of 2 247 carats of synthetic diamonds valued at \$ 854 303 were imported, which shows a significant increase when compared to the data for the preceding financial year. This might be attributed to a positive increase in the demand for declaration of synthetic diamonds globally.

Table 11: Synthetic Diamond Powder Imports

FY2021-2022			FY2020-2021		
CARATS	VALUE (\$)	RAND VALUE (ZAR)	CARATS	VALUE (\$)	RAND VALUE (ZAR)
2 247	854 303	11 786 046	178	39 723	628 416

## Kimberley Process Certification Scheme (KPCS)

During the 2021 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 2021 calendar year, 784 KPCs for exports were issued to 16 KP participants, while 248 KPCs were received from 10 KP member countries. This shows a significant increase of 136 in the number of KPCs issued for exports. Similarly, the 121 certificates received during 2020 calendar year embodies a significant increase.

Table 12: Certificates issued and received in 2021

2021		2020	
CERTIFICATES ISSUED	CERTIFICATES RECEIVED	CERTIFICATES ISSUED	CERTIFICATES RECEIVED
784	248	648	134

### Submission of Quarterly Reports (Statistics)

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

#### Submission of 2021 Annual Report

The South African KP 2021 annual report was submitted in line with the KP's minimum requirements.

### Strategy to overcome areas of underperformance

In order to ensure that synthetic/ lab-grown diamond were detected, the standard operating procedures were reviewed and risks relating to these mitigated. The advance synthetic / lab-grown diamond detecting equipment will be procured in the next financial year

### Linking performance with budgets

The Diamond Trade programme reflects an overall spending of R13.3 million compared to the budget of R15.4 million. The underspending mainly emanated from the salary savings as a result of vacant posts.

Table 13: Linking performance with budgets

PROGRAMME/ ACTIVITY/ OBJECTIVE	FY2021-2022			FY2020-2021		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	UNDER EXPENDITURE R'000
Programme 2: Diamond trade	15,433	13,294	2,139	15,223	13,570	1,653



## PROGRAMME 3: REGULATORY COMPLIANCE

**Purpose:** To ensure compliance with the legislative requirements in the diamond and precious metals industries, to improve transformation, competitiveness, sustainable development and job creation in these industries.

**Sub Programmes:** Licensing, Transformation, Precious Metals and Beneficiation, Diamonds and Beneficiation.

The programme comprises of the Licensing, Diamonds and Beneficiation, Precious Metals and Beneficiation and Transformation Divisions

### 3.1 Sub-Programme: Licensing

**Purpose:** To receive, process and issue diamond and precious metals licenses, permits and certificates in line with the Diamonds Act, 1986 and the Precious Metals Act, 2005.

**Highlight:** During the period under review, the division surpassed the targets to issue all licenses within the prescribed regulatory period and all beneficiation licenses during this period by 30%.

### 3.2 Sub-Programme: Transformation

**Purpose:** To measure transformation within the industries through data collection of existing license holders. To compile reports on transformation in the diamond and precious metals industry and ensure entrepreneur development with the Enterprise Development Programme which is a public- private partnership.

**Highlights:** The challenges presented by the High Court Judgment affected the output indicators of verification audits and enforcement of compliance. However, the division assisted sixteen (16) black and female enterprises towards developing themselves through projects facilitated by the Division, coupled with the full compliance of the 73 licensees verified. All licensees complied with all the pillars of the Mining Charter.

### 3.3 Sub-Programme: Precious Metals and Beneficiation

**Purpose:** The Precious Metals and Beneficiation sub-programme of the Regulatory Compliance Programme has two main functions. Its main function is precious metals inspections, which entail ensuring compliance with the Precious Metals Act, 2005, and

involves conducting inspections relating to precious metals licences and applications for new precious metal licences. Its further function is to monitor trade transactions through prescribed registers. An additional function is beneficiation promotion, which comprises monitoring, measuring and promoting the beneficiation of precious metals in South Africa.

**Highlights:** Precious metals inspections exceeded the target for the year by 25%, despite the fact that sub-programme team members were affected by COVID-19 infections in the first half of the reporting period. The second achievement of note was the record number (35) of Export Approval Evaluations conducted to cater for local demand.

### 3.4 Sub-Programme: Diamonds and Beneficiation

**Purpose:** To ensure compliance to the Diamonds Act by conducting compliance inspections on business activities of diamond licensees and by receiving, recording, monitoring and assessing diamond transactions.

**Highlights:** A total of 754 inspections were conducted in the period under review compared to 511 in the preceding year, which embodies an 48% increase. Of these inspections, four (4) joint inspections were conducted with law enforcement agencies to curb illicit trading.

### Institutional outcomes

- Job creation, skills development and value addition for the diamond and precious metals industries.
- Transformation around entrepreneurs in the diamond and precious metals industries.
- Compliance to legislation.

## Outcomes, outputs, output indicators, targets and actual achievement

SUB-PROGRAMMES	OUTPUT INDICATORS
Licensing Division	<ul style="list-style-type: none"> <li>Percentage of licences issued within 60 days based on completeness of the applications (precious metals).</li> <li>Percentage of licences issued within 60 days based on completeness of the applications (diamonds).</li> <li>Percentage of beneficiation licenses/ permits issued.</li> </ul>
Transformation	<ul style="list-style-type: none"> <li>Number of enterprise development facilitated including women and youth.</li> <li>Number of licensees assessed against their commitments.</li> <li>Percentage of enforcement actions undertaken.</li> </ul>
Precious Metals Beneficiation and Inspectorate	<ul style="list-style-type: none"> <li>Number of export approval applications evaluated to cater for local demand.</li> <li>Number of inspections conducted (precious metals).</li> <li>Number of precious-metal joint inspections with law enforcement stakeholders.</li> </ul>
Diamonds Beneficiation and Inspectorate	<ul style="list-style-type: none"> <li>Number of inspections conducted (diamonds)</li> <li>Number of inactive diamond business engaged</li> <li>Number of Diamond joint inspections with law enforcement stakeholders</li> </ul>

### Sub programmes: Regulatory Compliance (Licensing, Diamond Inspectorate and Beneficiation, Precious Metals Inspectorate and Beneficiation, Transformation) - Annual Performance Plan

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/ 2020	AUDITED ACTUAL PERFORMANCE 2020/ 2021	PLANNED ANNUAL TARGET 2021-2022	AUDITED ACTUAL PERFORMANCE 2021-2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/ 2021	REASONS FOR DEVIATIONS FOR ALL INDICATORS
Job creation, skills development and value addition to diamond and precious metal industries	Precious metals licenses issued	Percentage of licences issued within 60 days based on completeness of the applications (Diamonds)	New output	76%	65%	95%	30%	Exceeded due to full staff compliment reporting to the office coupled with the implementation of the improved internal processes which reduced processing times of applications.
	Diamond licenses issued	Percentage of licences issued within 60 days based on completeness of the applications (Diamonds)	New Output	73%	65%	96%	31%	

**Sub programmes: Regulatory Compliance (Licensing, Diamond Inspectorate and Beneficiation, Precious Metals Inspectorate and Beneficiation, Transformation) - Annual Performance Plan (continued)**

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/ 2020	AUDITED ACTUAL PERFORMANCE 2020/ 2021	PLANNED ANNUAL TARGET 2021-2022	AUDITED ACTUAL PERFORMANCE 2021-2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/ 2021	REASONS FOR DEVIATIONS FOR ALL INDICATORS
Job creation, skills development and value addition to diamond and precious metal industries (continued)	Local beneficiation of diamonds and precious metals	Percentage of Beneficiation license/ permits issued	194	100%	100%	100%	-	
Transformation in the diamond and precious metals industries	Inclusivity and sustainability of HDPs within the industry diamond and precious metals industries	Number of licensees assessed against their commitments	111	115	120	*73	47	High Court Judgment set aside the applicability of the Mining Charter to licenses issued under the Diamonds Act and Precious Metals Act.
	Established and developed HDP's entrepreneurs	Number of enterprise development facilitated including women and youth.	New Output	5	15	16	1	Exceeded due to additional capacity from the project sponsors.
Compliance with legislation	Compliance in line with the legislation (Mining Charter Diamonds Act, Precious Metals Act, Diamond Export Levy Act)	Percentage of enforcement actions undertaken	New Output	0%	100%	0%	100%	High Court Judgment set aside the applicability of the Mining Charter to licenses issued under the Diamonds Act and Precious Metals Act.
Job creation, skills development and value addition to diamond and precious metal industries	Supply of unwrought/ semi-fabricated precious metals for local demand	Number of export approval applications evaluated to cater for local demand	New Baseline	23	12	35	23	There was a considerable surge in the applications for export approvals in the year, in anticipation of changes to the VAT regulations by SARS.



## Sub programmes: Regulatory Compliance (Licensing, Diamond Inspectorate and Beneficiation, Precious Metals Inspectorate and Beneficiation, Transformation) - Annual Performance Plan (continued)

OUTCOME	OUTPUT	OUTPUT INDICATOR	AUDITED ACTUAL PERFORMANCE 2019/ 2020	AUDITED ACTUAL PERFORMANCE 2020/ 2021	PLANNED ANNUAL TARGET 2021-2022	AUDITED ACTUAL PERFORMANCE 2021-2022	DEVIATION FROM PLANNED TARGET TO ACTUAL ACHIEVEMENT 2020/ 2021	REASONS FOR DEVIATIONS FOR ALL INDICATORS
Compliance with Legislation	Comply with the requirements/ conditions of the license	Number of inspections conducted within the precious metals industries	756	328	400	458	58	The target for inspections was surpassed due to the unexpected increase in applications for refining licences.
	Curbing illicit precious metals trade	Number of precious metals joint inspections with law enforcement stakeholders	New Baseline	1	4	5	1	Exceeded as the detention in Q3 of two shipments by SARS presented an opportunity to conduct two joint inspections with SARS.
	Comply with the requirements/ conditions of the license	Number of inspections conducted within the diamonds industries	844	469	500	754	254	Easing of COVID -19 restrictions coupled with virtual inspections resulted in an over-achievement.
Job creation, skills development and value addition to diamond and precious metals industries	Access and active participation of HDP licensees at trading houses	Number of inactive diamond business engaged	New Baseline	8	8	12	4	Additional inactive licensees were invited for tenders due to the easing of COVID-19 restrictions.
	Curbing illicit trading in the diamond industry	Number of diamond joint inspections with law enforcement stakeholders	New Baseline	1	1	4	3	Targeted inspections at the diamond trading houses resulted in additional inspections being conducted with a law enforcement agency.

## PROGRAMME PERFORMANCE

### (i) Sub-programme: Licensing

During the period under review there was a noticeable increase in the number of diamond dealers and authorised representatives issued in 2021-2022 when compared to the preceding financial year. One (1) recorded diamond license was refused.

Table 1: Diamond licences/ permits issued

DIAMOND LICENCES/ PERMITS	FY2021-2022		FY2020-2021	
	APPLICATIONS RECEIVED	LICENCES ISSUED	APPLICATIONS RECEIVED	LICENCES ISSUED
Diamond beneficiation	35	35	42	42
Diamond dealer	122	122	109	109
Diamond trading house	2	2	5	5
Diamond research	2	2	2	2
Temporary buyers permit	0	0	0	0
Diamond certificate	0	0	0	0
Authorised representative certificate	284	284	266	266
Diamond permit	21	21	23	23
Diamond endorsements	21	21	21	21
Refused Application	1	0	0	0
<b>Total</b>	<b>488</b>	<b>487</b>	<b>468</b>	<b>468</b>

### Precious metals licences/ permits issued

In the financial year 2021-2022, a total of 323 precious metals licenses, permits and certificates were issued as compared to 388 in the preceding year, which signifies a significant decrease. The latter was due to the fact the 2021-2022 was not a renewal period. Under the rubric of precious metals, six (6) refusal applications were recorded for the period under review.

Table 2: Precious Metals Licences/ Permits Issued

PRECIOUS METALS LICENCES/ PERMITS	FY2021-2022		FY2020-2021	
	APPLICATIONS RECEIVED	LICENCES ISSUED	APPLICATIONS RECEIVED	LICENCES ISSUED
Precious metals refining	30	30	17	17
Precious metals beneficiation	10	10	8	8
Jeweller's permit	131	131	258	258
Special permit	11	11	10	10
Permit to import	22	22	15	15
Export approval	33	33	29	29
Precious metals certificate	4	4	4	4
Precious metals endorsement	82	82	47	47
Refusal application	6	0	0	0
<b>Total</b>	<b>329</b>	<b>323</b>	<b>388</b>	<b>388</b>

## Diamond and Precious Metals Licences Issued as Based on HDP Ownership

During the period under review, a total of 330 principle<sup>1</sup> licences were issued. Of that total, 56 licences were issued to 100% HDP owned entities in contrast with the total of 94 issued in the 2020/ 2021 financial year. In the period under review, 27 HDP females and 80 HDP males were issued with licenses, as illustrated on table 3.

Table 3: Diamond and Precious Metals Licences Issued as based on HDP Ownership for 2021-2022

TYPE OF LICENSE	NO. OF LICENSES	100% HDP OWNERSHIP		26% HDP SHAREHOLDING	
		MALE	FEMALE	MALE	FEMALE
Diamond dealers	73	39	3	23	8
Diamond beneficiation	15	3	2	5	5
Jeweller's permit	11	5	2	2	2
Precious metals beneficiation	5	0	1	2	2
Precious metals refining	3	0	1	1	1
<b>Total</b>	<b>107</b>	<b>47</b>	<b>9</b>	<b>33</b>	<b>18</b>

## (ii) Sub-programme: Transformation

### Verification audits

The key focus of the sub-programme is to verify the progress of diamond and precious metals licensees' commitments against the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 (Mining Charter).

During the year under review, a total of 73 diamond and precious metals licensees were verified under this rubric, in contrast with 111 in the preceding year. The decline was due to the judgment handed down by the Johannesburg High Court on 21 September 2021 following a judicial review of the Mining Charter instituted by the Minerals Council South Africa. It requested the High Court of South Africa to set aside some clauses of the Mining Charter. Consequently, the High Court reviewed and set aside some of its provisions or clauses. The impact of this judgment resulted in the SADPMR suspending enforcement of the Mining Charter as it pertained to the Diamond and Precious Metals Acts.

Table 4: Breakdown of licenses verified against their commitments.

LICENCE/ PERMIT TYPE	NUMBER OF LICENSEES VERIFIED 2021-2022	NUMBER OF LICENSEES VERIFIED 2020/ 2021
Diamond dealers	44	17
Diamond beneficiation	19	4
Jeweller's permit	38	41
Precious metals beneficiation	2	4
Precious metals refining	27	7
<b>Total verified</b>	<b>130</b>	<b>73</b>

## Enterprise Development Projects

During the period under review, a total of four (4) collaborations were forged between the SADPMR and various license holders so as to form a public-private partnership with a view to development projects. These collaborative projects are designed to invest time and capital in order to assist emerging black entrepreneurs establish, expand and improve their businesses through skills training and support in all aspects of the business start-up. The industry contributes towards the creation of an entrepreneurial culture in the diamond and precious metals sectors by investing in the next crop of black industrialists. The following are the details on the collaboration projects:

### i. Silver Mentorship Programme

The programme was launched in March 2021 and invested in 18 HDP SMMEs who had registered start-ups for a period of twelve months. In the 2021-2022 financial year, the programme culminated in graduation of all SMMEs on 18 March 2022, which included the six (6) candidates who had finalised their projects for the year under review. A highlight of this programme centred on the licenses issued to 17 SMMEs and, during the graduation ceremony, three were selected as top performers. Each received a prize of R200 000. One of the major features of the project was to establish a jewellery store at Monte Casino to showcase the articles manufactured by the 18 candidates.



### ii. Fumana (Metal Concentrators) Project

The intention of the project was to assist SMMEs to design and market their goods/articles on an online platform by providing candidates with access to the potential customers locally and internationally. During this financial year, a total of three (3) SMMEs were given support through the programme.

### iii. Tshwane Precious Metals

A holder of a jewellers permit, who is considered an SMME offered two individuals (one male and one female) the opportunity for onsite, hands-on skills training. The candidates were then sent on a rough diamond grading and beneficiation course respectively. The candidates were in the process of applying for their own diamond licenses with the guidance and administrative assistance of the SADPMR.

### iv. De Beers Mentorship Project

De Beers's commitment to support diamond beneficiation as a major workstream in the mineral sector is reflected in their enterprise development project of SMMEs through a trough incubation programme. Five (5) candidates were selected and put through the rigorous programme and were taught skills in the areas of diamond grading and beneficiation. De Beers has now availed a rough supply of diamonds to the SMMEs for beneficiation. As a result of this, one (1) entrepreneur secured a partnership with an international buyer for supply of polished diamonds, hence expanding the brand of South African polished diamonds beyond our shores.

### (iii) Sub-programme: Diamond Inspectorate and Beneficiation Inspections conducted by licence/ permit type

During the year 2021-2022, a total of 754 diamond inspections were conducted. Of these, 194 were related to new diamond licence applications, while 582 were follow-up inspections on existing licences. The total inspections conducted for the period under review increased by 40% when compared to the 517 of the preceding financial year. This increase was attributable to the easing of COVID-19 restrictions for inspectors, allowing them to conduct a greater number of physical and virtual inspections.

Table 5: Breakdown of the Inspections Conducted by Licence/ Permit Type

LICENCE/ PERMIT TYPE	NO. OF INSPECTIONS 2021-2022		NO. OF INSPECTIONS 2020/ 2021	
	NEW PREMISE INSPECTIONS	FOLLOW-UP INSPECTIONS	NEW PREMISE INSPECTIONS	FOLLOW-UP INSPECTIONS
Dealing licence	129	183	120	103
Beneficiation licence	46	151	38	95
Trading house licence	1	198	4	95
Research licence	4	25	2	0
Producer permit (field inspections)	0	12	0	15
Export/ import comfort letters	14	13	0	45
<b>Total</b>	<b>194</b>	<b>582</b>	<b>164</b>	<b>353</b>

### Diamond Beneficiation Comparison and Trends

South Africa's diamond beneficiation for the period under review was recorded at 223 055 carats, which was significantly higher than the 154 076 carats recorded to be beneficiated in 2020/ 2021 financial year. The increase is attributed to the full recovery of the market, which led to higher purchases of rough diamonds by beneficiaries.

Table 6: Diamond beneficiation trend (financial years)

DIAMONDS BENEFICIATED (CARATS) 2021-2022	DIAMOND BENEFICIATED (CARATS) 2020/ 2021
223 055	154 076

### (iv) Sub-programme: Precious Metals Inspectorate and Beneficiation

#### Precious Metals Inspections

During the financial year 2021-2022, a total of 458 premise inspections were conducted, which amounted to a quarter more than the number of inspections conducted in 2021-2022. This was due to a smaller number of restrictive regulations under the COVID-19-enforced National State of Disaster. Of the annual total of 458 premise inspections, 231 were related to new precious metal licence/ permit applications, while the remaining 227 were follow-up inspections relating to existing licence/ permit holders (as shown in table 7). The total number of premise inspections conducted represented a 25.1% increase when compared with the preceding year in which 366 inspections had been conducted. This amounts to 264 new premise inspections and 102 follow-up inspections.

Due to the continuation of the COVID-19-enforced National Lockdown and associated protocols (albeit at lower alert levels), about half of the number of inspections conducted in 2021-2022 were performed by electronic means and signed self-declarations by licensees.

Table 7 indicates that most premise inspections conducted related to existing Jeweller's Permits (216) and applications for Jeweller's Permits (165, albeit down from 224 in 2020/2021), followed by inspections related to refining licences and beneficiation licences. Jeweller's permit-related inspections dominated as jewellery manufacturing was the main activity relating to precious metals in terms of the number of participants in the domestic industry. This was followed by refining and fabrication of non-jewellery precious metal products. In 2021-2022, a healthy balance occurred between premise inspections for new licence/ permit applications and follow-up inspections on existing licence/ permit holders.

The purpose of new premise inspections is to determine the suitability of a premise to conduct the activity for which the licence or permit was applied for. The outcome of follow-up inspections was the identification of three (3) non-compliant licensees and two (2) unauthorised exporters. These non-compliance cases were dealt with pursuant to the Precious Metals Act, 2005, in collaboration with law enforcement bodies including SAPS and SARS.

Table 7: Breakdown of Premise Inspections done by Licence/ Permit Type

LICENCE/ PERMIT TYPE	NO. OF INSPECTIONS 2021-2022		NO. OF INSPECTIONS 2020/ 2021	
	NEW PREMISE INSPECTIONS	FOLLOW-UP INSPECTIONS	NEW PREMISE INSPECTIONS	FOLLOW-UP INSPECTIONS
Refining licence	41	9	20	13
Beneficiation licence	10	2	10	0
Jeweller's permit	165	216	224	89
Special permit	15	0	10	0
<b>Total</b>	<b>231</b>	<b>227</b>	<b>264</b>	<b>102</b>

### Precious Metals Beneficiation

The SADPMR recorded South Africa's total gold jewellery fabrication at 1 180 kg in 2021-2022, which embodied a resilient recovery on the 683 kg recorded in the preceding year. This bounce-back was due mainly to the ramp-up of employee levels up to 100% during the year and the resurgence in demand for jewellery.

The use of platinum in jewellery recovered slightly to 41 kg, from 34 kg in the preceding year. Platinum-group metal (PGM) fabrication was dominated by the fabrication of catalytic converters. The SADPMR estimated PGM fabrication at approximately 27 tons in 2021-2022, up marginally when compared with 2020-2021. This sector's recovery was dampened by the global chip shortage.

Table 8: Precious Metals Fabrication, 2021-2022 and 2020/ 2021

YEAR	PGM JEWELLERY FABRICATION (KG)	GOLD JEWELLERY FABRICATION (KG)	PGM FABRICATION (TONS)
2021-2022	41	1 180	27
2020-2021	29	683	26

### Strategy to Overcome Areas of Underperformance

The annual performance plan for 2022/-2023 was amended following the judgment so as to measure transformation within the industry through voluntary submission of data by license holders.

### Changes to Planned Targets

There were no changes to planned targets.

### Linking Performance with Budgets

As for performing the key activities, the regulatory compliance spent R24.7 million against a budget of R26.1 million. The underspending mainly emanated from savings around inspection and travel costs.

Table 9: Linking performance with Budgets.

PROGRAMME/ ACTIVITY/ OBJECTIVE	FY2021-2022			FY2020-2021		
	BUDGET R'000	ACTUAL EXPENDITURE R'000	UNDER EXPENDITURE R'000	BUDGET R'000	ACTUAL EXPENDITURE R'000	UNDER EXPENDITURE R'000
Programme 3: Regulatory compliance	26,054	24,697	1,357	28,871	24,440	4,431



PART C  
**GOVERNANCE**



# MEMBERS OF THE BOARD AND COMMITTEES



**Mr A Mngomezulu**  
Board Chairperson



**Ms Kanyisa Macingwane**  
Non-Executive Board Member



**Ms Ntombifuthi Zikalala-Mvelase**  
Chairperson of HR, Remuneration and Ethics  
Committee



**Mr Ernest Blom**  
Non-Executive Board Member



**Mr Kholofelo George Serokane**  
Non-Executive Board Member



**Ms Mpho Mosing**  
Non-Executive Board Member



**Mr Viren Magan**  
Chairperson of Finance, Audit and Risk  
Committee



**Ms Ndivhuho Munyai**  
Non-Executive Board Member



**Adv Nicolaas Van Rooyen**  
Non-Executive Board Member



**Major-General Hazel Mokoena**  
Non-Executive Board Member



**Ms Lebogang Madiba**  
Non-Executive Board Member



**Mr Senna Mokoena**  
Non-Executive Board Member



**Mr Mandla Mnguni**  
Non-Executive Board Member



**Mr Charles Nevhutanda**  
Chairperson of Transformation and  
Licensing Committee



**Ms Mmadikeledi Malebe**  
Non-Executive Board Member



**Ms Nyawa Dikwayo**  
Finance, Audit and Risk Committee  
Independent Member



**Mr Cecil Khosa**  
Chief Executive Officer



**Adv Paul Motsepe**  
Company Secretary

## 1. INTRODUCTION

The SADPMR was established in terms of section 3 of the Diamonds Amendment Act 29 of 2005 and is classified in terms of the PFMA, 1999, as a Schedule 3A state entity.

### The Diamonds Act of 1986, as amended

As the enabling legislation of the SADPMR, this Act provides for the objectives, functions and role of the SADPMR. The Diamonds Act further makes provision for the appointment and composition of the Board of the SADPMR and the CEO as the accounting officer.

### PFMA of 1999, as amended

As a Schedule 3A state entity, the SADPMR's corporate governance is achieved through the application of the provisions contained in the PFMA read together with the King Report IV on corporate governance.

## 2. PORTFOLIO COMMITTEE

Parliament has an oversight role on the overall performance of the SADPMR. The Parliamentary Portfolio Committee on Mineral Resources and Energy (PPC) reviews and oversees all functions and duties of the SADPMR, including financial matters.

The SADPMR tabled its annual report for the FY2020-2021 to the PPC on 1 March 2022.

## 3. EXECUTIVE AUTHORITY

The SADPMR accounts to the Minister of Mineral Resources and Energy as the executive authority of the entity. The SADPMR submitted the following compliance reports as required by the PFMA.

### Board Charter

2021-2022	DOCUMENTS SUBMITTED	DUE DATE FOR SUBMISSION	DATE SUBMITTED BY THE SADPMR	STATUS
Quarter 1	Performance and financial results	30 July 2021	30 July 2021	Complete
Quarter 2	2021-2022 Budget and strategic plan	31 October 2021	28 October 2021	Complete
	2020/-2021 Annual Report	31 October 2021	28 October 2021	Complete
	Performance and financial results	31 October 2021	28 October 2021	Complete
Quarter 3	Performance and financial results	31 January 2022	02 February 2022	Complete
Quarter 4	Performance and financial results	30 April 2022	03 May 2022	Complete

## 4. THE ACCOUNTING AUTHORITY (THE BOARD)

The SADPMR Board is duly appointed by the Minister of Mineral Resources and Energy in terms of section 6 of the Diamonds Act, as amended, as the Accounting Authority of the entity.

The Board comprises non-executive members and the CEO of the SADPMR, the latter who serves as an ex officio member of the Board. In terms of section 6(1) of the Diamonds Act, the Board must ensure that the functions of the SADPMR are performed. In so doing, the objects of the SADPMR are achieved. The Board is responsible for the strategic direction and financial management of the SADPMR in terms of the PFMA.

## 4.1. Board Charter


The SADPMR Board is governed by a Charter that is reviewed annually. The Board Charter outlines the Board's responsibilities towards the SADPMR as stipulated in the Diamonds Act, as amended, the PFMA, and the King Report on Corporate Governance. The Board oversees the Strategic Plan, Annual Performance Plan and Quarterly Performance Plans of the SADPMR and ensures that the entity achieves its strategic objectives as outlined in these plans.

## 4.2 Composition of the Board

The Board members of the SADPMR are non-executive directors, except for the CEO who serves as an ex officio member, as indicated. The Board is appointed by the Minister of Mineral Resources and Energy in accordance with the provisions stipulated in section 6 of the Diamonds Act, as amended. The Board was appointed with effect from 1 November 2020 for a three-year term ending October 2023. Two members, Messrs Adams and Pillay, resigned, and they were replaced on the 16<sup>th</sup> of July 2021 by Mr Magan and Ms Munyai, who will complete the term of the two members who resigned.


NAME	DESIGNATION (IN TERMS OF THE BOARD STRUCTURE)	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	OTHER COMMITTEES OR TASK TEAMS (E.G. AUDIT COMMITTEE/ MINISTERIAL TASK TEAM)
<b>Mr A Mngomezulu</b>	Board Chairperson	1 November 2020	<ul style="list-style-type: none"> <li>• MSc (Engineering in Mining)</li> <li>• BSc Hons (Geology)</li> </ul>	<ul style="list-style-type: none"> <li>• Mining Value Chain</li> <li>• Governance</li> </ul>	<ul style="list-style-type: none"> <li>• Merafe Resources, Tshikululu Social Investment and Trust</li> </ul>	<ul style="list-style-type: none"> <li>• Chairpersons Committee</li> </ul>
<b>Mr Ernest Blom</b>	Non-Executive Board Member	1 November 2020	-	<ul style="list-style-type: none"> <li>• Diamond Industry</li> </ul>	<ul style="list-style-type: none"> <li>• Ernest Blom Diamonds, Ernest Blom Diamonds Cutting Works</li> </ul>	<ul style="list-style-type: none"> <li>• HR</li> <li>• Finance, Audit and Risk Committee</li> <li>• Transformation and Licensing Committee (invitee)</li> </ul>
<b>Ms Ntombifuthi Zikalala-Mvelase</b>	Chairperson of HR, Remuneration and Ethics Committee	1 November 2020	<ul style="list-style-type: none"> <li>• LLB</li> <li>• B Proc</li> </ul>	<ul style="list-style-type: none"> <li>• Legal</li> </ul>	<ul style="list-style-type: none"> <li>• ACSA,</li> <li>• Limpopo Jewellery Business Incubator,</li> <li>• JIA Piazza Park SOC,</li> <li>• Mintek,</li> <li>• AU Jewellery (Pty) Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• HR, Remuneration and Ethics Committee</li> <li>• Chairpersons Committee</li> </ul>
<b>Ms Kanyisa Macingwane</b>	Non-Executive Board Member	1 November 2020	<ul style="list-style-type: none"> <li>• MBA,</li> <li>• Postgraduate Diploma (Management)</li> <li>• BCom</li> </ul>	<ul style="list-style-type: none"> <li>• Public Policy and Regulation</li> </ul>		<ul style="list-style-type: none"> <li>• Finance, Audit and Risk Committee</li> </ul>
<b>Mr Kholofelo George Serokane</b>	Non-Executive Board Member	1 November 2020	<ul style="list-style-type: none"> <li>• National Diploma in Jewellery Manufacturing and Design</li> </ul>	<ul style="list-style-type: none"> <li>• Jewellery manufacturing and designing</li> </ul>	<ul style="list-style-type: none"> <li>• Kholo Jewellery Manufacturing, Lekobjane Business Enterprise, Badiramongo Skills Development, Phuthanaga Projects NPO</li> </ul>	<ul style="list-style-type: none"> <li>• Transformation and Licensing Committee</li> </ul>
<b>Ms Mpho Mosing</b>	Non-Executive Board Member	1 November 2020	<ul style="list-style-type: none"> <li>• Masters Degree in Public Management,</li> <li>• LLB Hons</li> </ul>	<ul style="list-style-type: none"> <li>• Legal</li> </ul>	<ul style="list-style-type: none"> <li>• State Diamond Trader</li> </ul>	<ul style="list-style-type: none"> <li>• Transformation and Licensing Committee</li> </ul>
<b>Mr Viren Magan</b> 	Chairperson of Finance, Audit and Risk Committee	16 July 2021	<ul style="list-style-type: none"> <li>• MBL</li> <li>• CA (SA)</li> <li>• Hons CTA</li> <li>• B Compt</li> <li>• Certified Internal Auditor</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Agreement SA</li> </ul>	<ul style="list-style-type: none"> <li>• Finance, Audit and Risk Committee</li> <li>• Chairpersons Committee</li> </ul>
<b>Ms Ndivhuho Munyai</b> 	Non-Executive Board Member	16 July 2021	<ul style="list-style-type: none"> <li>• MBA,</li> <li>• B Compt (Accounting Sciences)</li> <li>• SAICA Articles and SAIPA</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> </ul>		<ul style="list-style-type: none"> <li>• Finance, Audit and Risk Committee</li> </ul>


## 4.2 Composition of the Board (continued)

NAME	DESIGNATION (IN TERMS OF THE BOARD STRUCTURE)	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	OTHER COMMITTEES OR TASK TEAMS (E.G. AUDIT COMMITTEE/ MINISTERIAL TASK TEAM)
<b>Adv Nicolaas Van Rooyen</b>	Non-Executive Board Member	1 November 2020	<ul style="list-style-type: none"> <li>• LLB Degree</li> <li>• BA Law</li> <li>• Certificate Labour Dispute Resolution Practice</li> </ul>	<ul style="list-style-type: none"> <li>• Legal and Labour</li> </ul>		<ul style="list-style-type: none"> <li>• HR, Remuneration and Ethics Comm</li> </ul>
<b>Major-General Hazel Mokoena</b>	Non-Executive Board Member	1 November 2020	<ul style="list-style-type: none"> <li>• Hons (Safety and Security Executive Development)</li> <li>• B-Tech (Policing)</li> <li>• Diplomas (Criminal Justice and Forensic Investigation)</li> <li>• Certificate in Corporate Governance</li> <li>• Certificate in Compliance Management</li> </ul>	<ul style="list-style-type: none"> <li>• Legal Enforcement</li> </ul>	<ul style="list-style-type: none"> <li>• State Diamond Trader</li> </ul>	<ul style="list-style-type: none"> <li>• Transformation and Licensing Committee</li> </ul>
<b>Ms Lebogang Madiba</b>	Non-Executive Board Member	1 November 2020	<ul style="list-style-type: none"> <li>• Masters in Business Leadership (not completed)</li> <li>• MSc Finance in Economic Policy,</li> <li>• BCom Hons (Economics)</li> <li>• BCom</li> <li>• Executive Leadership Development Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Council for Geoscience</li> </ul>	
<b>Mr Senna Mokoena</b>	Non-Executive Board Member (Main)	1 November 2020	<ul style="list-style-type: none"> <li>• National Diploma Internal Auditing,</li> <li>• Labour Law Certificate</li> </ul>	<ul style="list-style-type: none"> <li>• Labour</li> </ul>		<ul style="list-style-type: none"> <li>• HR, Remuneration and Ethics Committee</li> </ul>
<b>Mr Gontse Mphake</b>	Non-Executive Board Member (Alternate)	1 November 2020		<ul style="list-style-type: none"> <li>• Labour</li> </ul>		<ul style="list-style-type: none"> <li>• HR, Remuneration and Ethics Committee (alternate)</li> </ul>
<b>Mr Charles Nevhutanda</b>	Chairperson of Transformation and Licensing Committee	1 November 2020	<ul style="list-style-type: none"> <li>• B. Bus Sc (Economics),</li> <li>• CAIB (SA)</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> </ul>		<ul style="list-style-type: none"> <li>• Transformation and Licensing Committee</li> </ul>
<b>Ms Mmadikeledi Malebe</b>	Non-Executive Board Member (Main)	1 November 2020	<ul style="list-style-type: none"> <li>• BJuris</li> <li>• LLB</li> </ul>	<ul style="list-style-type: none"> <li>• Mining and Law</li> </ul>		
<b>Ms Rebone Nkambule</b>	Non-Executive Board Member (Alternate)	1 November 2020	<ul style="list-style-type: none"> <li>• Masters in Extractive Industry in Africa,</li> <li>• BJuris,</li> <li>• Certificate in Prospecting and Mining Law, Executive Development Programme</li> </ul>	<ul style="list-style-type: none"> <li>• Mining</li> </ul>	<ul style="list-style-type: none"> <li>• Petroleum Agency of SA</li> </ul>	
<b>Mr Mandla Mnguni</b>	Non-Executive Board Member – CEO State Diamond Trader	1 November 2020	<ul style="list-style-type: none"> <li>• Masters (Philosophy in Corporate Governance),</li> <li>• B Admin Hons,</li> <li>• B Admin</li> </ul>	<ul style="list-style-type: none"> <li>• Governance</li> </ul>		
<b>Mr Adams</b> 	Chairperson of Finance, Audit and Risk Committee	1 November 2020	<ul style="list-style-type: none"> <li>• MBA (Corporate Treasury Function in SA),</li> <li>• B Compt</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> </ul>		<ul style="list-style-type: none"> <li>• Finance, Audit and Risk Committee</li> <li>• Chairpersons Committee</li> </ul>

## 4.2 Composition of the Board (continued)

NAME	DESIGNATION (IN TERMS OF THE BOARD STRUCTURE)	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	OTHER COMMITTEES OR TASK TEAMS (E.G. AUDIT COMMITTEE/ MINISTERIAL TASK TEAM)
<b>Mr Pillay</b> 	Non-Executive Board Member	1 November 2020	<ul style="list-style-type: none"> <li>• MBA</li> <li>• Postgraduate Diploma</li> <li>• BSoc Sc</li> </ul>	<ul style="list-style-type: none"> <li>• Information Technology</li> </ul>		<ul style="list-style-type: none"> <li>• HR, Remuneration and Ethics Committee</li> </ul>
<b>Mr Cecil Khosa</b>	Chief Executive Officer	1 July 2019	<ul style="list-style-type: none"> <li>• Masters (Earth Sciences in Mining)</li> <li>• BA Hons Geography),</li> <li>• BA (Geography)</li> <li>• MDP</li> </ul>	<ul style="list-style-type: none"> <li>• Earth Sciences and Mining</li> </ul>	<ul style="list-style-type: none"> <li>• Jomela Consulting (Pty) Ltd</li> </ul>	<ul style="list-style-type: none"> <li>• All Committees and Board</li> </ul>


 Appointed to the Board in July 2021


 Resigned in April 2021

## 4.3 Board and Committee Meetings Attended


NAMES BOARD MEMBERS	TYPES OF MEETINGS				
	BOARD	CHAIRPERSONS COMMITTEE	FARC	TRANSFORMATION& LICENSING	HR, REMUNERATION & ETHICS
<b>1. Mr Abiel Mngomezulu</b>	7/ 7	6/ 6	N/ A	N/ A	N/ A
<b>2. Mr Ernest Blom</b>	7/ 7	2/ 2 	5/ 5	4/ 4 	2/ 2
<b>3. Ms Ntombifuthi Zikalala Mvelase</b>	5/ 7	6/ 6	N/ A	N/ A	4/ 4
<b>4. Ms Kanyisa Macingwane</b>	7/ 7	N/ A	7/ 7	N/ A	N/ A
<b>5. Mr Kholofelo George Serokane</b>	7/ 7	N/ A	N/ A	4/ 4	N/ A
<b>6. Ms Mpho Mosing</b>	5/ 7	1/ 1 	N/ A	4/ 4	N/ A
<b>7. Adv Nicolaas Van Rooyen</b>	7/ 7	N/ A	N/ A	N/ A	4/ 4
<b>8. Major General Hazel Mokoena</b>	5/ 7	N/ A	N/ A	4/ 4	N/ A
<b>9. Ms Lebogang Madiba</b>	3/ 7	N/ A	N/ A	N/ A	N/ A
<b>10. Mr Senna Mokoena</b>	7/ 7	N/ A	N/ A	N/ A	3/ 4
<b>11. Mr Charles Nevhutanda</b>	7/ 7	4/ 6	N/ A	4/ 4	N/ A
<b>12. Ms Mmadikeledi Malebe</b>	7/ 7	N/ A	N/ A	N/ A	N/ A
<b>13. Mr Mandla Mnguni</b>	5/ 7	N/ A	N/ A	N/ A	N/ A
<b>14. Mr V Magan</b> 	4/ 4	3/ 4	6/ 6	N/ A	N/ A
<b>15. Ms Munyai</b> 	4/ 4	N/ A	3/ 7	N/ A	N/ A

 Attended on behalf of the Committee Chairperson(s)

 Attended as an additional member

 Appointed to the Board in July 2021

## 4.4 Board Committees

COMMITTEE	NUMBER OF MEETINGS HELD	NUMBER OF MEMBERS	NAMES OF MEMBERS
<b>Transformation and Licensing Committee</b>	4	5	Mr C Khosa, Mr C Nevhutanda, Ms M Mosing, Major General H Mokoena, Mr E Blom (invitee ) and Mr G Serokane.
<b>HR, Remuneration and Ethics Committee</b>	4	5	Mr C Khosa, Ms F Zikalala-Mvelase, Adv N Van Rooyen, Mr E Blom and Mr S Mokoena.
<b>Finance, Audit and Risk Committee</b>	7	4	Mr C Khosa, Mr V Magan, K Macingwane, Ms N Munyai, Mr F Mahlangu ( Independent Member) 
<b>Chairpersons Committee</b>	6	5	Mr C Khosa, Mr A Mngomezulu, Mr C Nevhutanda, Mr V Magan and Ms F Zikalala-Mvelase

 Resigned in October 2021

### The Transformation and Licensing Committee

This Committee oversees the functions of the SADPMR as described in the following pieces of legislation, regulations and guidelines:

- The Diamonds Act No 56 (Act 56 of 1986), as amended
- Precious Metals Act No 37 (Act 37 of 2005)
- Diamond Export Levy Act No 15 (Act 15 of 2007)
- Diamond Export Levy Administration Act No 14 (Act 14 2007)
- Kimberley Process Certification Scheme
- Mining Charter of 2018
- SADPMR Beneficiation Strategy

### Human Resources, Remuneration and Ethics Committee

This committee monitors the effectiveness and applicability of all HR policies, codes of practice, employment reports, employee wellness and occupational health and safety matters. It reviews the development of codes of practice in relation to remuneration and advises the Board on issues arising from them. The committee further advises the Board on all labour relations and litigations that may impact on the entity as well as the shareholders. It monitors selection and recruitment of executive managers as well as the CEO's position as described in the SADPMR Recruitment and Selection policy. It monitors and oversees the SADPMR's marketing strategy to ensure healthy relationships with internal and external stakeholders, including public relations and communication. It advises the Board on ethics-related matters and recommends appropriate interventions for implementation by the management of the Regulator.

### The Finance, Audit and Risk Committee










The main purpose of the Finance, Audit and Risk Committee is to support the functions of the SADPMR as described by the Public Finance Management Act, (PFMA). The committee is to ensure each of the following items.

Alignment between the activities of the SADPMR to the provisions contained in the PFMA. The committee has oversight over SADPMR financial affairs, which includes operational planning and capital budgeting.


Assisting 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.

The Audit Committee Charter is drawn in terms of paragraph 3.1.8 of the Treasury Regulations read with section 77 of the PFMA to assist the Board in relation to finance and associated matters.

## 4.5 Remuneration of Board Members

NAMES	SCHEDULED MEETING REMUNERATION	OTHER ACTIVITIES REMUNERATION 	TOTAL REMUNERATION
Mr MA Mngomezulu	143 244.00	109 830.00	253 074.00
Mr E Blom	106 902.00	19 440.00	126 342.00
Ms N Zikala-Mvelase	132 924.00	85 536.00	218 460.00
Mr G Serekoane	99 780.00	11 664.00	111 444.00
Ms M Mosing	92 004.00	34 992.00	126 996.00
Adv N Van Rooyen	94 814.00	3 888.00	98 702.00
Mr S Mokoena	69 330.00	7 776.00	77 106.00
Ms K Macingwane	109 712.00	11 664.00	121 376.00
Mr V Magan	123 400.00	19 440.00	142 840.00
Mr G Mphake 	-	-	-
M C Nevhutanda 	-	-	-
Major General H Mokoena 	-	-	-
Ms L Madiba 	-	-	-
Mr R Nkambule  	-	-	-
Adv M Malebe 	-	-	-
Ms N Munyai 	-	-	-
Mr M Mnguni 	-	-	-
Mr C Khosa 	-	-	-
	<b>972 110.00</b>	<b>304 230.00</b>	<b>1 276 340.00</b>

 Alternate members

 Members who are not remunerated

 Other board activities include attending events, stakeholder and shareholder meetings, etc.

## 5. RISK MANAGEMENT

The Board of the SADPMR, through its Finance, 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 committee has an oversight role that is independent and objective in this regard. Furthermore, an internal Risk Management Steering Committee is in place at the SADPMR, which committee comprises of senior management. This committee ensures that the SADPMR risk management and internal control systems always remain adequate and effective.

The Board leads from the front by setting an appropriate tone in improving cooperation and support for effective management of the risk function. The Board monitors the strategic and operational risk and provide appropriate response to identified risks. Management continues to implement risk management protocols by ensuring the strategic and operational are constantly reviewed and are reported to the Board quarterly.

In the year under review, the Board identified and managed the inherent risks that is poised by the increase in lab-grown/ synthetic diamonds. The presence of synthetic diamonds in the market has not only affected RSA but is a global concern and most of the role players have already developed some measures to protect the natural diamond industry and consumers. The growing demand for synthetic diamonds remains a threat to diamond producing countries. The synthetic diamonds market share is expected to increase by USD 9.80 billion from 2021 to 2026, and the market's growth momentum is projected

to accelerate by 8%. The market is driven by the cost advantage of synthetic diamonds. The SADPMR is further improving its response to the threats by acquiring advanced synthetic diamond detecting technology .

The decline in the diamond and precious metals industries and reduction in mineral beneficiation remains a risk to the SADPMR. The Board continued with the implementation of the SADPMR Beneficiation Strategy and promoted services provided by prioritizing access for diamond Beneficiators at the DEEC.

Illicit trade still persists in both diamonds and precious metals industries, the SADPMR in collaboration with law enforcement agencies is reducing the risk of illicit trade by conducting inspections and regular register analysis which also includes evaluation of imports/export applications.

Furthermore, the Board has improved processes and controls in the protection of diamonds by introducing further measures in the trade and exchange platform. In pursuance of reducing the cybercrime risk, more security awareness has been provided to employees.

## Internal Audit and Finance, Audit and Risk Committee

### Objective of Internal Audit

The objective of the Internal Audit is to provide assurance that the internal control systems of the SADPMR are effective and efficient and that controls are implemented as required by section 51 and 77 of the PFMA under the guidance of the Finance, Audit and Risk Committee of the Board.

### Key activities

- Assists management towards attaining objectives through assessing internal controls.
- Provides an assessment of the organisation's level of risk management, ensuring that controls and governance processes are operating effectively and efficiently.
- Examines and evaluates the adequacy and effectiveness of the organisation's internal control systems.
- Identifies and recommends changes that add value to the organisation.
- Provides management with sufficient, relevant and useful information that will ensure that the organisation complies with policies, procedures, laws and regulations.

Table 4: Audit engagements conducted by the Internal Audit

NO.	AUDIT PLAN ENGAGEMENTS	STATUS AND COMPLETION PERIOD
1	Corporate Services (Human Resources and ICT)	Completed – Quarter 4
2	Regulatory Compliance, (licencing, diamond inspectorate, precious metals and beneficiation)	Completed – Quarter 2
3	Diamond Trade (The DEEC, GDV, Security Risk Management)	Completed – Quarter 3
4	Finance (supply chain management, asset management, revenue and expenditure)	Completed –Quarter 3
5	Performance information (quarterly review)	Completed – (quarterly)
6	Action plan on AGSA queries (FY 2019/ 20120)	Completed –Quarter 4
7	Irregular expenditure investigation (ad-hoc audit)	Completed –Quarter 3



## Key activities of the Finance, Audit and Risk Committee



Key activities of Finance, Audit and Risk Committee are:

- Review financial statements for completeness, accuracy and to ensure they comply with disclosure requirements.
- Review the risk management framework for identifying, assessing, monitoring and managing significant risks.
- Assess the steps management has taken to minimise significant risks and to ensure that a risk management module is developed and maintained.
- Monitors the effectiveness and adequacy of internal controls systems of the regulator.
- Monitors the effectiveness and independence of the internal audit function.
- Reviews significant findings, recommendations and corrective actions recommended by internal and external audit, together with the responses and action plans of management.

### Objectives of Finance, Audit and Risk Committee

The overall objective of the Finance, Audit and Risk Committee is to assist management with the creation and maintenance of an effective control environment within the SADPMR. This includes financial control, accounting systems and reporting, identifying material risks and giving management the attention it requires.

Table 5: Audit engagements conducted by the Internal Audit.

NAME	DESIGNATION (IN TERMS OF THE BOARD STRUCTURE)	DATE APPOINTED	QUALIFICATIONS	AREA OF EXPERTISE	BOARD DIRECTORSHIP	OTHER COMMITTEES OR TASK TEAMS (E.G. AUDIT COMMITTEE/ MINISTERIAL TASK TEAM)	NUMBER OF SCHEDULED MEETINGS ATTENDED
<b>Mr V Magan</b>	Chairperson of Finance, Audit and Risk Committee	16 July 2021	<ul style="list-style-type: none"> <li>• Masters Degree in Business Leadership,</li> <li>• CA (SA)</li> <li>• Hons CTA,</li> <li>• B Compt,</li> <li>• Certified Internal Auditor</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> </ul>		<ul style="list-style-type: none"> <li>• Chairpersons Committee and</li> <li>• Finance, Audit and Risk Committee</li> </ul>	6 (New Member)
<b>Ms K Macingwane</b>	Non-Executive Board Member	1 November 2020	<ul style="list-style-type: none"> <li>• MBA,</li> <li>• Postgraduate Diploma (Management),</li> <li>• BCom</li> </ul>	<ul style="list-style-type: none"> <li>• Public Policy and Regulation</li> </ul>		<ul style="list-style-type: none"> <li>• Finance,</li> <li>• Audit and Risk Committee</li> </ul>	7
<b>Ms N Munyai</b>	Non-Executive Board Member	16 July 2021	<ul style="list-style-type: none"> <li>• MBA</li> <li>• B Compt (Accounting Sciences)</li> <li>• SAICA Articles and SAIPA</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> </ul>		<ul style="list-style-type: none"> <li>• Finance, Audit and Risk Committee</li> </ul>	3 (New Member)
<b>Mr E Blom</b> 	Non-Executive Board Member	1 November 2020	-	<ul style="list-style-type: none"> <li>• Diamond Industry</li> </ul>	<ul style="list-style-type: none"> <li>• Ernest Blom Diamonds</li> <li>• Ernest Blom Diamonds Cutting Works</li> </ul>	<ul style="list-style-type: none"> <li>• Finance, Audit and Risk Committee</li> <li>• Transformation and Licensing Committee (invitee)</li> </ul>	5
<b>Mr F Mahlangu</b> 	Finance, Audit and Risk Independent Member	1 February 2021	<ul style="list-style-type: none"> <li>• LLB ( Currently)</li> <li>• BCom (Economics and Business Management)</li> </ul>	<ul style="list-style-type: none"> <li>• Finance</li> </ul>		<ul style="list-style-type: none"> <li>• Finance, Audit and Risk Committee</li> </ul>	2

 Resigned in October 2021

 Transferred or removed to HR in July 2021

## 6. B-BBEE COMPLIANCE PERFORMANCE INFORMATION

The SADPMR submitted its 2020/21 Audited Financial Statements to the B-BBEE Commission in terms of 13G (1) of the BEE Act. The Regulator is a non-compliant B-BBEE entity at level 0. The areas where the entity could not score sufficient points relate to Skills Development, Supplier & Enterprise Development and Socio-Economic Development.

## 7. FRAUD AND CORRUPTION

The SADPMR implemented a Fraud Prevention Plan and a Risk Management Strategy so as to cover a range of key issues centred on the matters of fraud and risk management. The SADPMR will be doing more to improve the regularity and effectiveness of its fraud prevention plan. Management accountability and implementation practises for fraud prevention have been improved by allocating responsibilities and delineating roles and task designations amongst divisional employees, especially managers.

Furthermore, the SADPMR mechanisms related to fraud prevention, such as reporting, protection and monitoring conflict of interest, demonstrated a need to consolidate current activities or policies so as to maximise the impact on fraud prevention.

The SADPMR will continue to partner with the Public Service Commissioner. The national anti-corruption hotline (number: 0800 701 701) is used by the Regulator to maintain the integrity of the fraud and corruption reporting process. Internal and external auditors have not reported any incidents of fraud or any areas of serious concern.

## 8. HEALTH SAFETY AND ENVIRONMENTAL ISSUES

COVID-19 had a devastating effect on the SADPMR and industry as whole. However, the entity did not experience any business closure when viewed against the performance of the preceding year where COVID-19 caused business interruptions. The entity continued to implement control measures determined to reduce the risk of COVID-19 exposure. All employees infected with COVID-19 have since recovered.

The contingency plan remains the primary emphasis for the year when it comes to preparation for a disaster. This will be accomplished through emergency exercises and occupational health and safety audits.

## 9. COMPANY SECRETARY

The Board of the SADPMR is appointed in terms of section 6 of the Diamonds Act, as amended, and is assisted by the Company Secretary/GM Governance. The Company Secretary coordinates the following items on behalf of the Board:

- Annual schedule and compliance calendar,
- Overall administrative support and record keeping of all proceedings of meetings.
- Advice and guidance on corporate governance matters.
- Continuance training around corporate governance principles.

These are carried out in accordance with the Diamonds Act, PFMA and King Report IV on Principles of Good Corporate Governance. The Company Secretary ensures that the Board reviews and approves all quarterly and annual performance reports, quarterly and annual financial results, five-year strategic plans and the mid-term expenditure framework and the Annual report. It is the responsibility of the Company Secretary to submit the board approved documents to the executive authority as required by the PFMA.



## PART D

# HUMAN RESOURCE MANAGEMENT

# EXECUTIVE MANAGEMENT



**Mr Cecil Khosa**  
Chief Executive Officer



**Mr. Conrad Mlondo**  
General Manager: Trade



**Tebogo Wilfred Motloung**  
General Manager: Regulatory  
Compliance



**Ms. Linda Nkhumishe**  
General Manager: Corporate Services



**Ms. Busisiwe Mahlangu**  
Acting Chief Financial Officer



**Adv. Paul Motsepe**  
General Manager: Governance

## 1. INTRODUCTION

The Human Resources Management Division ensures that the entity becomes the employer of choice and maintains a skilled and talented workforce. A priority is to develop, attract, recruit and retain staff by creating a climate and culture conducive to sustaining a motivated workforce. Furthermore, the Corporate Services Branch ensures compliance with all legislation regarding human resources management.

### Highlights

In the year under review, SADPMR started with the project of Optimal Utilisation of Human Resources. The focus was on the re-alignment of key roles in the areas that deal with the trading of diamonds and precious metals. The aim of the project is to ensure that SADPMR has a pool of capable resources to take forward the government's key objectives on beneficiation, transformation and enforcement.

In addition, the twelve-months contract of interns in the internship programme was extended by a further period of six (6) months due to time lost during the world-wide pandemic in the years 2020 and 2021. The number of interns comprises three (3) females and five (5) males to acquire on-job skills in core and support divisions. Human Resources Management continues to play a critical role within the SADPMR by developing its employees' skills levels. Five (5) employees in core and support divisions were awarded bursaries to study in various fields of academia. This new number of five (5) employees added to the existing list of twelve (12) continuing staff bursary holders. Furthermore, eight (8) employees completed the qualifications through the SADPMR staff bursary. Among the total of eight (8) graduates, one (1) received a diploma, three (3) an NQF Level 7 degree, three (3) a postgraduate diploma and one (1) a masters degree.

## 2. HUMAN RESOURCES OVERSIGHT STATISTICS

### 2.1 Personnel Cost by Programme/ Activity/ Objective

The table below reflects the personnel cost per programme. The total number of employees included eight (8) interns and (ten) 10 terminated employees.


Table: 1


PROGRAMME	TOTAL EXPENDITURE FOR THE ENTITY	PERSONNEL EXPENDITURE	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Administration	73,015	44,484	60	741
Diamond trade	13,294	12,285	27	455
Regulatory compliance	24,697	23,620	41	576
<b>Total</b>	<b>111,006</b>	<b>80,389</b>	<b>128</b>	<b>1 772</b>

### 2.2 Personnel Cost by Salary Band

The table below depicts the personnel costs per salary band.

Table: 2

SALARY BAND	PERSONNEL EXPENDITURE	PERSONNEL EXPENDITURE AS A PERCENTAGE OF TOTAL COST (R'000)	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
Top management	10 536	13.11%	7	1,505
Senior management	7 365	9.16%	7	1,052
Professional qualified	29 774	37.04%	31	960
Skilled	23 647	29.42%	43	550
Semi-skilled	8 298	10.32%	33	251
Unskilled	769	0.96%	7 	110
<b>Total</b>	<b>80 389</b>	<b>100%</b>	<b>128</b>	

 The total includes 8 interns and 10 terminated permanent employees.

### 2.3 Performance Rewards

The table below illustrates the percentages of the performance rewards paid to employees as centred on personnel expenditure.

Table: 3

PROGRAMME	PERFORMANCE REWARDS	PERSONNEL EXPENDITURE (R'000)	PERCENTAGE OF PERFORMANCE REWARDS TO TOTAL PERSONNEL COSTS (R'000)
Top management	0	5	0%
Senior management	0	3	0%
Professional qualified	0	30	0%
Skilled	0	42	0%
Semi-skilled	0	22	0%
Unskilled	0	6	0%
<b>Total</b>	<b>0</b>	<b>108</b>	

## 2.4 Training Costs

The table below shows the personnel training and bursaries expenditure per programme.


Table: 4

PROGRAMME	PERSONNEL EXPENDITURE (R'000)	TRAINING EXPENDITURE (R'000)	TRAINING EXPENDITURE AS A PERCENTAGE OF PERSONNEL COST (R'000)	NUMBER OF EMPLOYEES	AVERAGE PERSONNEL COST PER EMPLOYEE (R'000)
<b>Administration</b>	44,484	663	1.5%	25	27
<b>Diamond trade</b>	12,285	179	1.5%	9	20
<b>Regulatory compliance</b>	23,620	158	0.7%	11	14
<b>Total</b>	<b>80 389</b>	<b>1000</b>		<b>45</b>	<b>61</b>

## 2.5 Internship Programme

The table below illustrates the number of interns in the year under review. The internship programme was extended for a period of six (6) months from October 2021 to March 2022.

Table: 5

MALE				FEMALE				FOREIGN NATIONALS		TOTAL
A	C	I	W	A	C	I	W	MALE	FEMALE	
5	0	0	0	3	0	0	0	0	0	8 

 The total includes 8 interns and 10 terminated permanent employees.

## 2.6 Employment and Vacancies

The table below indicates the number of approved, filled and vacant positions per programme. The approved posts in the 2021-2022 financial year totals 126. In addition, vacant posts were advertised internally and externally. In the new financial year the employer will pursue all the processes to fill strategic posts.

Table: 6

PROGRAMME	2021 / 2022 NUMBER OF EMPLOYEE (R'000)	2021 / 2022 APPROVED POSTS	2021 / 2022 NUMBER OF EMPLOYEES	2021 / 2022 VACANCIES	PERCENTAGE OF VACANCIES
<b>Administration</b>	44,484	60	50	10	18.7%
<b>Diamond trade</b>	12,285	27	24	3	11.1%
<b>Regulatory compliance</b>	23,620	39	34	5	12.8%
<b>Total</b>	<b>80 389</b>	<b>126</b>	<b>108</b>	<b>18</b>	<b>42.6%</b>

## 2.7 Workforce Profile

As of 31 March 2022, the employment equity staffing ratios stood at 99.1% blacks against 0.9% whites; 58.3% females against 41.7% males; and 53.7% involved in core functions against 46.3% support-function staff. The SADPMR headcount was 108 employees, as indicated in table 7.

Table: 7

OCCUPATIONAL LEVELS	MALE				FEMALE				FOREIGN NATIONALS		TOTAL
	A	C	I	W	A	C	I	W	MALE	FEMALE	
<b>Top management</b>	4	0	0	0	1	0	0	0	0	0	5
<b>Senior management</b>	1	0	1	0	1	0	0	0	0	0	3
<b>Professionally qualified and experienced specialists and mid-management</b>	15	0	1	0	12	1	0	1	0	0	30
<b>Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents</b>	13	0	0	0	25	2	2	0	0	0	42
<b>Semi-skilled and discretionary decision making</b>	9	0	0	0	13	0	0	0	0	0	22
<b>Unskilled and defined decision making</b>	1	0	0	0	5	0	0	0	0	0	6
<b>Total permanent</b>	43	0	2	0	57	3	2	1	0	0	108
<b>Temporary employees</b>	0	0	0	0	0	0	0	0	0	0	0
<b>Grand total</b>	<b>43</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>57</b>	<b>3</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>108</b>

♦ The total number of 108 in the above table excludes 8 interns

## 2.8 Employment Changes

The table below reflects that the number of full-time personnel employed at the beginning of the financial year was 116, while 10 terminations were recorded and two (2) appointments had been made at the end of the financial year as per salary band. Interns were not included.

Table: 8

SALARY BAND	EMPLOYMENT AT BEGINNING OF PERIOD	APPOINTMENTS	TERMINATIONS	EMPLOYMENT AT END OF PERIOD
<b>Top management</b>	5	2	2	5
<b>Senior management</b>	7	0	4	3
<b>Professional qualified</b>	31	0	1	30
<b>Skilled</b>	43	0	1	42
<b>Semi-skilled</b>	23	0	1	22
<b>Unskilled</b>	7	0	1	6
<b>Total</b>	<b>116</b>	<b>2</b>	<b>10</b>	<b>108</b>

## 2.9 Reasons for Staff Leaving

The table below demonstrates the number of personnel posts terminated during the year under review. The staff members left the employer due to resignations, retirements and dismissals. The vacant posts will be filled as per the outcomes of the optimal utilisation of the human resources project

Table: 9

REASON	NUMBER
Death	0
Resignation	4
Dismissal	3
Retirement	3
Ill health	0
Expiry of contract	0
Other	0
<b>Total</b>	<b>10</b>

## 2.10 Labour Relations: Misconduct and Disciplinary Action

Table 10 illustrates the total number of corrective measures taken during the year under review.

Table: 10

NATURE OF DISCIPLINARY ACTION	NUMBER
Verbal warning	0
Written warning	1
Final written warning	0
Dismissal	3
Suspension	0
<b>Total</b>	<b>4</b>

### Females in the Organisation

During the year under review, the entity had a total of 63 permanently employed females. The figure represents 58.3% of employees within the SADPMR. The current status of female employees exceeds the national target of 50%. Notwithstanding the achievements by the entity, there are certain occupational levels, such as top and senior management, that require to be filled with female candidates. The entity endeavours to improve in this regard.

### Youth in the Organisation

By the end of March 2022, the entity had achieved a total of 16.7% of employees who fall within the youth category. This percentage is made up of ten (10) permanent employees and eight (8) employees into the internship programme. The achievement is located above the national target of 5%. These youth employees were spread across all divisions of the entity. The SADPMR's future focus is to recruit a number of youths in the coming financial years.

### People with Disabilities in the Organisation

The SADPMR has one (1) African male in its core business. The target of two (2) additional employees was not achieved during the year under review. Measures are being put in place to improve the situation by implementing the targeted selection method as well as collaborating with recruitment agencies that specialise in placement of people living with disabilities.





PART E

**ANNUAL FINANCIAL  
STATEMENTS**



# REPORT OF THE AUDITOR-GENERAL

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

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the South African Diamonds and Precious Metals Regulator set out on pages 71 to 117, which comprise the statement of financial position as at 31 March 2022, the statement of financial performance, statement of changes in net assets, statement of cash flows and budget statement for the year then ended, as well as 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 Diamonds and Precious Metals Regulator at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the South African standards of General Recognised Accounting Practice (SA Standards on GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA) the Diamonds Amendment Act 29 of 2005 (DAA).

#### 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' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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 29 to the financial statements, the corresponding figures for 31 March 2021 were restated as a result of an error in the financial statements of the public entity at, and for the year ended, 31 March 2022.

#### An uncertainty relating to the future outcome of litigation

8. With reference to note 31 to the financial statements, the public entity is the defendant in various lawsuits. The ultimate outcome of the matters could not be determined and no provision for any liability that may result was made in the financial statements.

#### 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 the SA Standards on GRAP and the requirements of the PFMA and the DAA 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 public entity'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 appropriate governance structure 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 the 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 the 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 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 this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

13. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected programme presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
14. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity's enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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 programme presented in the public entity's annual performance report for the year ended 31 March 2022:

PROGRAMME	PAGES IN THE ANNUAL PERFORMANCE REPORT
Programme 3 – Regulatory Compliance	36 – 45

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 Programme 3 – Regulatory Compliance.

### Other matter

#### Achievement of planned targets

18. Refer to the annual performance report on pages 19 to 45 for information on the achievement of planned targets for the year and management's explanations provided for the under/over achievement of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

19. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
20. The material findings on compliance with specific matters in key legislation are as follows:

#### Annual financial statements

21. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55 (1)(b) of the PFMA. Material misstatements of the related party disclosure note, statutory receivables from non-exchange transactions, statement of cash flows and irregular expenditure identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

#### Expenditure management

22. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R10 206 638 as disclosed in note 25 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure disclosed in the financial statements was caused by the non-existence of a bid specification committee.

### Other information

23. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and the selected programme presented in the annual performance report that has been specifically reported in this auditor's report.
24. 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 on it.
25. 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 programme presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated
26. If based on the work I have performed, I conclude that there is a material misstatement in 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 on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
28. The measures taken by the accounting authority to address prior year audit findings did not fully prevent the non-compliance from reoccurring and the oversight exercised were not fully effective as key non-compliance matters were still reported relating to irregular expenditure and the preparation of the financial statements.
29. Senior management did not ensure that sufficient monitoring controls were in place to prevent non-compliance with laws and regulations and to ensure that the financial statements are accurate and complete. This resulted in the material amendments to the financial statements.

Auditor - General

Johannesburg  
31 August 2022



AUDITOR - GENERAL  
SOUTH AFRICA

*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 programmes 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 this 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 relating to events or conditions that may cast significant doubt on the ability of the South African Diamonds and Precious Metals Regulator 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 my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause a public entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

 **INDEX**

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

Report of the Auditor-General .....	64
General Information .....	69
Accounting authority's responsibilities and approval .....	70
Statement of Financial Position .....	71
Statement of Financial Performance .....	72
Statement of Changes in Net Assets .....	73
Statement of Cash Flows.....	74
Budget Statement.....	75
Accounting Policies .....	79
Notes to the Annual Financial Statements.....	90



# GENERAL INFORMATION

<b>COUNTRY OF INCORPORATION</b>	Republic of South Africa	
<b>LEGAL FORM OF ENTITY</b>	Schedule 3A entity listed in terms of the Public Finance Management Act, No. 29 of 1999 (PFMA) as amended.	
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	Regulating control over the possession, purchase, sale, processing and the export of diamonds as well as the implementation, administration and controlling of all matters relating to the acquisition, possession, smelting, refining, fabrication, use and disposal of precious metals.	
<b>MEMBERS OF THE ACCOUNTING AUTHORITY</b>	Mr Abiel Mngomezulu	Chairperson
	Mr C Khosa *	Chief Executive Officer
	Mr E Blom	Member
	Ms N Zikalala-Mvelase	Member
	Mr G Serokane	Member
	Ms M Mosing	Member
	Adv N Van Rooyen	Member
	Mr S Mokoena	Member
	Ms K Macingwane	Member
	Mr V Magan	Member
	Ms N Munyai	Member
	Mr WW Adams #	Member
	Mr G Mphake	Member (Alternate)
	Mr Y Pillay #	Member
	M C Nevhutanda	Member
	Mr R Paola	Member (Alternate)
	Major General H Mokoena	Member
	Ms L Madiba	Member
	Ms R Nkambule	Member (Alternate)
	Adv M Malebe	Member
	Mr M Mnguni	Member
	Mr F Mahlangu #	Member
	Adv P Motsepe	Company Secretary
<b>BUSINESS ADDRESS</b>	Corner Bonaero Drive and Cote D Azur Avenue Bonaero Park Kempton Park 1622	
<b>POSTAL ADDRESS</b>	P O Box 16001 Jewel City Doornfontein 2028	
<b>BANKERS</b>	Nedbank	
<b>AUDITORS</b>	The Auditor-General of South Africa	

\* Executive director

# Resigned during the year



# 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 SADPMR 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 SADPMR 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 SADPMR and all employees are required to maintain the highest ethical standards in ensuring the SADPMR's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the SADPMR is on identifying, assessing, managing and monitoring all known forms of risk across the SADPMR. While operating risk cannot be fully eliminated, the SADPMR 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 SADPMR's cash flow forecast for the year to 31 March 2023 and in the light of this review and the current financial position, they are satisfied that the SADPMR has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Regulator is dependent on government grants, licenses, 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 SADPMR. The Regulator is supported by the SADPMR's internal auditors.

## **Events subsequent to reporting date**

On the 29th of April 2022 the board of SADPMR took a decision to discontinue the levying of penalties for late and non-submission of J registers against license holders. Furthermore, it was resolved to write off any outstanding penalties owing to SADPMR. This decision resulted in the full impairment of receivables from non-exchange transactions as it emanated from conditions that existed before year end.

The Auditor-General of South Africa is responsible for independently auditing and reporting on the SADPMR'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 71 to 117, were prepared on the going concern basis, approved by the accounting authority on 30 May 2022 and signed on its behalf by:

**Mr. C Khosa**  
Chief Executive Officer

**Mr A. Mngomezulu**  
Chairperson





# STATEMENT OF FINANCIAL POSITION

	Notes	2022 R	Restated 2021 R
<b>Assets</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	2	19,639,062	16,976,322
Intangible assets	3	1,335,230	1,214,015
Prepayments	5	298,706	103,028
<b>Total Non-Current Assets</b>		<b>21,272,998</b>	<b>18,293,365</b>
<b>Current Assets</b>			
Inventory	4	836,683	776,556
Prepayments	5	1,024,301	470,069
Receivables from exchange transactions	6	513,013	544,805
Other receivables from non-exchange transactions	7	-	14,000,000
Statutory receivables	8	1,850,369	49,266
Cash and cash equivalents	9	35,649,136	11,722,619
Investments	10	37,085,257	35,609,461
<b>Total Current Assets</b>		<b>76,958,759</b>	<b>63,172,776</b>
<b>Total Assets</b>		<b>98,231,757</b>	<b>81,466,141</b>
<b>Net Assets and Liabilities</b>			
Accumulated Surplus		82,644,051	70,931,652
		<b>82,644,051</b>	<b>70,931,652</b>
<b>Non-current Liabilities</b>			
Finance lease obligations	11	376,615	-
Post retirement medical aid	12	2,814,000	704,000
		<b>3,190,615</b>	<b>704,000</b>
<b>Current Liabilities</b>			
Payables from exchange transactions	13	10,515,446	9,550,437
Finance lease obligations	11	232,411	77,417
Operating lease liability	14	1,649,234	202,635
<b>Total Current Liabilities</b>		<b>12,397,091</b>	<b>9,830,489</b>
<b>Total Net Assets and Liabilities</b>		<b>98,231,757</b>	<b>81,466,141</b>



# STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2022 R	Restated 2021 R
<b>Revenue from exchange transactions</b>			
Service fees		54,194,549	37,183,842
Licence fees		3,078,000	2,432,000
Interest income	15	2,558,735	2,006,872
Other income	16	860,153	656,657
<b>Total revenue from exchange transaction</b>		<b>60,691,437</b>	<b>42,279,371</b>
<b>Revenue from non - exchange transactions</b>			
Transfer payment (Grant)		62,027,000	76,054,000
<b>Total Revenue from non - exchange transactions</b>		<b>62,027,000</b>	<b>76,054,000</b>
<b>Total operating revenue</b>		<b>122,718,437</b>	<b>118,333,371</b>
<b>Expenditure</b>			
Finance costs	17	104,988	87,335
Debtors impairment	8	(182,415)	244,296
Employee costs	21	79,468,496	84,559,637
Depreciation and amortisation	1&2	1,510,018	1,281,126
Other operating expenses	20	28,629,937	18,108,103
<b>Total expenditure</b>		<b>109,531,024</b>	<b>104,280,497</b>
Fair value adjustment	10	(19,206)	106,702
Gain/Loss on Foreign Exchange		233,869	-
Loss on disposal of property, plant and equipment		1,260,351	20,465
<b>Total other income</b>		<b>1,475,014</b>	<b>127,167</b>
<b>Surplus for the year</b>		<b>11,712,399</b>	<b>13,925,707</b>



# STATEMENT OF CHANGES IN NET ASSETS

Figures in R	Accumulated surplus	Total
<b>Balance at 1 April 2020</b>	<b>57,005,945</b>	<b>57,005,945</b>
Restated surplus for the year	<b>13,925,707</b>	<b>13,925,707</b>
Surplus for the year reported in 2020/2021	<b>15,188,154</b>	<b>15,188,154</b>
Correction of error note 29	(1,248,939)	(1,248,939)
Correction of error note 29	(13,508)	(13,508)
<b>Balance at 31 March 2021</b>	<b>70,931,652</b>	<b>70,931,652</b>
<b>Balance at 1 April 2021</b>	<b>70,931,652</b>	<b>70,931,652</b>
Surplus for the year	11,712,399	11,712,399
<b>Balance at 31 March 2022</b>	<b>82,644,051</b>	<b>82,644,051</b>



# STATEMENT OF CASH FLOWS

	Notes	2022 R	Restated 2021 R
<b>Cash flows from operating activities</b>			
Cash receipts from customers, government and others		132,644,483	105,882,706
Transfer payment (Grant)		76,027,000	62,054,000
Other receipts		56,617,483	43,828,706
<b>Cash paid to suppliers and employees</b>		<b>(104,446,544)</b>	<b>(101,999,642)</b>
Cash paid to supplies		(22,903,702)	(20,203,731)
Cash paid to employees		(81,542,842)	(81,795,911)
<b>Cash generated from operations</b>	23	<b>28,197,939</b>	<b>3,883,064</b>
Interest received		2,487,058	2,103,272
Finance costs		(54,988)	(36,335)
<b>Net cash from operating activities</b>		<b>30,630,009</b>	<b>5,950,001</b>
<b>Cash flows from investing activities</b>			
Property, plant and equipment acquired	2	(5,448,000)	(5,300,968)
Intangible assets acquired	3	(178,826)	-
Proceeds on assets disposed		72,512	-
Re-investment of interest	10	(1,456,590)	(1,656,757)
<b>Net cash flows from investing activities</b>		<b>(7,010,904)</b>	<b>(6,957,725)</b>
<b>Cash flows from financing activities</b>			
(Decrease)/ Increase in defined benefits obligations	12	(224,196)	(97,889)
Increase/(Decrease) in finance lease obligations		531,609	(277,868)
<b>Cash flows from financing activities</b>		<b>307,413</b>	<b>(375,757)</b>
<b>Decrease in cash and cash equivalents</b>		<b>23,926,518</b>	<b>(1,383,481)</b>
Cash and cash equivalents at beginning of the period		11,722,619	13,106,100
<b>Cash and cash equivalents at end of the period</b>		<b>35,649,137</b>	<b>11,722,619</b>



# BUDGET STATEMENT

Figures in R	Actual	Budget	Adjustments	Final budget	Variance	Variance %
<b>Revenue from exchange transactions</b>						
Service fees	54,194,549	43,467,611	-	43,467,611	10,726,938	25 %
License Fees	3,078,000	1,527,405	-	1,527,405	1,550,595	102 %
Interest received	2,558,735	2,730,177	-	2,730,177	(171,442)	-6 %
Other Income	860,153	185,425	-	185,425	674,728	364 %
<b>Total revenue from exchange transactions</b>	<b>60,691,437</b>	<b>47,910,618</b>	<b>-</b>	<b>47,910,618</b>	<b>12,780,819</b>	
<b>Revenue from non exchange transactions</b>	<b>62,027,000</b>	<b>63,849,000</b>	<b>(1,297,000)</b>	<b>62,552,000</b>	<b>(525,000)</b>	
Transfer payment (Grant)	62,027,000	63,324,000	(1,297,000)	62,027,000	-	0 %
Penalties	-	525,000	-	525,000	(525,000)	-100 %
<b>Total revenue</b>	<b>122,718,437</b>	<b>111,759,618</b>	<b>(1,297,000)</b>	<b>110,462,618</b>	<b>12,255,819</b>	



## BUDGET STATEMENT (continued)

Figures in R	Actual	Budget	Adjustments	Final budget	Variance	Variance %
<b>Expenditure</b>						
Administration expenses	176,066	179,668	-	179,668	3,602	2 %
Audit Fees	2,743,219	2,743,026	-	2,743,026	(193)	0 %
Board fees	1,276,340	1,255,700	-	1,255,700	(20,640)	-2 %
CSR Programmes	5,000	5,000	-	5,000	-	0 %
Domestic Travel	313,740	369,362	-	369,362	55,622	15 %
Hiring of equipment	85,445	45,823	-	45,823	(39,622)	-86 %
Hospitality	53,360	58,169	-	58,169	4,809	8 %
Inspection costs	10,525	243,012	-	243,012	232,487	96 %
Insurance	1,211,004	1,193,000	-	1,193,000	(18,004)	-2 %
International travel	206,192	593,924	-	593,924	387,732	65 %
Inventory costs	1,043,394	955,924	-	955,924	(87,470)	-9 %
Kimberly Process	20,737	200,000	-	200,000	179,263	90 %
Legal fees	1,462,034	880,000	-	880,000	(582,034)	-66 %
Licences	2,313,875	2,307,310	-	2,307,310	(6,565)	0 %
Motor vehicle expenses	220,001	227,460	-	227,460	7,459	3 %
Office lease - space and parking	5,694,485	5,300,762	-	5,300,762	(393,723)	-7 %
Office lease - municipal services	1,403,243	1,290,000	-	1,290,000	(113,243)	-9 %
Office relocation	1,265,341	-	-	-	(1,265,341)	-100 %
Optimal utilisation	235,124	235,000	-	235,000	(124)	0 %
Postage and courier	20,631	22,075	-	22,075	1,444	7 %
Public relations	127,421	128,500	-	128,500	1,079	1 %
Recruitment and selection costs	172,161	184,003	-	184,003	11,842	6 %
Repairs and maintenance	1,063,052	995,600	-	995,600	(67,452)	-7 %
Security	1,216,357	1,284,127	-	1,284,127	67,770	5 %
Staff recognition	2,977	30,000	-	30,000	27,023	90 %
Staff remuneration	80,389,517	85,809,650	(1,297,000)	84,512,650	4,123,133	5 %
Staff Welfare	162,013	144,037	-	144,037	(17,976)	-12 %
Strategic Planning	69,600	65,000	-	65,000	(4,600)	-7 %
Subscriptions and membership fees	110,652	112,574	-	112,574	1,922	2 %
System support fees	223,632	214,216	-	214,216	(9,416)	-4 %
Telecommunication	2,479,174	2,520,598	-	2,520,598	41,424	2 %
Training and Development	697,869	720,000	-	720,000	22,131	3 %
Transformation	40,165	40,000	-	40,000	(165)	0 %
Venue and Facilities	25,324	37,610	-	37,610	12,286	33 %
Warehousing	195,588	77,532	-	77,532	(118,056)	-152 %
<b>Total expenditure excluding non cash items</b>	<b>106,735,258</b>	<b>110,468,662</b>	<b>(1,297,000)</b>	<b>109,171,662</b>	<b>2,436,404</b>	<b>2 %</b>
<b>Surplus for the year before non cash items</b>	<b>15,983,179</b>	<b>1,290,956</b>	<b>-</b>	<b>1,290,956</b>	<b>14,692,223</b>	
<b>Less non cash expenditure:</b>						
Actuarial loss	2,284,196	-	-	-	(2,284,196)	-100 %
Debtors impairment adjustment	(182,415)	-	-	-	182,415	-100 %



# BUDGET STATEMENT (continued)

Figures in R	Actual	Budget	Adjustments	Final budget	Variance	Variance %
Depreciation and amortisation	1,510,018	1,100,000	-	1,100,000	(410,018)	-37 %
Finance costs	104,988	110,400	-	110,400	5,412	5 %
Fair Value Adjustment	(19,206)	-	-	-	19,206	-100 %
Leave pay provision	(921,021)	65,000	-	65,000	986,021	-107 %
Gain/Loss on Foreign Exchange	233,869	-	-	-	(233,869)	-100 %
Loss on disposal of assets	1,260,351	-	-	-	(1,260,351)	-100 %
<b>Total non cash expenditure</b>	<b>4,270,780</b>	<b>1,275,400</b>	<b>-</b>	<b>1,275,400</b>	<b>(2,995,380)</b>	
<b>Surplus / ( Deficit ) for the year including non cash expenditure</b>	<b>11,712,399</b>	<b>15,556</b>	<b>-</b>	<b>15,556</b>	<b>11,696,843</b>	

The budget is for the period 1 April 2021 to 31 March 2022, prepared and presented on accrual basis. The budget is in line with the financial period.

A difference of 10 % or more between budget and actual amounts is regarded as material and explained in the variance explanation below.

## Revenue

### Service fees (25%)

The SADPMR derives its income from services rendered in terms of regulation 10(2) b of the Diamonds Act. The increase results from increase dollar value per carat.

### Licence fees (102%)

The variance is due to increased applications for Precious Metals Refining License, Authorized representatives and Precious Metals Jewellers Permit.

### Other income (364%)

The difference is mainly due to the other income recognised as a results of penalties reversed to other income.

### Penalties 100%

Penalties on J-registers were estimated at R525k, however on realisation that the levying of penalties resulted from an incorrect application of legislation all revenue on penalties billed in the year under review was derecognised.

## Expenditure

### Domestic travel 15%

The expenditure is under budget due to COVID -19 pandemic which compelled business activities to be done differently. There was limited travelling during the current year.

### Inspection 96%

The expenditure is under budget due to COVID -19 pandemic which compelled business activities to be done differently. Some inspections were done virtually during the year resulting in saving in inspection costs.

### International travel 65%

The variance results from limited travelling during the current year due to COVID -19 restrictions.



# BUDGET STATEMENT (continued)

## **Kimberly Process 90%**

The variance results from limited travelling during the current year due to COVID -19 restrictions. There were no physical Kimberly process activities during the current year and most of the KPC meetings and engagements were conducted virtually.

## **Legal fees (66%)**

The variance is mainly due to the unexpected case of the senior managers taking longer than expected.

## **Office relocation (100%)**

The variance is due to the costs being funded from reserves

## **Staff recognition (90%)**

The variance on staff recognition is due to cost containment measures that were implemented in the current year.

## **Staff welfare (12%)**

The variance on staff welfare is due to the lower staff wellness programmes held during the financial year.

## **System support fees (21%)**

The variance on system support is due to the web admin system support contract that ended.

## **Venue and facilities (33%)**

The variance on venues and facilities is due to cost containment measure that were implemented during the year under review. Most activities are held in house or virtually.

## **Warehousing (152%)**

The variance results from the additional storage required due to the move to the new offices in GIDZ.

## **Actuarial losst 100%**

Actuarial loss exceeds budget by R2.3m due to the remeasurement of post medical aid liability. Remeasurement costs relates to the actuarial loss due to the increased liability for the Post-Retirement Medical Aid. The increase is due to 3 additional members that joined during the year and the valuation is performed annually at year end

## **Debtors impairment adjustment 100%**

The variance results from the increase in the debtors impairment allowance not budgeted for.

## **Depreciation and amortisation 100%**

The variance results from addition depreciation from newly acquired assets.

## **Fair Value Adjustment 100%**

The difference is due to changes in market conditions and performance that cannot be anticipated.

## **Leave pay provision (107%)**

Variance is due to less people taking leave as a result of COVID 19. Management is enforcing the leave policy and most of the employees leave balances will lapse at the end of June 2022.

## **Gain/Loss on Foreign Exchange 100%**

Variance is due to the exchange difference not budgeted.

## **Loss on disposal of assets 100%**

Variance is due to the loss on disposal of the redundant and obsolete assets not budgeted for.





# ACCOUNTING POLICIES

## 1. Basis of preparation

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance and issued by the Accounting Standards Board and guidelines issued by National Treasury.

The Annual Financial Statements have been prepared on an accrual basis (excluding the cash flow) of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

Accrual basis of accounting means effects of transactions and other events and conditions are recognised when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions, other events or conditions are recorded in the accounting records and recognised in the financial statements of the periods to which they relate.

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

### 1.1 Presentation currency and functional currency

These annual financial statements are presented in South African Rand, rounded off to the nearest Rand which is the functional currency of the SADPMR.

### 1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

#### Comparative information

Where the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed in the notes to the financial statements.

### 1.3 Use of estimates and judgements

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

The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable. The estimates and underlying assumptions are reviewed on an ongoing basis.

#### Impairment of Other Financial Assets

Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired.

In making the estimation of the impairment, the management considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period.

## ACCOUNTING POLICIES (continued)

### Impairment of Trade Receivables:

The SADPMR assesses its financial assets for impairment at the end of each financial year. In determining whether an impairment loss should be recorded in surplus or deficit, judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

These amounts are then transferred to a provision for doubtful debts which is adjusted annually.

### Defined Benefit Plan Liabilities

SADPMR obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the SADPMR are Post-retirement Health Benefit Obligations. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the applicable Notes to the Annual Financial Statements.

Useful lives of Property, Plant and Equipment and Intangible Assets

Estimates in this regard are based on historical experience and expectations of the manner in which assets are to be used. Such expectations could change over time and therefore impact both depreciation charges and carrying values of tangible and intangible assets in the future.

Property, Plant & Equipment is depreciated and Intangible Assets amortised over the estimated useful lives of the assets.

Changes in accounting estimates are applied prospectively and details are disclosed in notes to the Annual Financial Statements where applicable

### 1.4 Going concern assumption

Management did an assessment and the financial statements were prepared on going concern basis based on the expectation that the SADPMR will continue to operate as a going concern in the foreseeable future.

### 1.5 Materiality and aggregation

In terms of GRAP omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. Users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment needs to take into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

## ACCOUNTING POLICIES (continued)

### 1.6 Recognition and measurement

#### Revenue recognition and measurement

##### Revenue from exchange transactions

Revenue is recognised only when:

- It is probable that economic benefits or service potential will flow to the SADPMR; and
- It can be measured reliably

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from exchange transactions consists of ;

- Revenue from service fees

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

- Revenue from licence fees

Revenue from licence fees is recognised upon receipt of applications

- Revenue from the sale of diamond books and registers and

Revenue from the sale of diamond books and registers is recognised at the date of sale.

- Interest income

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

##### Revenue from non-exchange transactions

Revenue is recognised only when an inflow of resources from a non-exchange transaction recognised as an asset and measured at the amount equal to the increase in net assets.

Revenue from non exchange transactions consists of;

- Transfer payments from the Department of Mineral Resources and Energy (DMRE)

### 1.7 Property, plant and equipment

Property, plant and equipment is recognised when:

- It is probable that future economic benefits or service potential associated with the item will flow to the SADPMR; and
- The cost or fair value of the item can be measured reliably

Measurement:

- Initially recorded at cost

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

## ACCOUNTING POLICIES (continued)

- Property, plant and equipment is subsequently carried at cost less accumulated depreciation and accumulated impairment
- The depreciable amount is allocated on a systematic basis over the asset's useful life
- The useful life and depreciation method of an asset is reviewed at each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.
- Depreciation is charged to surplus or deficit so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method and begins when the asset is available for use.

### Derecognition

- 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 is 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.

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

Item	Years
Furniture and fittings	25 to 50 years
Motor vehicles	12 years
Office equipment	15 to 25 years
Computer equipment	5 to 25 years
Security equipment	15 to 50 years
Leased office equipment	Shorter of the lease term or useful life
Leasehold improvements	Shorter of the lease term or useful life

### 1.8 Intangible assets

Intangible assets are recognised when:

- Probable that expected future economic benefits or service potential will flow to the SADPMR,
- Cost can be measured reliably

Measurement:

- Initially recorded at cost
- Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at the date of acquisition.
- Intangible assets are subsequently stated at cost less accumulated amortisation.
- The amortisation period and the amortisation method for intangible assets are reviewed on an annual basis.
- 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.
- 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 is 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.

The estimated useful lives of intangible assets is as follows:

## ACCOUNTING POLICIES (continued)

Item	Years
Software owned	10 to 30 years
Leased software	Shorter of the lease term or useful life

### 1.9 Leases

#### Finance leases

Finance leases are recognised as assets and liability 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 are 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.

#### Subsequent measurement

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.

### 1.10 Provisions and contingencies

#### Provisions

Provisions are recognised when:

- The SADPMR has a present legal or constructive obligation as a result of a past event
- It is probable ('more likely than not') 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 amount of the obligation

#### Measurement

- The amount recognised is the best estimate of the expenditure required to settle the present obligation at the reporting date.

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

## ACCOUNTING POLICIES (continued)

### Contingent liabilities

Contingent liabilities is a possible obligation that arises 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 SADPMR, or

A present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability

Contingent liabilities are not recognised but are disclosed unless the outflow of economic benefits or service potential is remote.

### Contingent assets

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future event not wholly within the control of the SADPMR. Contingent assets are not recognised but are disclosed where an inflow of economic benefits or service potential is probable

### 1.11 Inventory

Inventories are recognised as assets if:

- It is probable that future economic benefits or service potential associated with the item will flow to the SADPMR, and
- The cost of the inventories can be measured reliably. Inventories are initially measured at cost.

The cost includes

- Cost of purchase, including taxes, transport and handling and
- Other costs to bring inventories to its present condition and location

Inventory consists of broker's notes, certificates and registers held for resale and consumables held for office use. Broker's notes, certificates, registers and consumables are valued using the first-in-first-out basis.

### 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.

The carrying amount of inventories is expensed when distributed during the period.

### 1.12 Financial instruments

#### Initial recognition and measurement

Financial instruments are recognised in the statement of financial position when the SADPMR becomes party to the contractual provisions of the arrangement.

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

## ACCOUNTING POLICIES (continued)

### **The SADPMR has the following financial assets** Receivables from exchange transactions

Receivables from exchange transactions are stated at amortised cost, which, due to their short term nature, closely approximate their fair value.

### **Prepayments**

Prepayments are carried at amortised cost, which, due to their short term nature, closely approximate their fair value.

### **Other receivables from non-exchange transactions**

Receivables from non exchange transactions are stated at amortised cost, which, due to their short term nature, closely approximate their fair value.

### **Statutory receivables**

Statutory receivables are those receivables that arise from legislation, supporting regulations or similar means and require settlement from another SADPMR by cash. Statutory receivables arise from exchange and non exchange transactions.

Statutory receivables are recognised :

- a) When the definition of an asset is met
- b) When it is probable that the future economic benefits or service potential associated with the asset will flow to the SADPMR
- c) The transaction amount can be measured reliable.

Statutory receivables are stated at amortised cost, which closely approximate their fair value.

The carrying amount of the receivable is reduced through the use of an impairment allowance account when the recoverable amount is doubtful or lower than the carrying value. Debtors are derecognised when they are assessed as irrecoverable.

The SADPMR shall derecognise a statutory receivable, or a part thereof, when the rights to the cash flows from the receivable are settled, expired or are waived.

### **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.

### **Investments**

Relates to Stanlib investment held for trading and it is measured at fair value with all gains and losses recognised in surplus or deficit.

### **Impairment of financial assets**

At the end of each reporting period the SADPMR assesses all financial assets, other than those held 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.

For amounts due to the SADPMR, 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

## ACCOUNTING POLICIES (continued)

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 or waived;
- The SADPMR 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 SADPMR 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.

### Financial liabilities

Financial Liabilities are classified as Other Financial Liabilities and are initially measured at fair value, net of transaction costs. Financial Liabilities are subsequently measured at amortised cost using the Effective Interest Rate Method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

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.

#### 1.13 Accruals

Accruals are recognised as liabilities when the SADPMR 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.

#### 1.14 Commitments

Commitments relates to future expenditure committed to and that will result in the outflow of resources.

Commitments are not recognised in the Statement of Financial Position and Statement of Financial Performance but are included in the disclosure notes of the annual financial statements.

#### 1.15 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

#### Adjusting events after the reporting date

These events provide evidence of conditions that existed at the reporting date and these are accounted for in the Annual Financial Statements.



## ACCOUNTING POLICIES (continued)

### Non-adjusting events after the reporting date

Those that are indicative of conditions that arose after the reporting date. The SADPMR shall not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date.

If non-adjusting events after the reporting date are material, the SADPMR shall disclose the following for each material category of non-adjusting event after the reporting date:

- a) The nature of the event.
- b) An estimate of its financial effect, or a statement that such an estimate cannot be made.

### 1.16 Employee benefits

#### Short employment benefits

Remuneration to employees is recognised in the Statement of Financial Performance when the services are rendered which are only recognised when the specific event occurs.

Leave pay provision is treated as an accrual and is based on the total leave days accrued at year-end.

The expected cost of performance bonuses is recognised only when there is a present legal or constructive obligation to make payment and a reliable estimate can be made.

#### Post-employment Benefits

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

#### Statement of financial position

The liability is recognised equal to the deficit in the defined benefit plan.

#### Statement of financial performance

Recognise the net total of current service costs, interest costs, actuarial gains/losses and effect of the asset ceiling in surplus for deficit.

The SADPMR currently provide post medical aid to 5 retired employees receive the post-employment medical contributions and this is disclosed in the notes to the financial statements.

### 1.17 Related Parties

A person as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or has significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and refers to the Board Members, Chief Executive Officer, and all executive managers reporting directly to the Chief Executive Officer.

SADPMR only discloses transactions with related parties not at arm's length or not in the ordinary course of business.

### 1.18 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.

Variances between budget and actual amounts are regarded as material differences when a 10% and more variance exists and are explained in the budget statement section of the Annual Financial Statements.

## ACCOUNTING POLICIES (continued)

### 1.19 Standards and Pronouncements comprising the GRAP Financial Reporting Framework

The following standards have been approved but are not yet effective as at 31 March 2022. The impact that these standards will have on the SADPMR is detailed below. A list of these standards is provided below:

GRAP	STANDARDS	IMPACT	EFFECTIVE DATE
GRAP 104	Financial	This standard will have an impact on SADPMR	1-Apr-25
GRAP 25	Employee benefits	This standard will have an impact on SADPMR	1-Apr-23
IGRAP 7	The limit on a defined benefit asset, minimum funding requirements and their interaction (revised)	This standard will have an impact on SADPMR	To be determined
IGRAP 21	The effect of past decisions on materiality	This standard will have an impact on SADPMR	To be determined

### 1.20 Material losses through criminal conduct

In terms of section 55(2)(b)(i) of the Public Finance Management Act, 1999 the financial statements must include particulars of any material losses through criminal conduct.

### 1.21 Irregular expenditure

Irregular expenditure means expenditure, other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

- The Public Finance Management Act, or
- State Tender Board Act, 1968

When confirmed, irregular expenditure is recorded in the notes to the financial statements. The amount recorded in the notes is equal to the value of the irregular expenditure incurred.

Irregular expenditure is removed from the notes when it is either

- a) condoned by the National Treasury or the relevant authority;
- b) it is transferred to receivables for recovery; or
- c) it is not condoned and is irrecoverable.

A receivable related to irregular expenditure is measured at the amount that is expected to be recovered and de-recognised when the receivable is settled or subsequently written off as irrecoverable.

All irregular is charged against income in the period in which they are incurred.

### 1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recognised as expenditure in the Statement of Financial Performance according to the nature of the payment and not as a separate line item on the face of the Statement of Financial Performance. All fruitless and wasteful expenditure is charged against income in the period in which they are incurred.

## ACCOUNTING POLICIES (continued)

### 1.23 Prior period errors

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. The opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Correction of errors is applied retrospectively in the period in which the error has occurred, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the change.

### 1.24 Expenditure

Operating expenses are presented by nature and are recognised in surplus and deficits as incurred. Significant expenses relating to operating activities of the SADPMR are presented in separate lines by their nature in the statement of financial performance.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. Property, plant and equipment

	Cost	Accumulated depreciation	31 March 2022 Carrying value	Cost	Accumulated depreciation	Restated 31 March 2021 Carrying value
	R	R	R	R	R	R
<b>Owned and leased assets</b>						
Computer equipment	12,978,713	(4,630,807)	<b>8,347,906</b>	12,777,678	(5,250,538)	<b>7,527,140</b>
Furniture and fittings	4,489,195	(2,195,006)	<b>2,294,189</b>	4,766,377	(2,268,911)	<b>2,497,466</b>
Leased office equipment	733,168	(142,561)	<b>590,607</b>	738,416	(676,882)	<b>61,534</b>
Leasehold improvements	-	-	-	1,464,871	(1,434,406)	<b>30,465</b>
Motor vehicles	3,334,882	(1,098,432)	<b>2,236,450</b>	3,494,609	(993,601)	<b>2,501,008</b>
Office equipment	5,217,513	(2,274,437)	<b>2,943,076</b>	5,815,269	(2,473,784)	<b>3,341,485</b>
Security systems, machinery and safes	3,708,715	(481,880)	<b>3,226,835</b>	4,444,117	(3,426,893)	<b>1,017,224</b>
	<b>30,462,186</b>	<b>(10,823,123)</b>	<b>19,639,063</b>	<b>33,501,337</b>	<b>(16,525,015)</b>	<b>16,976,322</b>

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

	Carrying value at beginning of year	Additions	Disposals/ reclassification	Depreciation	31 March 2022 Carrying value
	R	R	R	R	R
<b>Owned and leased assets</b>					
Computer equipment	7,527,140	1,675,995	(293,906)	(561,322)	<b>8,347,907</b>
Furniture and fittings	2,497,466	62,551	(183,732)	(82,096)	<b>2,294,189</b>
Leased office equipment	61,534	733,165	-	(204,092)	<b>590,607</b>
Leasehold improvements	30,465	-	(13,540)	(16,925)	-
Motor vehicles	2,501,008	-	(8,978)	(255,580)	<b>2,236,450</b>
Office equipment	3,341,485	32,122	(198,258)	(232,273)	<b>2,943,076</b>
Security systems, machinery and safes	1,017,224	2,944,167	(634,439)	(100,118)	<b>3,226,834</b>
	<b>16,976,322</b>	<b>5,448,000</b>	<b>(1,332,853)</b>	<b>(1,452,406)</b>	<b>19,639,063</b>

	Carrying value at beginning of year	Additions	Disposals/ reclassification	Depreciation	Restated 31 March 2021 Carrying value
	R	R	R	R	R
<b>Owned and leased assets</b>					
Computer equipment	3,821,272	4,075,263	(20,465)	(348,930)	<b>7,527,140</b>
Furniture and fittings	2,587,631	-	-	(90,165)	<b>2,497,466</b>
Leased office equipment	307,673	-	-	(246,139)	<b>61,534</b>
Leasehold improvements	71,085	-	-	(40,620)	<b>30,465</b>
Motor vehicles	2,758,930	-	-	(257,922)	<b>2,501,008</b>
Office equipment	2,348,469	1,153,026	-	(160,010)	<b>3,341,485</b>
Security systems, machinery and safes	1,024,275	72,679	-	(79,730)	<b>1,017,224</b>
	<b>12,919,335</b>	<b>5,300,968</b>	<b>(20,465)</b>	<b>(1,223,516)</b>	<b>16,976,322</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
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### 3. Intangible assets

	Cost	Accumulated depreciation	31 March 2022 Carrying value	Cost	Accumulated depreciation	Restated 31 March 2021 Carrying value
Owned and leased assets	R	R	R	R	R	R
Computer software - owned	4,680,225	(3,344,995)	1,335,230	4,501,399	(3,287,384)	1,214,015
	<b>4,680,225</b>	<b>(3,344,995)</b>	<b>1,335,230</b>	<b>4,501,399</b>	<b>(3,287,384)</b>	<b>1,214,015</b>

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

	Carrying value at beginning of year	Additions	Amortisation	Disposals	31 March 2022 Carrying value
Owned and leased assets	R	R	R	R	R
Computer software - owned	1,214,015	178,826	(57,611)	-	1,335,230
	<b>1,214,015</b>	<b>178,826</b>	<b>(57,611)</b>	<b>-</b>	<b>1,335,230</b>

	Carrying value at beginning of year	Additions	Amortisation	Disposals	Restated 31 March 2021 Carrying value
Owned and leased assets	R	R	R	R	R
Computer software - owned	1,271,626	-	(57,611)	-	1,214,015
	<b>1,271,626</b>	<b>-</b>	<b>(57,611)</b>	<b>-</b>	<b>1,214,015</b>

### 4. Inventory

	2022 R	2021 R
Inventory comprises:		
Broker's notes, certificates and registers	120,815	215,606
Office stationery and cartridges	229,867	99,195
Tamper proof stationery	486,001	461,755
	<b>836,683</b>	<b>776,556</b>

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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
<b>5. Prepayments</b>		
Prepaid expenses	1,323,007	573,097
Current prepayments	1,024,301	470,069
Non current prepayments	298,706	103,028
	<b>1,323,007</b>	<b>573,097</b>

Prepaid expenses mainly consists of insurance and license paid in advance.

### 6. Receivables from exchange transactions

Interest receivable	225,538	153,861
Other receivables	197,689	179,806
Creditors with debit balances	144	113,845
Staff debtors	89,642	97,293
	<b>513,013</b>	<b>544,805</b>

Other receivables mainly relates to rental deposits and receivables from dismissed employees.

Staff debtors consist mainly of recovery of study fees.

### 7. Other receivables from non-exchange transactions

Grant receivable	-	14,000,000
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Grant receivables for prior year relates to the R14m additional grant allocated in March 2021 but received in April 2021. The funds were ring fenced for the move to the GIDZ.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
Receivables	1,982,486	363,798
Receivables impairment	(132,117)	(314,532)
	<b>1,850,369</b>	<b>49,266</b>

Statutory receivables comprise receivables for service fees that arise mainly from valuation services rendered in terms of regulation 10 (2) (b) of the Diamond Act as well as polished imports & exports and rough exports in terms of the Diamonds act.

### Reconciliation for debtors impairment

Opening balance	314,532	70,236
Raised during the period	(103,302)	244,296
Reversed during the period	(79,113)	-
<b>Closing balance</b>	<b>132,117</b>	<b>314,532</b>

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

	2022			Restated 2021		
	Gross	Impaired	Not impaired	Gross	Impaired	Not impaired
0 - 30 days	1,800,696	-	1,800,696	128,990	110,500	18,490
31 - 60 days	10,204	-	10,204	7,524	-	7,524
61 - 90 days	3,017	-	3,017	10,793	9,500	1,293
91 - 120 days	5,374	-	5,374	3,413	-	3,413
121 + days	163,195	132,117	31,078	213,078	194,532	18,546
	<b>1,982,486</b>	<b>132,117</b>	<b>1,850,369</b>	<b>363,798</b>	<b>314,532</b>	<b>49,266</b>

The impairment of debtors consists of cancelled licences with outstanding balances, expired licences, expired licences not renewed and non-responsive licensees who failed to honor payment arrangements.

### 9. Cash and cash equivalents

Cash on hand	11,125	12,331
Call accounts	34,972,782	10,494,965
Current accounts	665,229	1,215,323
	<b>35,649,136</b>	<b>11,722,619</b>

Cash and cash equivalents includes cash-on-hand and cash with banks (call accounts).

Call accounts are investments with a maturity period of less than 12 months, and earn interest rates varying from 3.35% to 4.6% (2021 3.35% to 4.6%) .

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

		2022 R	Restated 2021 R
Cash and deposits are regarded as having insignificant credit risk. The balances of cash and cash equivalents were as held as follows at year end.			
Investec LTD	Call	3,828,135	3,697,061
Nedbank LTD	Current	665,229	1,215,323
Nedbank LTD	Call	31,143,310	6,796,612
Nedbank LTD	Call (Salary savings)	1,337	1,292
Cash on hand	On hand	11,125	12,331
		<b>35,649,136</b>	<b>11,722,619</b>

### 10. Investments

Opening balance	35,609,461	34,059,416
Interest received	1,456,590	1,656,747
Fair value adjustment	19,206	(106,702)
<b>Closing balance</b>	<b>37,085,257</b>	<b>35,609,461</b>

Investments represent an investment held with Stanlib and interest earned is re-invested.

#### Specific valuation methodologies:

- The price of each security is retrieved on a consistent basis and at valuation point on each pricing day in a manner which is consistent with the deed.
- Wherever possible and practical the price of each security is validated for reasonability by, among others
  - (i) comparing multiple sources; and
  - (ii) reviewing the price against the price that was determined at the previous valuation point.

#### The fair value hierarchy levels:

For Collective Investment Scheme funds, FSCA NAV Conduct Standard is followed, instruments will fall into the first two categories, with a majority of our universe under Level 1 i.e. use of market prices to determine fair value;

Level 1 as detailed in the standard is for securities that can be observed or quoted without any adjustment. This means it is readily available and determined by the exchange applicable to source that security's price. Level 1 instruments are associated with low risk of liquidity, meaning the market determines the price based on the market activities on the exchange. The price is used as provided by the respective exchange; on the basis they are highly liquid due to frequent exchange trading.

Level 2 includes the securities in level 1 as stated above. However, those securities are thinly traded or suspended on the exchange. In addition to those, included in Level 2 are securities which are unlisted on the exchange and the price of which is agreed upon by counterparties over the counter. These securities fair value is determined by applying a model because the price cannot be easily or readily observed.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
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However, a key requirement is that the inputs in the model are observable and not adjusted, with limited assumptions overlay applied. These Level 2 instruments are liquid in nature and expose the security to liquidity risk which thereby ranks them “medium risk”, above Level 1 instruments.

Level 3: Stanlib does not have any level 3 instruments in Collective Investment Schemes that require a high degree of assumptions/judgement with few observable inputs. Naturally these are the high valuation risk instruments.

### 11. Finance lease obligations

Lease of photocopiers.		
Repayable within three years	376,615	-
Repayable within one year, transferred to current liabilities	232,411	77,417
	<b>609,026</b>	<b>77,417</b>

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

Minimum lease payments	<b>691,012</b>	<b>78,551</b>
Not later than	285,936	78,551
Later than	405,076	-
Future finance charges on finance leases	(81,986)	(1,134)
	<b>609,026</b>	<b>77,417</b>

It is the practice of the SADPMR to lease certain items of office equipment and related software under finance lease. The lease started in September 2021 and it is for the period of 3 years.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
<b>12. Post retirement medical aid</b>		
SADPMR has an obligation to provide medical benefits to 5 pensioners and their 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 actuary, the latest being 31 March 2022. These employees came from the old Diamond Board.		
The amounts recognised in the statement of financial position arising from the obligation in respect of the post-retirement medical plan is as follows:		
Post-retirement benefit obligations	2,814,000	704,000
<b>Reconciliation of the liability</b>		
Opening balance	704,000	678,000
Interest cost	50,000	51,000
Remeasurement	2,284,196	72,889
Contribution payments	(224,196)	(97,889)
	<b>2,814,000</b>	<b>704,000</b>
<b>Net expense Recognised in the statement of financial performance</b>		
Interest cost	50,000	51,000
Remeasurement	2,284,196	72,889
	<b>2,334,196</b>	<b>123,889</b>

### Valuation method

The Projected Unit Credit discounted cash flow method was used in calculating the liabilities and projected expenses.

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

<b>Assumptions</b>		
Consumer Price Inflation	6.56%	4.61%
Health care cost inflation	8.06%	6.11%
Discount rate	10.58%	7.69%
<b>Real discount</b>	2.33%	1.49%

The actuaries have used the zero-coupon South African government bond yield curves to set the financial assumptions used to project future employer benefit payments.

The nominal yield curve is regarded as an estimate of the investment return that can be achieved from investing in risk free assets, and is therefore used to set the discount rate.

The actuaries have assumed that healthcare cost inflation exceeds CPI on average by 1.5% per annum over the long term and have therefore applied healthcare cost inflation of 8.06%.

### Sensitivity testing

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

		2022 R	Restated 2021 R
	<b>Variation</b>	<b>Change in accrued liability</b>	<b>Change in annual expense</b>
Assumption	PA(90)	-3.70%	-3.90%
Post-retirement mortality	PA(90) -2	3.80%	4.00%
	1%	8.20%	8.60%
Healthcare cost inflation	-1%	-7.20%	-7.60%
	1%	-7.20%	1.20%
Discount rate	-1%	8.20%	-1.60%

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

<b>Increase:</b>		
Effect on the	500	510
Effect on the	28,140	7,040
<b>Decrease:</b>		
Effect on the	(500)	(510)
Effect on the	(28,140)	(7,040)

<b>Trend information</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Present value of obligation	2,814,000	704,000	678,000	674,000	1,327,000
Fair value of plan asset	-	-	-	-	-
Present value of obligation in excess of plan assets	2,814,000	704,000	678,000	674,000	1,327,000
Experience adjustments (Actuarial gain and losses before change in assumptions):	(2,284,196)	(97,889)	(90,976)	(677,445)	(85,273)
In respect of present value of obligation	-	-	-	-	-
In respect of fair value of plan assets	-	-	-	-	-

Contributions expected to be paid to the plan during the annual period beginning after the reporting date

269,000

### 13. Payables from exchange transactions

Trade creditors	596,556	782,838
Accruals	9,309,054	8,470,880
Debtors with credit balances	522,436	270,931
Other payables	54,984	19,026
Payroll third party payables	32,416	6,762
	<b>10,515,446</b>	<b>9,550,437</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
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Accruals mainly includes leave provision of R4.4m for leave not taken and accruals for other operating expenses of R4.9m.

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

### 14. Obligations under operating leases

#### 14.1 At the reporting date the SADPMR had outstanding commitments under non-cancellable operating leases, which fall due as follows:

<b>GIDZ</b>	59,269,002	-
- Not later than one year	4,068,136	-
- Greater than one year, less than five	55,200,866	-

The SADPMR entered into a 10-year lease agreement with GAUTENG IDZ DEVELOPMENT SOC LIMITED. The lease commenced on 01 September 2021 and provides for an escalation of 7% per annum on rental and parking cost and 8.5% annual escalation on operating costs.

<b>Johannesburg Office (vacated in August 2021)</b>	-	1,187,335
- Not later than one year	-	1,187,335
- Greater than one year, less than five	-	-

<b>Kimberly Office</b>	1,663,792	2,425,741
- Not later than one year	807,666	761,949
- Greater than one year, less than five	856,126	1,663,792

The SADPMR entered into a 5 year lease agreement for the rental of the Kimberly office. The lease commenced on 01 April 2019 and terminates on 31 March 2024. The lease provides for an escalation of rental of 6% per annum and the current lease payment is R56 511.00 per month.

#### Total lease obligations:

- Not later than one year	4,875,802	1,949,284
- Greater than one year, less than five	56,056,992	1,663,792
	<b>60,932,794</b>	<b>3,613,076</b>

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

Lease liability	<b>1,649,245</b>	<b>202,647</b>
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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
<b>15. Interest income</b>		
Interest from bank accounts	1,102,145	425,337
Interest from investments	1,456,590	1,581,535
	<b>2,558,735</b>	<b>2,006,872</b>

Interest from bank accounts relates to interest earned on call accounts detailed in cash and cash equivalents in note 9.

Interest from investments relates to interest earned on the Stanlib investment as disclosed in the investment note in note 10.

### 16. Other income

Administration Fee (client fees)	547	1,024
Bad Debts Recovered	61,574	63,541
Other income	724,382	502,992
Sale of diamond books and registers	73,650	89,100
	<b>860,153</b>	<b>656,657</b>

### 17. Finance costs

Finance lease	54,988	36,335
Defined Benefit Liabilities	50,000	51,000
	<b>104,988</b>	<b>87,335</b>

Finance costs relate to interest incurred on leasing of equipments as disclosed in note 11 and finance costs in the Post Retirement Benefit Obligation in note 12.

### 18. Auditors' fees

External audit	2,743,219	1,699,999
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### 19. Board expenses

Meeting fees	972,110	240,756
Other fees	304,230	44,266
	<b>1,276,340</b>	<b>285,022</b>

Other fees relates to remuneration to board members for other activities other than board meetings.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
<b>20. Other operating expenses</b>		
Administration expenses	176,066	89,374
Audit Fees	2,743,219	1,699,999
Board costs	1,276,340	285,022
CSR Programmes	5,000	15,000
Domestic Travel	313,740	128,128
Hiring of equipment	85,445	53,217
Hospitality	53,360	30,947
Inspection costs	10,525	41,123
Insurance	1,211,004	1,020,111
International travel	206,192	247,209
Inventory costs	1,043,394	702,383
Kimberly Process	20,737	-
Legal fees	1,462,034	1,982,211
Licences	2,313,875	1,463,767
Motor vehicle expenses	220,001	102,033
Office lease - space and parking	5,694,485	3,155,303
Office lease - municipal services	1,403,243	1,277,392
Office relocation	1,265,341	-
Post employment benefits - Medical	2,284,196	72,889
Optimal utilisation	235,124	-
Postage and courier	20,631	38,123
Public relations	127,421	263,657
Recruitment and selection costs	172,161	121,170
Repairs and maintenance	1,063,052	692,538
Security	1,216,357	1,179,851
Staff recognition	2,977	2,942
Staff Welfare	162,013	290,795
Strategic Planning	69,600	-
Subscriptions and membership fees	110,652	107,931
System support fees	223,632	174,818
Telecommunication	2,479,174	2,185,206
Training and Development	697,869	544,231
Transformation	40,165	35,347
Venue and Facilities	25,324	5,646
Warehousing	195,588	99,740
	<b>28,629,937</b>	<b>18,108,103</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
<b>20.1 Office lease expenditure</b>		
Office lease - space and parking	5,694,485	3,155,303
Office lease - municipal services	1,403,243	1,277,392
	<b>7,097,728</b>	<b>4,432,695</b>

Office lease expenditure relates to expenditure in terms of the leasing of offices as disclosed in note 15.

### 20.2 Telecommunication costs

Internet, email and data storage	1,136,309	880,591
Telephone and fax rental and usage	786,165	794,219
Cell phones and data	556,700	510,396
	<b>2,479,174</b>	<b>2,185,206</b>

## 21. Employee costs

Basic salaries	65,421,612	69,047,360
Bonus - 13th cheque	1,347,452	1,713,252
Compensation of injury and disease - COVID	129,388	206,296
Disability cover	1,037,358	978,066
Housing allowance	96,000	96,000
Leave pay provision	(921,021)	3,833,297
Medical aid - SADPMR contributions	2,881,836	2,949,689
Once off incentive	3,113,530	-
Performance bonus	-	(797,472)
Pension - SADPMR contribution	5,313,593	5,733,482
Skills Development Levy (SDL)	716,201	489,515
Travel allowance	96,000	96,000
Unemployment Insurance Fund (UIF)	236,547	214,152
	<b>79,468,496</b>	<b>84,559,637</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
<b>22. Executive and non- executive members' remuneration</b>		
<b>NC Khosa - CEO</b>		
Appointed July 2019		
Basic Salary	2,229,499	2,231,364
Disability cover	31,087	28,192
Once off payment	105,608	-
UIF, SDL, Medical and Pension fund	251,632	242,901
	<b>2,617,826</b>	<b>2,502,457</b>
<b>CE Simpson - Chief Financial Officer</b>		
Resigned 2 February 2022		
Basic Salary	1,421,236	1,674,571
Disability cover	20,796	20,750
Once off payment	77,593	-
Termination leave	19,641	-
UIF, SDL, and Pension fund	127,040	143,814
	<b>1,666,306</b>	<b>1,839,135</b>
<b>L Nkhumishe - GM: Corporate Services</b>		
Basic Salary	1,655,993	1,658,099
Disability cover	23,336	21,161
Once off payment	79,141	-
UIF, SDL, Medical and Pension fund	203,585	196,561
	<b>1,962,055</b>	<b>1,875,821</b>
<b>M. Mononela - GM: Legal and Compliance</b>		
Retired 31 May 2022		
Basic Salary	271,589	1,629,537
Disability cover	3,706	21,161
Once off payment	-	-
UIF, SDL, Medical and Pension fund	283,073	225,091
	<b>558,368</b>	<b>1,875,789</b>
<b>C Mondo - GM: Diamond Trade</b>		
Basic Salary	1,603,367	1,608,454
Disability cover	23,380	21,202
Once off payment	79,293	-



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
UIF, SDL, Medical and Pension fund	260,052	249,723
	<b>1,966,092</b>	<b>1,879,379</b>
<b>P. Motsepe - GM: Legal and Governance</b>		
Appointed 1 November 2021		
Basic Salary	701,951	-
Disability cover	8,971	-
Once off payment	42,513	-
UIF, SDL, Medical and Pension fund	69,953	-
	<b>823,388</b>	<b>-</b>
<b>J Lenka - Manager: Diamonds</b>		
Acting allowance	-	248,915
Basic Salary	-	1,275,902
Disability cover	-	15,843
Once off payment	-	-
UIF, SDL, Medical and Pension fund	-	111,963
	<b>-</b>	<b>1,652,623</b>
<b>K Sibanyoni - Company Secretary</b>		
Resigned May 2020		
Basic Salary	-	225,685
Leave pay	-	129,278
Disability cover	-	2,372
UIF, SDL, Medical and Pension fund	-	23,489
	<b>-</b>	<b>380,824</b>
<b>N Mothabe- Acting Company Secretary</b>		
Acting from June 2020		
Acting allowance	79,689	134,234
Basic Salary	458,740	772,046
Disability cover	6,006	9,306
UIF, SDL, Medical and Pension fund	41,380	68,725
	<b>585,815</b>	<b>984,311</b>
<b>B Mahlangu - Acting Chief Financial Officer</b>		
Acting from February 2022		
Acting allowance	50,913	-
Basic Salary	240,573	-
Disability cover	4,168	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
Once off Incentive	24,655	-
UIF, SDL, Medical and Pension fund	35,645	-
	<b>355,954</b>	-
<b>TOTAL EXECUTIVE REMUNERATION</b>	<b>10,535,804</b>	<b>12,990,339</b>

This represents the total cost to company and the employees have the choice to restructure their packages.

### Non- executive members of the Board and Other Committees

#### Meeting fees

	2022		
	Meeting fees	Other activities	Total
Mr MA Mngomezulu	143,244	109,830	253,074
Mr E Blom	106,902	19,440	126,342
Ms N Zikalala-Mvelase	132,924	85,536	218,460
Mr G Serokane	99,780	11,664	111,444
Ms M Mosing	92,004	34,992	126,996
Adv N Van Rooyen	94,814	3,888	98,702
Mr S Mokoena	69,330	7,776	77,106
Ms K Macingwane	109,712	11,664	121,376
Mr V Magan	123,400	19,440	142,840
<b>TOTAL NON-EXECUTIVE REMUNERATION</b>	<b>972,110</b>	<b>304,230</b>	<b>1,276,340</b>

\* Alternate members who did not attend the meetings.

Where there are no balances, board members are employed by other state organs and not remunerated.

# Resigned during the year

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
	<b>2021</b>	
	<b>Meeting fees</b>	<b>Other activities</b>
	<b>Total</b>	
Mr MA Mngomezulu	39,564	26,150
Mr E Blom	25,484	-
Ms N Zikalala-Mvelase	31,593	8,184
Mr G Serokane	20,518	-
Ms M Mosing	20,518	-
Adv N Van Rooyen	23,001	4,966
Mr S Mokoena	25,484	4,966
Ms K Macingwane	25,484	-
Mr WW Adams	29,110	-
	<b>240,756</b>	<b>44,266</b>
		<b>285,022</b>

Where there are no balances, board members are employed by other state organs and not remunerated.

\* Alternate members who did not attend the meetings.

Other Board activities includes fees for attending other activities other than board meetings.

### 23. Cash Flow notes

#### 23.1 Other receipts

Other receipts from customers consist of receipts from service fees, licence fees and other sundry income.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
<b>23.2 Cash generated from operations</b>		
<b>Surplus/ (Deficit) per statement of financial</b>	<b>11,712,399</b>	<b>13,925,707</b>
<b>Adjustment for:</b>	2,399,197	(194,059)
Depreciation and amortisation	1,510,018	1,281,126
Interest income	(2,558,735)	(2,006,872)
Finance costs	104,988	87,335
Debtors impairment	(182,415)	244,296
Surplus / (Deficit) on disposal of assets	1,260,351	20,465
Actuarial loss	2,284,196	72,889
Fair value adjustment - financial instruments at fair value	(19,206)	106,702
	<b>14,111,596</b>	<b>13,731,648</b>
<b>Movements in working capital</b>	14,086,343	(9,848,584)
Increase in inventory	(60,127)	168,870
Increase/(Decrease) in operating lease liability	1,446,599	(145,210)
Increase/(Decrease) in trade and other payables	965,009	4,068,706
Decrease/(Increase) in provisions	-	-
(Increase)/decrease in prepayments	(749,910)	(797,472)
Increase in trade and other receivables	103,460	(13,773,200)
Decrease/(Increase) in other receivables from non- exchange transactions	14,000,000	-
Increase in debtor's impairment allowance	182,415	(244,296)
Increase in statutory receivables	(1,801,103)	874,018
<b>Cash generated from operations</b>	<b>28,197,939</b>	<b>3,883,064</b>

## 24. Related party transactions

### Controlling SADPMR

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

### National government

The SADPMR being a government SADPMR has a number of Related Parties including other state owned entities; government departments and all other entities within the National Sphere of government.

There were transactions with other government entities and these transactions were concluded at arm's length.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
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### Members of the management of the SADPMR

The SADPMR has related party transactions with management as disclosed in note 22.

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

Name and nature of services	Total transactions (Grant)		Amounts owed by/(to) related party	
	2022	2021	2022	2021
Department of Mineral Resources	62,027,000	76,054,000	-	14,000,000

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

## 25. Irregular expenditure

### Opening balance

Irregular expenditure - Current period

Irregular expenditure incurred in the prior period but identified in the current period

Less: Irregular expenditure written-off

Less: Irregular expenditure recovered

Less: Expenditure condoned

16,058,744	236,247
10,206,638	9,545,199
-	6,513,545
-	-
-	-
(26,252,874)	(236,247)
<b>12,507</b>	<b>16,058,744</b>

### Irregular expenditure awaiting condonation

### Non-existence of the Bid Specification Committee

Bids to the value of R12,374,506.96 were awarded during the 2021/22 financial year without an existence of a Bid Specification Committee. Expenditure of R 8,786,973 was incurred during the current year. An amount of R3,587,534.22 remains as contractual obligation between 2022/23 and 2025/26 FY. The full contract amounts were condoned by National Treasury. Total amount condoned by National Treasury amounts to R29 858 408.0 inclusive of prior years' transactions.

### Rental of office space

Irregular expenditure on the Lease Agreement amounting to R 1,318,687.79 reported in the current was incurred as a result of extending the lease agreement above 15% threshold without National Treasury approval.

### Training

Irregular expenditure of R88,470.00 incurred on training for not obtaining at least 3 quotations.

### Petty Cash for Kimberly office

Irregular expenditure of R6,721.92 incurred on obtaining the secondary card for Petty Cash re-imburement without approval from National Treasury.

### Three quotations not obtained

Irregular expenditure of R5,785,18 was on travel for not obtaining at least 3 quotations.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

2022 R	Restated 2021 R
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### Irregular expenditure relating to the prior period

For prior, all the incidents of irregular expenditure were investigated and it was determined that there were no fraudulent or corrupt or other criminal conduct. The determination test also indicated that no losses were incurred by the SADPMR and the request to condone the irregular expenditure was sent to the relevant authority for condonement and it was approved. Disciplinary actions were taken against the responsible employee and the request included irregular expenditure for the current year where the incident is the same as prior year.

### Insurance

In the prior period, Irregular Expenditure of R29,796.46 in relation to Insurance payment for assets during the lockdown as there was no time to get approval within 15% from the CEO.

### Competency Assessment

In the prior period, irregular expenditure amounting to R17 940 relates to the competency assessment purchase order that was issued to the supplier for one candidate under General manager and one candidate under Company Secretary. When liaising with the supplier the user added an additional candidate to each position which was irregular.

### Stress Management Workshop.

In the prior period, irregular expenditure amounting to R25 650 relates to the stress management workshop that was conducted without following procurement processes.

### Employee Wellness

In the prior period, overpayment of R10,599.99 was made to the service provider without following procurement process.

### Rental of office space

In the prior period, irregular expenditure on the Lease Agreement amounting to R1 518 725 was incurred as a result of extending the lease agreement above 15% threshold without National Treasury approval.

### Disciplinary hearing

In the prior period, irregular expenditure on disciplinary hearing is R430,993.32 incurred before obtaining the first approval and after obtaining the first approval from the National Treasury.

### Non-existence of the Bid Specification Committee

In the prior year, irregular expenditure of R13,837,913.50 is due to the non-compliance of Treasury regulation 16A 6.2 (b), as a result of a lack of a Bid Specification committee, all competitive bids dating from 2021 going back are deemed irregular.

It was impractical to quantify the irregular expenditure emanating from the non-compliance with section 16A 6.2 (b) of the Treasury Regulations prior to the 2015/16 financial year due to the non-availability of the relevant information.

### Training

In the prior period, irregular expenditure of R187,125.05 incurred on training for not obtaining at least 3 quotations.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
<b>26. Fruitless and wasteful expenditure</b>		
<b>Opening balance</b>	3,000	7,402
Fruitless and wasteful expenditure - Current period	-	3,000
Less: Expenditure written off	(3,000)	(7,402)
<b>Fruitless and wasteful expenditure awaiting to be written off by the board</b>	<b>-</b>	<b>3,000</b>

No fruitless and wasteful expenditure was identified during the current year.

For the prior year, the R3 000.00 fruitless and wasteful expenditure incurred in the current year relates to two employees who missed their return flights to Johannesburg due to traffic on their way to the airport.

## 27. 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

Liquidity risk is the risk encountered by an SADPMR in the event of difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The SADPMR's risk to liquidity is a result of the funds available to cover future commitments. The SADPMR manages liquidity risk through an ongoing review of future commitments. Cash flow forecasts are prepared and adequate utilised.

The SADPMR' exposure to liquidity has not changed from the previous year to the current year.

The SADPMR 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.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
The maturity analysis of trade payables at reporting date were as follows:		
<b>Payables</b>		
Current (0 – 30 days)	581,666	734,602
31 - 60 Days	-	-
61 - 90 Days	833	-
91 - 120 Days	-	-
121 + Days	14,057	48,236
	<b>596,556</b>	<b>782,838</b>

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

<b>- Not later than one year</b>		
Finance lease obligations	232,411	77,417
Accruals	4,434,589	1,471,426
Provisions	-	-
	<b>4,667,000</b>	<b>1,548,843</b>
<b>- Greater than one year, less than five</b>		
Finance lease obligations	376,615	-
	<b>376,615</b>	<b>-</b>

### Market Risk

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

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

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

### Interest Rate Risk

The SADPMR is exposed to interest rate risk as a result of interest bearing bank accounts.

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:

Balances with banks, current and call accounts.



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
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### Credit Risk

Credit risk is the risk of financial loss to the SADPMR 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.

The SADPMR is exposed to credit risk mainly as a result of holding cash equivalents and financial assets.

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	513,013	544,805
Financial instruments at fair value	37,085,257	35,609,461
Cash and cash equivalents	35,649,136	11,722,619
	<b>73,247,406</b>	<b>47,876,885</b>

### Cash and cash equivalents

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

Bank	Type	Balance at 31 March 2022	Balance at 31 March 2021
Investec LTD	Call	3,828,135	3,697,061
Nedbank LTD	Current	665,229	1,215,323
Nedbank LTD	Call	31,143,310	6,796,612
Nedbank LTD	Call (Salary savings)	1,337	1,292
Cash on hand	On hand	11,125	12,331
		<b>35,649,136</b>	<b>11,722,619</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
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### Financial Assets carried at Amortised Cost

The financial assets carried at amortised cost expose the SADPMR to credit risk. The value of the maximum exposure to credit risk are as follows for each of classes of financial assets at amortised cost:

Receivables from exchange transactions	513,013	544,805
Receivables from non-exchange transactions	-	14,000,000
Statutory receivables	1,850,369	49,266
Cash and cash equivalent	35,649,136	11,722,619
	<b>38,012,518</b>	<b>26,316,690</b>

### Financial Assets carried at Fair Value

Investment	37,085,257	35,609,461
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### Financial Liabilities

Finance lease – Long term	376,615	-
Finance lease – Short term	232,411	77,417
Payables from exchange transactions	10,515,446	9,550,437
	<b>11,124,472</b>	<b>9,627,854</b>

## 28. Unrecognised Contractual Commitments

Operational commitments	6,847,626	5,539,660
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Operational Commitments relates to commitments for operating expenditure approved and contracted for

## 29. Correction of prior period error

### 29.1 Reclassification of assets

During the 2022 financial year, SADPMR discovered that certain assets were incorrectly classified in the statement of financial position as Leasehold Improvements instead of Furniture and Fittings when they were initially recognised in the 2012 financial year. This is an error resulting from mistake in applying accounting policies in terms of the definition in GRAP. The SADPMR has reclassified these assets from Leasehold improvements to Furniture and Fittings during the 2022 financial year. This has resulted in a prior period error due to non-compliance with the standard.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R	
Reclassification of asset	Prior year AFS 2020/21	Current year AFS 2020/21	Net change
Leasehold Improvement cost	2,189,487	1,464,871	724,616
Leasehold Improvement Accumulated Depreciation	(2,155,560)	(1,434,406)	(721,154)
Carrying amount	<b>33,927</b>	<b>30,465</b>	<b>3,462</b>
Furniture and fittings cost	4,041,762	4,766,377	(724,615)
Furniture and fittings Accumulated Depreciation	(2,098,786)	(2,268,911)	170,125
Carrying amount	<b>1,942,976</b>	<b>2,497,466</b>	<b>(554,490)</b>
Depreciation Furniture and fittings	72,043	90,165	(18,122)
Depreciation Furniture and fittings	45,234	40,620	4,614
Depreciation	<b>117,277</b>	<b>130,785</b>	<b>(13,508)</b>
<b>Total depreciation</b>	1,210,008	1,223,516	(13,508)

### 29.2 Reclassification of creditors with debit balances

The prior year figures for prepaid expenses have been restated to disaggregate the creditors with debit balances.

Prepaid expenses	686,942	573,097	113,845
Creditors with debit balances	-	113,845	(113,845)
	<b>686,942</b>	<b>686,942</b>	-

### 29.3 Reclassification of prepayments

In the prior year prepaid expenses were included in receivables from exchange transactions and in the current year they are disclosed separately on the face of the statement of financial position

	-	470,069	(470,069)
Prepayments	1,117,902	544,805	573,097
Receivables from exchange transactions	<b>1,117,902</b>	<b>1,014,874</b>	<b>103,028</b>

### 29.4 Reclassification of debtors with credit balances

The prior year figures for other payables have been restated to disaggregate the debtors with credit balances.

Other payables	289,957	19,026	270,931
Debtors with credit balances	-	270,931	(270,931)
	<b>289,957</b>	<b>289,957</b>	-

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	2021 R	Restated 2021 R
<b>29.5 Reclassification of interest cost on Post Retirement</b>			
<b>Liability</b>			
The prior figures have been restated to include interest cost on Post Retirement Liability as finance cost and not include as other operating expenses.			
Finance costs	36,335	87,335	(51,000)
Other operating expenses	18,159,103	18,108,103	51,000
	<b>18,195,438</b>	<b>18,195,438</b>	-

### 29.6 Correction of the Cash Flow and the cash flow note

The cash flow has been corrected to disclose some items on the note to the Cash Flow and not on the face of the cash flow.

#### Cash Flow statement

(Decrease)/ Increase in defined benefits obligations	26,000	(97,889)	123,889
Cash paid to employees	(81,542,842)	(81,795,911)	(253,069)
Cash paid to suppliers	(22,903,702)	(18,077,131)	(4,826,571)
Cash generated from operations	3,759,175	3,883,064	(123,889)

#### Note to the Cash Flow statement

Actuarial loss	-	72,889	(72,889)
Finance costs	36,335	87,335	(51,000)

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
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### 29.7 Penalties discontinued

The entity took a decision to discontinue the levying of penalties for late and non submission of J registers. This was treated as a prior period error.

The error was applied retrospectively from 2019 and the corresponding comparative figures were restated.

### Statement of Financial Performance

	2,021	2,020	2,019	Net impact
Reversal of penalties	(3,087,155)	(1,332,000)	(1,579,000)	(5,998,155)
Receipts	348,540	487,560	247,870	1,083,970
Historical debtors balance	-	-	(1,560,612)	(1,560,612)
	<b>(2,738,615)</b>	<b>(844,440)</b>	<b>(2,891,742)</b>	<b>(6,474,797)</b>
Reversal of impairment allowance	1,489,676	(1,610,463)	3,220,226	3,099,439
Accumulated Surplus	<b>(1,248,939)</b>	<b>(2,454,903)</b>	<b>328,484</b>	<b>(3,375,358)</b>

### Statement of Financial Position

	2,021	2,020	2,019	Net impact
Statutory receivables	(3,087,155)	(1,332,000)	(1,579,000)	(5,998,155)
Receipts	348,540	487,560	247,870	1,083,970
Historical debtors balance	-	-	(1,560,612)	(1,560,612)
	<b>(2,738,615)</b>	<b>(844,440)</b>	<b>(2,891,742)</b>	<b>(6,474,797)</b>
Reversal of impairment allowance	1,489,676	(1,610,463)	3,220,226	3,099,439
	<b>(1,248,939)</b>	<b>(2,454,903)</b>	<b>328,484</b>	<b>(3,375,358)</b>

### 30. Contingent asset

National Union of Mine workers took the SADPMR to the Labour Court on an urgent basis in an attempt to interdict the latter from appointing a Manager in the Office of the CEO. The case was however dismissed by the Labour Court due to lack of urgency.

The matter has been finalised in favour of the SADPMR with costs, MNS Attorneys are currently recovering the legal costs from National Union of Mineworkers in an amount of R27 689.50

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

2022 R	Restated 2021 R
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### 31. Contingent Liabilities

#### 31.1 Challenging the decision of SADPMR in operation during Alert level 4

There is an application to challenge the decision of SADPMR not to accept unpolished diamonds at the Diamond Exchange and Export Center ("DEEC"), pursuant to the Alert level 4 COVID-19 Regulations promulgated on 29 April 2020 in terms of the Disaster Management Act 57 of 2002 ("the Regulations"). The prospects of success in this matter can only be limited to the determination of costs of the application. There is a possibility for a cost order being made against SADPMR. The financial impact of any future costs and any potential cost orders against the SADPMR is estimated at R365 362,79).

#### 31.2 Contingent liability in relation to surplus funds

The SADPMR as a schedule 3A public entities is required to surrender any surpluses to the relevant revenue fund (via its designated department).

The public entities will identify the surpluses as at the reporting date as defined in this National Treasury Instruction and will either recognise a provision or a contingent liability (as defined in GRAP 19 on Provisions, Contingent Liabilities and Contingent Assets) in consideration of past practices.

The surplus is calculated in terms of National Treasury Instruction No. 12 of 2020/2021.

Contingent liability subject to approval by National treasury.

26,938,434	17,059,298
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#### 31.3 Contingent liability in relation to penalties discontinued

Management and the board took a decision to discontinue levying of penalties on the late submission of the j registers. The contingent liability relates to receipts collected between the 2018 and 2022 financial year on the penalties. Management is uncertain that the amount will eventually be refunded due to the age of the receipts and legal obligation/requirement.

The error was corrected retrospectively up to 2018/19 financial year due to lack of reliable information for the period prior to this

1,768,470	1,083,969
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### 32. Going concern

In 2020 the world was negatively impacted by the COVID-19 pandemic which resulted in the declaration of the National Lockdown in the country. The National Lockdown negatively affected all business operations of the mining industry and slowed down the economic activities. This impacted the ability of the mining industries to recover financially. The SADPMR's revenue generation also declined since it is dependent on the activities of the mining industry. During the current year, the industry shows full recovery and this is evident on upward trend in the revenue generation.

The Board has reviewed the entities cash flow forecast for the year ending 31 March 2023 and is satisfied that with the current financial position and the forecast, that the SADPMR has adequate resources to operate in the foreseeable future. SADPMR has an approved budget with the surplus of R108k for the following financial year.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

	2022 R	Restated 2021 R
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### 33. Change in accounting estimate

The SADPMR has reassessed the useful lives of property, plant and equipment in the current financial period to reflect the actual pattern of service potential derived from the assets.

Description	2022 R Current useful life – Years	2021 R Revised useful life – Years
Furniture and fittings - Desk, Drawers, Pedestals and Credenza	45	40

The effect of this revision decreased the depreciation charge for the current and the future periods by R29 141.00.

### 34. Subsequent events

The Board of SADPMR took a decision, on 29 April 2022, to discontinue levying of penalties for licensees who defaulted on submission of J-Registers. The practice of levying penalties to defaulting licensees was as a result of incorrect application of legislation.

Revenue billed on penalties was derecognised because of the decision and the contingent liability has been raised for all receipts resulting from penalties in line with GRAP 3.



PART G  
**ANNEXURES**





## ANNEXURE A: STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY

To the best of my knowledge and belief, I confirm the following:

All information and amounts disclosed in the Annual Report are consistent with the annual financial statements audited by the Auditor-General. The Annual Report is complete, accurate and free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on the Annual Report as issued by National Treasury. The annual financial statements (Part E) have been prepared in accordance with the GRAP standards applicable to the public entity.

The Accounting Authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal control that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

External auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 March 2022.



**Mr. C Khosa**  
Chief Executive Officer



**Mr A. Mngomezulu**  
Chairperson



# ANNEXURE B: REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 31 March 2022.

## **Audit Committee Responsibility**

The Audit Committee (“the 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 committee adopted formal terms of reference, and an Audit and Risk Committee charter. The committee acknowledges the attendance and participation of senior management including the Accounting Officer and Chief Finance Officer in the audit committee meetings. Since 1 April 2022, the committee met 4 times to discharge its duties.

## **Effectiveness of Internal Controls**

During the year various reports of the Internal Auditors and Auditor General South Africa (AGSA) indicated that the system of internal control has shortcomings in limited areas and management are in the process of implementing the recommendations, the status of which is monitored by the committee.

## **Internal Audit**

The committee has an oversight responsibility for the in-house 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. It therefore plays an integral role in sound corporate governance. The committee reviewed the activities of the Internal Audit function 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.

## **Risk Management and Governance**

The Board has assigned the oversight of the risk management function to the committee.

An approved risk management framework and policy has been adopted. A process of risk management was implemented by management wherein risk assessments are conducted on a quarterly basis and updated on an annual basis by the Internal Audit function at both senior management and Board level. The committee has reviewed the risk register and reports from management’s risk committee.

The Quality of In-year Management and Monthly Reports/Quarterly Reports Submitted in terms of the PFMA.

The committee has been advised that management have submitted quarterly financial reports prepared during the year under review, in compliance with the statutory reporting framework.

The committee reviewed all quarters and is satisfied with the content and quality of quarterly financial reports prepared by management during the year under review, in compliance with the statutory reporting framework.

## Evaluation of Annual Financial Statements and Performance Information

- 7.1 The committee has reviewed the audited financial statements for the year ended 31 March 2022 for the South African Diamond and Precious Metals Regulator and has discussed matters of concern with management, the AGSA as well as the Chief Executive Officer.
- 7.2 The committee has reviewed the AGSA's Management Report and management response thereto and directed management to develop a comprehensive action plan to address all issues raised by the AGSA. The committee will review the action plan and monitor implementation thereof during the quarterly committee meetings.
- 7.3 The committee reviewed the compliance with legal and regulatory provisions during the quarterly committee meetings and management has been directed to implement remedial measures where instances of non-compliance were noted. The committee notes the material finding that was made by AGSA in relation to irregular expenditure amounting to R10 206 638 as a result of the absence of a bid specification committee however the current Board has since obtained condonation from National Treasury for the irregular expenditure.
- 7.4 The committee has reviewed the information on predetermined objectives to be included in the annual report as part of the review of the audited financial statements.
- 7.5 The committee has reviewed significant adjustments resulting from the audit as part of the review of the audited financial statements.
- 7.6 The committee hereby indicates its concurrence with the AGSA's conclusion on the annual financial statement as well as the unqualified audit opinion of the AGSA.

## Auditor-General of South Africa (AGSA)

The AGSA team requested technical consultations and considered additional information and explanations. These additional considerations and resultant significant amendments to the annual financial statements resulted in the audit being finalized on 29 August 2022 instead of 31 July 2022 as legislated.

The committee concurs with and accepts the conclusion and audit opinion of the Auditor General on the annual financial statements and performance information. The committee notes the independence of the AGSA.

We congratulate Management in obtaining an unqualified opinion and wish to thank all the stakeholders for their cooperation and assistance.

On behalf of the Audit Committee



**Ms N Munyai**

Finance Audit and Risk Committee









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