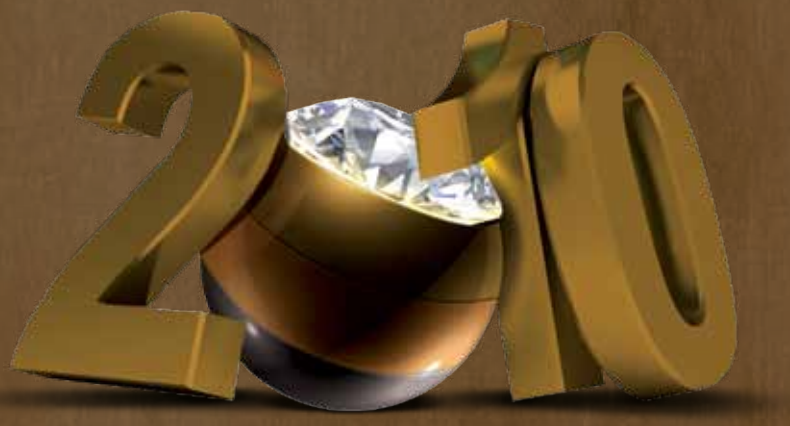
SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR



ANNUAL REPORT

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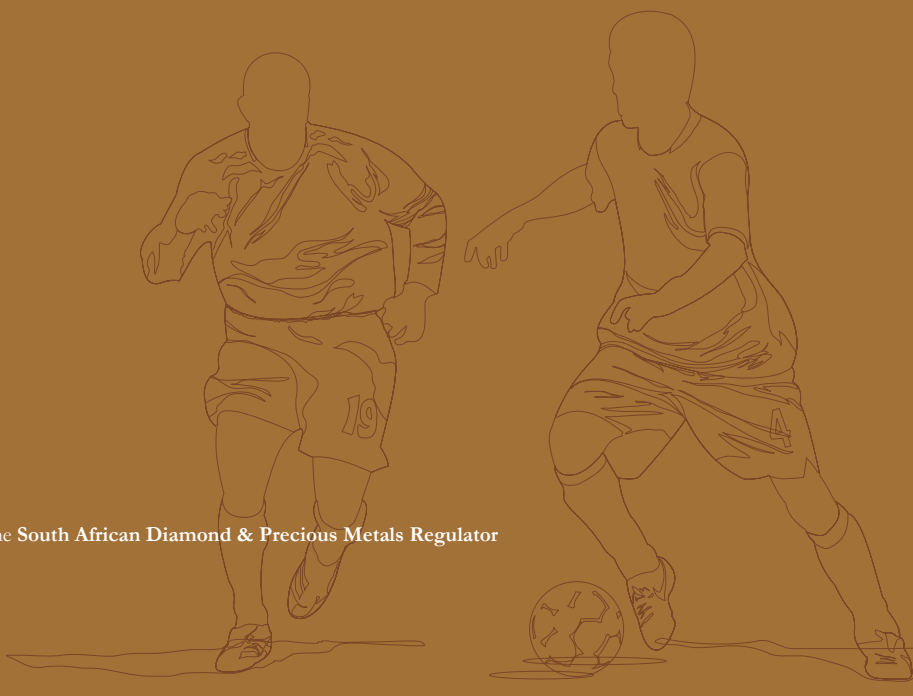


Chairperson's Statement

"The Regulator has played a very important role, domestically and internationally. Transformation of the precious minerals industry and beneficiation is essential to the mandate of the Regulator. Although numerous diamond licences have been issued to previously disadvantaged individuals, most of them are not active due to the prevailing economic conditions."

We have come to the end of the 2009/10 financial year which was very eventful for our country. We held our fourth general election, hosted the 2009 FIFA Confederations Cup™ and are preparing for the 2010 FIFA World Cup™. I therefore have great pleasure to present to you the South African Diamond and Precious Metals Regulator's performance report for the year 2009/10.

First and foremost, I would like to welcome the new Minister of Mineral Resources, Ms Suzan Shabangu, who has been deployed back to the Department she served in during the earlier years of our democracy and we believe that the industry needs her valuable experience to survive in this current recession. I also want to congratulate our new Chief Executive Officer, Mr Levy Rapoo, who assumed his duties in February this year and we wish him well in his new career.

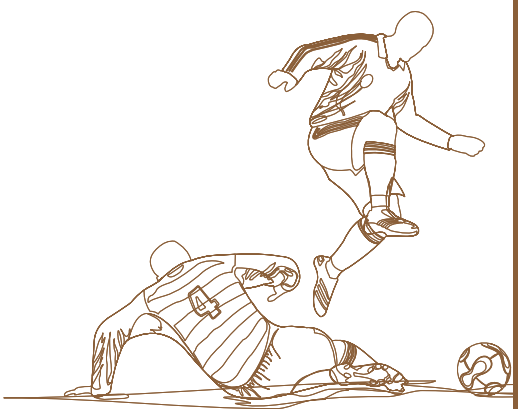
The past two years have been very difficult for mining and the downstream beneficiation industries particularly for precious minerals due to the impact of the global financial crisis. This global recession has surfaced after a record period of growth and many investors are looking for alternative investments portfolios. Precious metals have since fallen in price, but gold is still trading close to its record high. It is obvious that during these periods, a commodity like gold is seen as a popular investment. The most significant consequences of this current economic climate is that the real money has become scarce and although interest rates are low, access to credit facilities have been reduced drastically. Therefore, industries that are reliant on credit, such as diamonds have been negatively affected. However, the Regulator together with its stakeholders has met on several occasions to generate solutions to mitigate this impact.

The Regulator has played a very important role domestically and internationally. Transformation of the precious minerals industry and beneficiation are essential to the mandate of the Regulator. Although numerous diamond licences have been issued to previously disadvantaged individuals, most of them are not active due to the prevailing economic conditions. We welcome the approval of the Beneficiation Strategy by the Cabinet last year and the Regulator definitely has an important role to play in its implementation. It is the intention of the Regulator to increase Value addition to precious minerals in order to create jobs and to contribute to the economic development of the country. On the international front, the Regulator's participation in the Kimberley Process Plenary, last year has ensured that all Southern African Development Community members, including Zimbabwe, involved in diamond mining comply with the Kimberley Process Certification Scheme (KPCS). South Africa, as a member of the KPCS, will be reviewed this year and we are sure that we will be found to be fully compliant.

Since the beginning of this year, there were indications that the economy is recovering. Prices of precious minerals are rising and stabilising and we need to prepare for another economic boom. The Regulator therefore has to plan accordingly to meeting the challenges of the looming economic recovery.

To end, I wish to record my appreciation to the Board of Directors, management and staff for their unwavering support during the difficult times we experienced last year. My special thanks to the Minister of Mineral Resources for her help and advice.

S.Phiri
Chairperson



An overview from the new ceo

"In support of the previously disadvantaged individuals, the Regulator through its Government Diamond Valuators has ensured that the State Diamond Trader acquired diamonds at a fair market value from the producers."

Almost three years have passed since the establishment of the South African Diamond and Precious Metals Regulator (the Regulator). We experienced two transitional periods in terms of the Diamonds Act, 1986 as well as the Precious Metals Act, 2005. The industry has responded positively to these new regulatory regimes despite the economic downturn. We received in excess of 4500 applications for both diamonds and precious metals licences and about 50% of these applications have been finalised. However, in terms of job creation, the industry was negatively impacted by prevailing harsh economic conditions as production from mines dropped and credit facilities shrank.

In the current regulatory regime, the Regulator has to ensure that the licence holders comply with the legislative conditions pertaining to these licences including Broad-Based Socio-Economic Empowerment, beneficiation and skills transfer. In this regard, regional inspectors have been deployed in Cape Town and Durban to strengthen capacity in this area and to ensure that the industry is transformed.

With regard to the availability of diamonds to the local beneficiation industry, the Regulator is managing the Diamond Exchange and Export Centre where buying and selling of diamonds are facilitated. The volume of diamonds traded in this centre as well as the number of viewers have increased significantly over the past two years. In support of the previously disadvantaged individuals, the Regulator through its Government Diamond Valuators has ensured that the State Diamond Trader acquired diamonds at a fair market value from the producers. This service has enabled the State Diamond Trader to increase its purchasing power for the benefit of the industry in general.

The results of the financial year ending on 31 March 2010 were encouraging taking into account the difficult trading conditions the Regulator was faced with. The grant received from the Department of Mineral Resources was in line with the budgeted amount, while the revenue from trade dropped by 80% (2010: R3,6 million – 2009: R18,3 million), as a result of abolishment of the export levy.

We managed to keep expenditure for the current period at 12% below budget at R42.9 million. The impairment of the diamond fingerprinting project with a cost of R10.2 million was responsible for the huge costs during the previous year. While the overall results for the current financial year were in line with budget, some expenses exceeded the budget by huge margins as reflected in detail in the financial statements.

My special thanks go to Mr Simon Sikhosana who was acting after the passing away of the previous Chief Executive Officer. His painstaking assistance and advice is appreciated. Without the support of the staff, the Regulator would never have achieved what it has to date, and I thank them dearly too. I also wish to record my gratitude to the Board of Directors for its guidance, and the Honourable Minister Susan Shabangu for her leadership.

G.L. Rapoo
Chief Executive Officer

Corporate Governance

Board Members

S. Phiri
Chairperson

G.L. Rapoo
Chief Executive Officer

S.M. Sikhosana
Acting Chief Executive Officer
(June 2009 to January 2010)

R.A. Manoko

A. Luhlabo

E. Blom

R. Paola

N. Zikalala

T. Nell

P. Bersiks

K. Rana

E. Majadibodu

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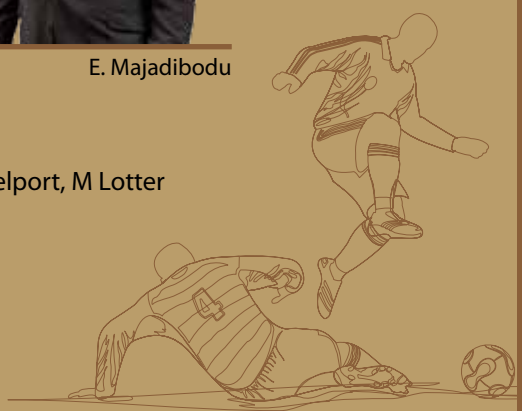
Absent: L. Ntshinga, Dr. F. Petersen, R.A. Baxter, L. Grobler, M. Mabuza, L. Delport, M Lotter



Board of Directors

COMPOSITION

Messrs.	S Phiri	Chairperson	Messrs.	RA Baxter	Member
	RA Manoko	Deputy Chairperson		A Luhlabo	Member
	L Selekane	CEO		E Blom	Member
	S Sikhosana	Acting CEO		P Bersiks	Member
	GL Rapoo	CEO		R Paola	Member
	K Rana	Member		T Nell	Member
	L Delport	Member		M Mabuza	Member
	M Lotter	Member	Dr	F Petersen	Member
	E Majadibodu	Member	Ms	N Zikalala	Member
	L Grobler	Member		L Nthsinga	Member

Names	17.04.09	29.07.09	23.09.09	25.11.09	27.01.10	29.03.10
S Phiri	Yes	Yes	Yes	Yes	Yes	Yes
RA Manoko	Yes	Yes	Yes	Yes	Yes	Yes
L Selekane	Yes	✞	✞	✞	✞	✞
K Rana	Yes	Yes	Yes	Yes	Yes	No
L Delport	Yes	Yes	Yes	Yes	Yes	Yes
L Grobler	Yes	No	Yes	No	Yes	Yes
N Zikalala	Yes	Yes	Yes	Yes	No	Yes
L Ntshinga	No	Yes	No	Yes	No	No
A Luhlabo	Yes	Yes	Yes	Yes	Yes	Yes
E Majadibodu	No	Yes	No	Yes	Yes	Yes
F Petersen	No	Yes	No	Yes	Yes	No
P Bersiks	No	Yes	Yes	Yes	Yes	Yes
RA Baxter	Yes	Yes	Yes	Yes	Yes	No
M Mabuza	No	No	No	No	No	No
T Nell	No	No	Yes	Yes	Yes	Yes
R Paola	Yes	Yes	Yes	Yes	No	Yes
E Blom	Yes	Yes	No	No	No	Yes
S Sikhosana	Yes	Yes	Yes	Yes	Yes	Yes
GL Rapoo	No	No	No	No	No	Yes

✞ Deceased

BOARD COMMITTEES

Meeting attendance

- The Executive Committee: chaired by Mr S Phiri
- Members: Messrs. RA Manoko, GL Rapoo, R Baxter, P Bersiks, L Delport, Ms N Zikalala and S Sikhosana

Member	17.04.09	01.06.09	29.07.09	23.09.09	25.11.09	27.01.10	29.03.10
S Phiri	Yes	Yes	Yes	Yes	Yes	Yes	Yes
RA Manoko	Yes	Yes	Yes	Yes	Yes	Yes	Yes
L Selekane	Yes	✞	✞	✞	✞	✞	✞
P Bersiks	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R Baxter	Yes	No	Yes	No	Yes	Yes	No
L Delport	Yes	Yes	Yes	Yes	Yes	Yes	No
N Zikalala	No	Yes	Yes	No	No	Yes	Yes
S Sikhosana	-	Yes	Yes	Yes	Yes	Yes	Yes
GL Rapoo	-	-	-	-	-	-	Yes

- Finance Committee: chaired by Mr L Delport
- Members: Messrs. R Paola, A Luhlabo and E Majadibodu

Member	14.05.09	16.07.09	17.09.09	13.11.09	20.01.10
L Delport	Yes	Yes	Yes	Yes	Yes
E Majadibodu	Yes	No	Yes	Yes	Yes
R Paola	Yes	No	Yes	Yes	Yes
L Selekane	Yes	✞	✞	✞	✞
A Luhlabo	Yes	Yes	Yes	Yes	Yes

- Audit and Risk Committee: chaired by Mr P Bersiks
- Members: Messrs. K Rana, E Blom, M Ntumba* and B Mngoma*

Member	03.07.10	09.07.09	16.11.09	23.02.10
P Bersiks	Yes	Yes	Yes	Yes
K Rana	No	Yes	Yes	Yes
E Blom	No	Yes	No	Yes
M Ntumba	Yes	Yes	Yes	Yes
B Mngoma	No	Yes	No	No

- Licence Committee: chaired by Mr R A Manoko
- Members: Ms L Ntshinga, N Zikalala and A Luhlabo

Member	18.09.09	06.11.09	03.03.10
RA Monoko	Yes	Yes	Yes
N Zikalala	Yes	No	Yes
L Ntshinga	No	No	No
A Luhlabo	Yes	Yes	Yes

- Technical Committee: chaired by Mr RA Baxter
- Members: Dr F Petersen, Messrs. E Blom and L Grobler

Member	07.05.09	03.09.09	05.11.09	13.05.10
RA Baxter	No	Yes	Yes	Yes
E Blom	Yes	Yes	No	Yes
F Petersen	Yes	Yes	Yes	No
L Grobler	Yes	Yes	Yes	Yes

* Represents non-board members
\- Represents not yet appointed
✞ Represents deceased

Mission Statement & Objectives

MISSION

The mission of the South African Diamond and Precious Metals Regulator is to facilitate value addition and orderly development of diamonds and precious metals resources through best practices.

LEGAL MANDATE

The South African Diamond and Precious Metals Regulator was established by the Diamonds Act 1986 as amended in 2005 to administer the following legislation:

- Diamonds Act, 1986 (as amended)
- Precious Metals Act, 2005
- Diamond Export Levy Act, 2007 in collaboration with the South African Revenue Services (SARS)

KEY STRATEGIC OBJECTIVES

- To regulate the diamond and precious metals industries to the benefit of all South Africans.
- To ensure that the precious metals and diamond resources of South Africa are exploited and developed in the best interest of the people of South Africa.
- To promote equitable access to and local beneficiation of South Africa's precious metals and diamonds.
- To promote the sound development of precious metals and diamond enterprises in South Africa.
- To ensure efficient and cost-effective administration.

Legal & Compliance

Strategic Objectives	Measures	Target	Actual	Comments
Regulate the downstream trade in and beneficiation of diamonds and precious metals in the Republic.	Facilitate applications for licences, permits and certificates to ensure compliance.	To provide accurate information and assistance to prospective applicants.	245 Meetings with diamond sector applicants and 316 meetings with precious metals sector applicants.	Ongoing as per helpdesk consultations.
	Processing and issuing of licences, permits and certificates.	Adherence to regulated timeframes.	853 New diamond applications received and a total of 673 licences issued. During the period 873 new Precious Metals applications received and 339 licences issued.	571 Applications in process as at end March 2010. 143 Incomplete applications were received and eventually returned to applicants.
Facilitate the orderly development of the respective industries through compliance with licensing requirements.	Conduct compliance audits on business undertakings of licences issued with regard to HR develop-ment, Ownership & Joint Ventures, Employment Equity and Procure-ment.	Implementa-tion of telephonic audits of business undertakings of 577 diamond licences issued in 2007/8.	300 Audit calls achieved to date with in-depths inspections/ audits of 14 diamond beneficiation licences.	Measures taken by industry to cope with the global economic recession included closing earlier for the December holidays with most of these businesses only returning mid February 2010. This postponed audit appointments planned for the period and together with capacity constraints, contributed to under achievement of compliance audit targets. Human Resource Development: Of the 14 major diamond beneficiation operations audited, all but two companies reported that they conducted skills development programmes for staff. 80% of such training was conducted in-house. Ownership & JV's: 3 Companies reported BEE ownership of 40% plus. The remaining 11 companies confirmed BEE ownership or employee trusts with percentages ranging between 15 - 26%.

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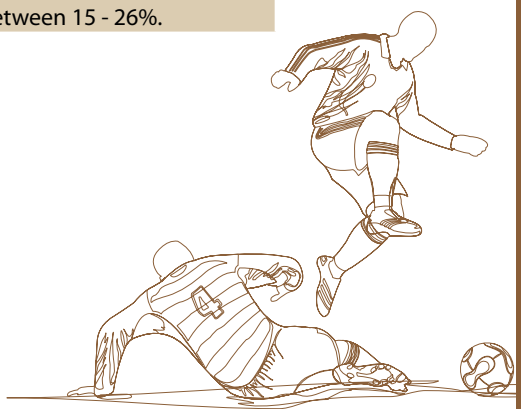
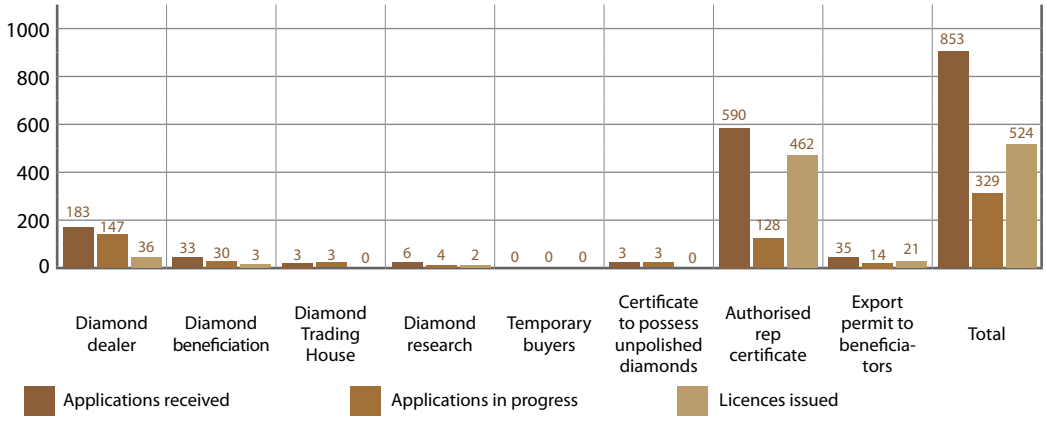


Strategic Objectives	Measures	Target	Actual	Comments
Facilitate the orderly development of the respective industries through compliance with licensing requirements.				Employment Equity: The 14 companies employed a total of 1 450 workers of which 446 workers were unfortunately retrenched during the period under review, bringing the current total workforce of these companies to 1004 employees. Undertakings with regard to procuring goods and services from BEE compliant companies were achieved by 70% of the companies audited. Preliminary results for 285 audits of micro and medium-sized companies and individual licence holders indicate that problems experienced are mainly attributed to the global economic downturn, unavailability of goods and high prices. The majority of these licensees reported no activity for the period under review.
Conduct activities to facilitate efficient application lodgements and processing.	Facilitate regional workshops/ information sessions for stakeholders and prospective applicants.	1. Informing and updating applicants on regulated submission requirements. 2. Minimise incorrect application by matching proposed business activity with application type. 3. Accelerated internal flow of application processes.	Eastern Cape - April '09.	The information session held in the Eastern Cape conclude the series of regional sessions held during Feb/March 2009. Future sessions to be conducted as informed by operational needs analysis.
	Continually assess administrative processes. Minimise risk of licence fraud.	4. Improved efficiency of processes. 5. Launch electronic licence certificates.	Resolved systems design issues on licensing module. Water-marked, pre-numbered stationery in place.	Software development and templates in progress for June 2010 implementation.

DIAMOND LICENSING

Licensing statistics for the period under review is reflected in chart 1 below.

Chart 1: Diamond Licensing 2009/2010

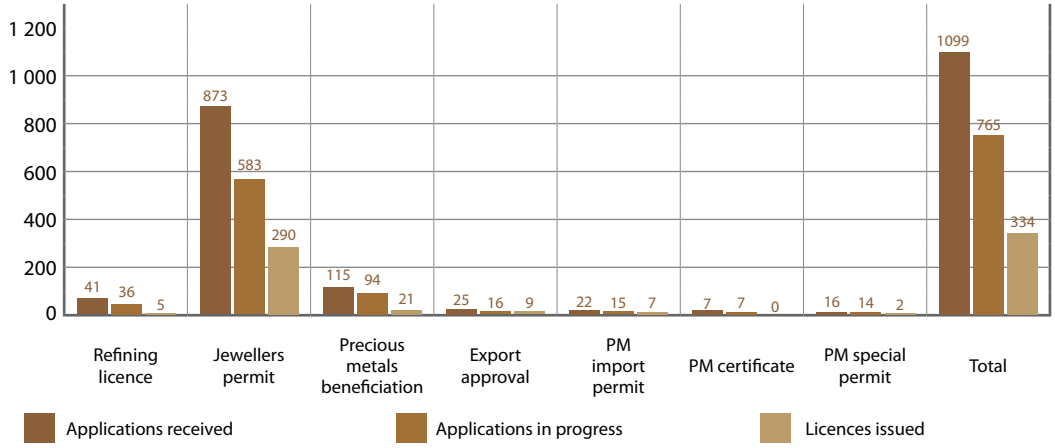


PRECIOUS METALS LICENSING

Transitional arrangements legislated in terms of the Precious Metals Act expired on 30 June 2009. The lodgement of applications for new order licences initially started off at a very slow rate in this sector, peaking only during the latter half of June 2009 with the majority of applications being lodged on the 30th of June 2009.

Chart 2 below reflects licensing statistics for the precious metals downstream industry for the period under review.

Chart 2: Precious Metals Licensing 2009/2010



Note: *Precious Metal Beneficiation licences provides for the fabrication of a diverse range of products containing either gold or platinum-group metals but excludes the manufacturing of jewellery as a primary activity. Provision is made for industries as diverse as the catalytic convertor manufacturing industry, medical research facilities and dental laboratories.*

CONCLUSION

When measured against historical statistical data available, a decline in applications for new order licences is evident, notably in the jewellery manufacturing sector.

The global economic downturn which negatively affected trading activities in both industry sectors during the period under review is regarded as having contributed largely to the decline in application for new order licences.

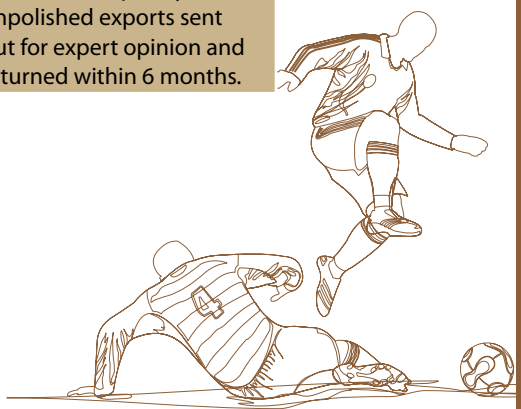
In pursuance of its objectives to provide equitable access to all, the Regulator is pleased to report an increase in the number of HDSA's now actively participating in both the diamond and precious metals industry by virtue of having been issued licences either in their personal capacity or by means of partnerships and shareholding.

Both the diamond and precious metals industry sectors have displayed a willingness to participate in skills development, mentoring and training of historically disadvantaged individuals as reflected in the ongoing compliance audits conducted across the sectors.

DIAMONDS

Diamond Exchange and Export Centre (DEEC)

Strategic Objectives	Measures	Target	Actual	Comments
Facilitate the buying and selling of unpolished diamonds.	Number of parcels received for tenders.	100% of parcels received.	3 107	Parcels received under the period were 27% more compared to last year's actual outcome.
	Carats received for tenders.	100% of carats received.	2 828 035	An increase of 47% occurred in terms of weight of diamonds (in carats) submitted by industry.
	Number of parcels sold locally on tenders.	100% of parcels suitable for local consumption.	1 133	The number of diamond parcels sold to the local market increased by 34% from the previous year.
	Weight in carats of diamonds that qualified for export.	100% of carats not sold during tender.	1 784 318	This caratage qualified for export after being offered for four days to the local market – 27% increase from previous year.
	Number of viewers visiting DEEC.	100% of interested viewers.	1 234	A total of 50 viewers could not be accommodated due to lack of space.
Facilitate the export and import of diamonds.	Number of unpolished exports processed.	100% of parcels received for export.	1 127	Due to the economic meltdown, unpolished exports dropped by 57% compared to last year.
	Number of polished exports processed.	100% of parcels received for export.	966	Polished exports went down by 17%.
	Number of unpolished imports processed.	100% of parcels received for import.	230	Unpolished imports dropped by 184% to 230 relative to last year.
	Number of polished imports processed.	100% of parcels received for import.	907	Polished imports dropped by 29% as compared to last year.
	Number of deferments granted.	100% of parcels qualified under section 64 of the Act.	31	Deferments dropped by 674% compared with last year. These are temporary unpolished exports sent out for expert opinion and returned within 6 months.



Diamond Exchange and Export Centre (continued)

Strategic Objectives	Measures	Target	Actual	Comments
Administer and control the import and exports of unpolished diamonds.	Number of Kimberley Process certificates issued and received.	100% issue and receipt of KP certificates on all unpolished consignments.	1376	There was a 6% decrease in the total number of KP certificates issued and received as compared to last year.
	Number of audit trails conducted on parcels received at the DEEC.	Audit trails are done on suspicious parcels.	As and when a need arose.	Supporting proof (copies of broker's notes) for all DEEC parcels are received and attached to parcel submission receipts.
Ensure excellent service delivery.	Number of complaints from the industry.	To reduce number of complaints by improving on internal systems.	5	All complaints from industry were attended to and some suggestions for improvements were considered and implemented.

Diamond Inspectorate

To conduct compliance inspections to enforce the law.	Number of new business premises inspections.	360	371	A total of 341 premises inspected were found to be in compliance and 30 were disapproved (non-compliant).
	Number of follow-up inspections on issued licences.	106	106	The 106 figure represents 20% of all licences (546) that were issued in the first of the new order licence regime.
	Number of follow-up inspections with registered and non-registered producers.	118	69	118 diamond producers were registered with the Regulator as per the diamond regulations (58% complete).

Kimberley Process Certificated Imports & Exports

Imports

A total of approximately 742 thousand carats of unpolished diamonds valued at $435 million were imported into the Republic of South Africa in the year 2009.

The majority of South Africa's diamond trade is with the European Community (mainly Belgium, and the United Kingdom). More than 70% of imports are from the United Kingdom and Belgium.

Chart 3: Imports (value)

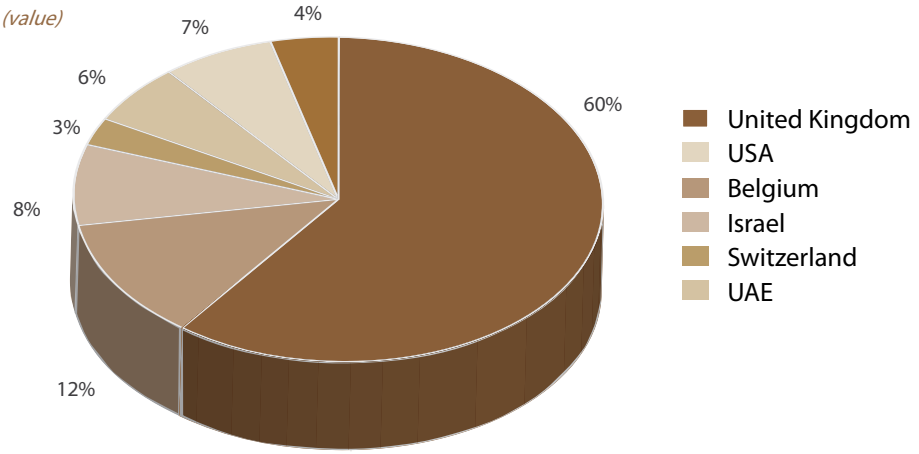
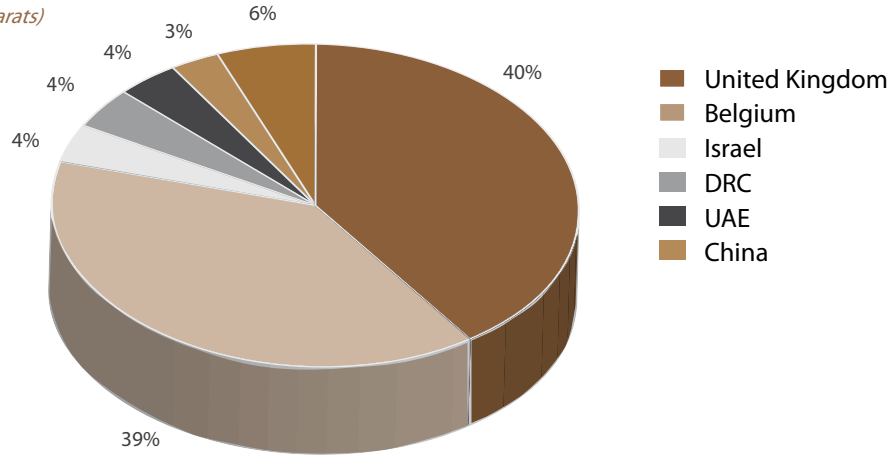


Chart 4: Imports (carats)



Exports

South Africa exported a total of 10 million carats of unpolished diamonds valued at approximately $1 billion. The majority of the unpolished diamonds are exported to the United Kingdom and Belgium. Unpolished diamonds to the value of more than $187 million were exported to the European community

Chart 5: Exports (carats)

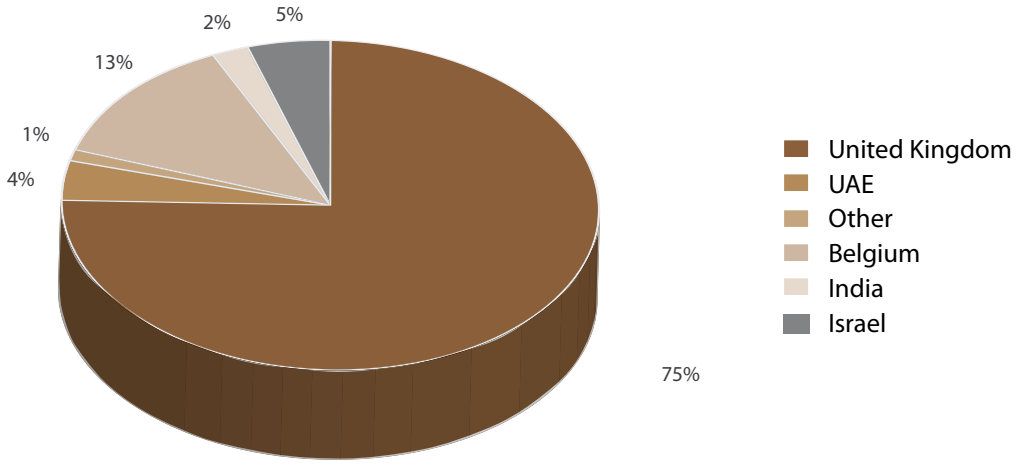
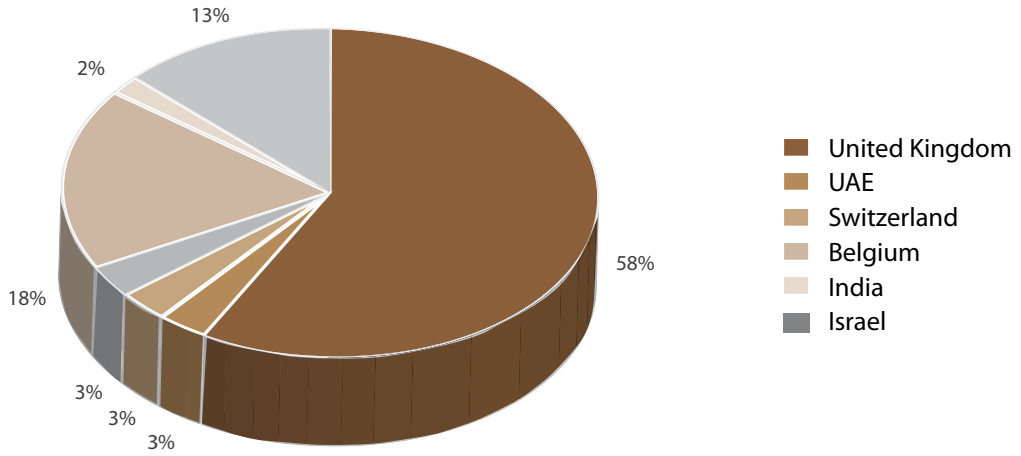
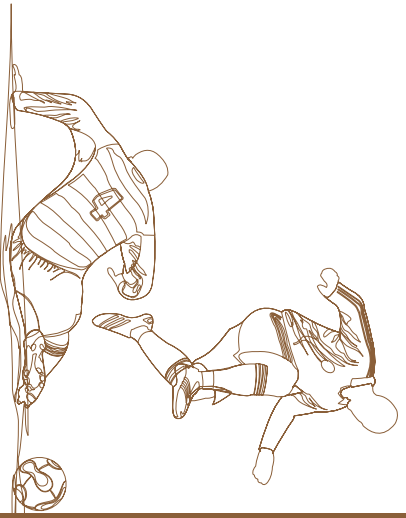


Chart 6: Exports (value)



EXPORTS 01 APRIL 2009 to 31 MARCH 2010										
Participant	Q1		Q2		Q3		Q4		TOTAL	
	Carats	Value USD	Carats	Value USD	Carats	Value USD	Carats	Value USD	Carats	Value USD
Belgium	320 929.79	31 806 419.95	300 563.93	39 162 547.30	302 133.91	56 031 469.64	353 318.02	60 904 091.43	1 276 945.65	187 904 528.32
Botswana	16.31	500.74	312.05	2 399 880.00	1 365.07	2 513 967.82	1 741.06	3 036 011.00	3 434.49	7 950 359.56
Canada					178.26	17 280.00			178.26	17 280.00
Democratic Republic of Congo	27 276.29	38 234.63			25.02	500.52			27 301.31	38 735.15
India	25 953.40	1 482 853.25	35 385.69	2 688 293.88	134 808.40	11 871 406.30	24 106.13	2 602 393.44	220 253.62	18 644 946.87
Israel	50 413.31	14 625 146.23	122 594.08	21 876 389.02	116 133.09	39 212 201.29	244 864.70	62 747 188.23	534 005.18	138 460 924.77
Lebanon	173.56	158 200.00							173.56	158 200.00
Lesotho										
Lithuania							127.12	2 000.00	127.12	2 000.00
Namibia					231.39	104 130.00	366.68	311 703.50	598.07	415 833.50
Mauritius	416.93	55 318.86							416.93	55 318.86
Peoples Republic of China	254.74	217 268.00	10 228.00	1 144 699.69	3 742.84	1 426 502.70	41 153.34	7 471 791.50	55 378.92	10 260 261.89
Switzerland	374.72	4 000 000.00	1 610.28	3 881 339.00	7 996.43	6 009 229.00	23 428.74	12 326 800.00	3 3410.17	26 217 368.00
Thailand			900.15	101 110.00			1 297.23	216 843.03	2 197.38	317 953.03
United Arab Emirates	33 454.10	4 178 114.00	132 136.68	5 867 755.87	109 656.94	1 010 5421.29	66 160.10	9 021 226.06	341 407.82	29 172 517.22
United Kingdom	995 578.61	181 063 856.09	2 006 355.95	224 800 934	2 483 239.59	71 487 032.43	2 146 999.35	129 733 178.85	7 632 173.50	607 085 001
United States of America	1 259.07	278 657.33	406.88	1 454 407.00	1 924.93	5 734 124.16	2 054.57	8 738 548.09	5 645.45	16 205 736.58
Zimbabwe			79.20	12 449.29			15.20	399.49	94.40	12 848.78
Total	1 456 100.83	237 904 569.08	2 610 572.89	303 389 805	3 161 435.87	20 4513 265.15	2 905 632.24	297 112 174.62	10 133 741.83	1 042 919 814

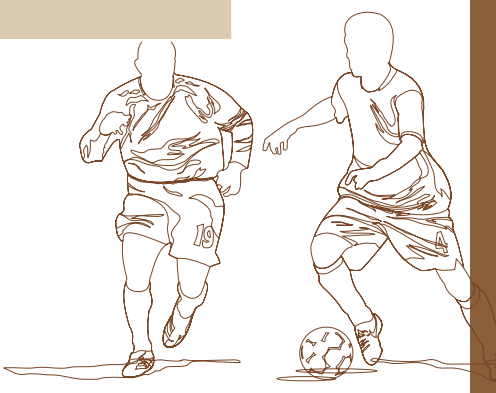


IMPORTS 01 APRIL 2009 to 31 MARCH 2010

Participant	Q1		Q2		Q3		Q4		TOTAL	
	Carats	Value USD	Carats	Value USD	Carats	Value USD	Carats	Value USD	Carats	Value USD
Australia	169.28	8 990.00							169.28	8 990.00
Belgium	25 290.26	13 678 851.76	51 866.10	14 975 580.73	51 414.70	9 114 037.13	156 542.23	12 502 116.68	285 113.29	50 270 586.30
Botswana					421.09	2 521 518.88	448.66	2 425 560.00	869.75	4 947 078.88
Canada							1.08	75.00	1.08	75.00
Central African Republic						315.64	187 849.85	315.64	187 849.85	
Democratic Republic of Congo	27 401.83	159 011.23			3 154.45	465 364.67	664.07	100 311.48	31 220.35	724 687.38
Guinea							670.46	90 000.00	670.46	90 000.00
India			4 983.58	998 313.58	3 062.54	192 550.47			8 046.12	1 190 864.05
Israel	4 074.66	3 714 959.45	12 217.08	9 142 975.48			14 992.68	22 762 319.09	31 284.42	35 620 254.02
Lesotho							937.01	62 227.00	937.01	62 227.00
Liberia					246.05	18 546.00	5 610.00	148 109.27	5 856.05	166 655.27
Namibia					562.91	906 697.36			562.91	906 697.36
Peoples Republic of China	9 440.92	4 190 633.80	13 905.41	5 666 195.25					23 346.33	9 856 829.05
Sierra Leone	19.22	17 601.00					16.90	17 000.00	36.12	34 601.00
Switzerland			374.72	4 000 000.00			13 949.46	8 516 112.20	14 324.18	12 516 112.20
Tanzania	25.90	6 965.00			229.84	28 270.32			255.74	35 235.32
Thailand	202.78	24 378.21							202.78	24 378.21
United Arab Emirates	1 598.36	1 301 748.50	17 905.67	815 827.86	10 039.93	19 839 943.59	1 049.28	4 198 032.00	30 593.24	26 155 551.95
United Kingdom	96 520.84	93 939 464.01	52 076.42	53 165 295.65	112 306.49	87 055 229.97	33 670.42	29 013 931.25	294 574.17	263 173 920.88
United States of America	13 769.16	8 013 416.07			148.80	257 000.00	423.73	22 059 599.25	14 341.69	30 330 015.32
Zimbabwe			94.44	12 848.78					94.44	12 848.78
Total	178 513.21	125 056 019.03	153 423.42	88 777 037.33	149 567.30	88 849 350.20	229 291.62	102 083 243.07	742 815.05	436 315 457.82

Government Diamond Valuator

Strategic Objectives	Key Activities	Targeted	Actual	Comments
To correctly assess the value of diamonds imported or exported in accordance with the 4Cs within industry determined time frames.	Price-book analysis and review.	To ensure that all diamonds imported and exported always reflects the Fair Market Value (FMV).	100% of all unpolished diamonds exported were valued by GDV.	A total of 2,489,136.86 carats of unpolished diamonds were examined to determine the FMV at the DEEC. This includes parcels submitted by both diamond dealers and Producers.
			100% of all unpolished diamonds imported were valued by GDV.	A total of 321,712.32 carats of unpolished diamonds were imported into South Africa and GDV valued all diamonds to ensure that they reflect the FMV to assist SARS in the calculations of the import credits. One meeting was held on 28-09-2009 between SARS and GDV representatives to compare import data.
	Verify the value of diamonds offered to the State Diamond Trader (SDT) in accordance with the Second Diamond Amendment Act.	To ensure that we verify the value of all diamonds offered to the SDT and ensure that they reflect the FMV.	100% of all unpolished diamonds offered to SDT by producers was valued by GDV.	A total of 578,491.27 carats of unpolished diamonds were offered to the SDT by various producers and were verified by the GDV in accordance with Section 59B of (6) of the Second Amendment Act (Act No. 30 of 2005). There were 10 disputes in value from Trans Hex, Alexkor, Petra (Koffiefontein) and Rockwell. Independent Diamond Valuation (IDV) has been concluded on nine (9) of the ten (10) productions with the exception of one producer. The State Diamond Trader purchased the Alexkor, Koffiefontein and Rockwell disputed goods at the IDV price. Trans Hex cycle 187 – 190 has been valued by the IDV and any purchase by the State Diamond Trader is pending.
	Describe and value exhibits held by South African Police Service (SAPS) for the purpose of court.	Ensure we assist the SAPS with all cases presented to us and appear in court when subpoenas are served on us.	100% of all confiscated exhibits presented are valued by GDV.	A total of 2 282 objects were examined of which 1 598 objects were found to be unpolished diamonds weighing 1,904.67 carats valued at R7, 303,895.29. The remaining 684 objects were examined and found to be non diamonds. There were two court subpoenas. The GDV responsible for the valuations were not required to attend as a result of their affidavits been accepted as sufficient evidence in court.
Diligently and continuously execute all control measures instituted in terms of the Act in compliance with the requirements of the KPCS.	Price book analysis and review.	Performing post tender analysis monthly to determine any movement in the market.	This resulted in us adjusting the value of all diamonds in our price book.	Currently analysing the whole price book.



STATE DIAMOND TRADER (SDT) TRADE VERIFICATION BY GDV

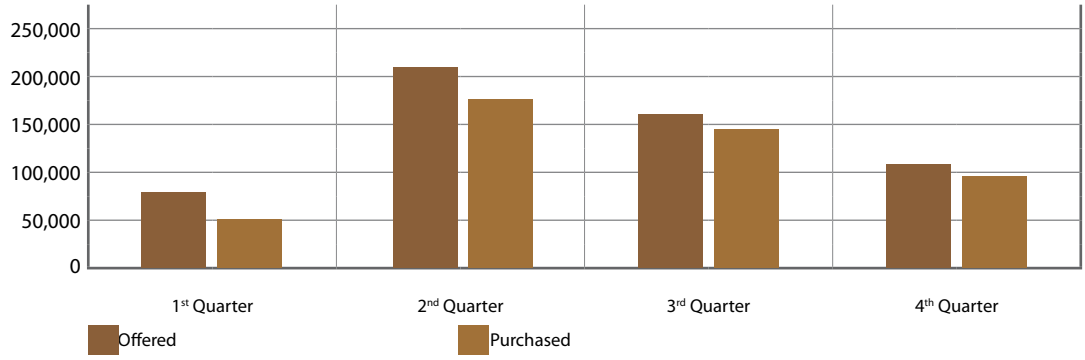
Section 59(B)(6) of the Diamonds Second Amendment Act, (Act No. 30 of 2005) states that:

- *"the Government Diamond Valuator shall verify the prices specified in terms of subsection (2)"*

Verification performed by the GDV during the period of 01 April 2009 to 31 March 2010 is detailed below.

	Carats Offered	Carats Purchases	% purchased
1st Quarter	80,569.18	50,039.35	62%
2nd Quarter	212,671.71	177,383.58	83%
3rd Quarter	169,277.62	148,670.20	88%
4th Quarter	115,900.76	97,179.27	84%
Total	578,491.27	473,272.40	82%

Chart 7: Carats offered vs carats purchased

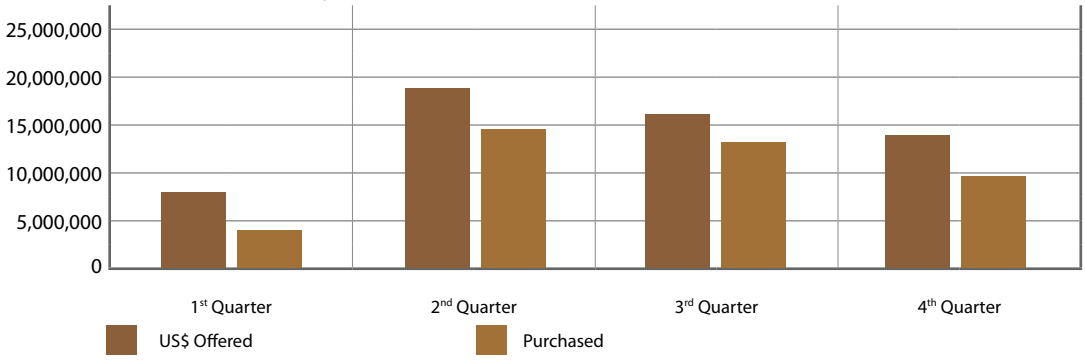


The State Diamond Trader was offered 578,491.27 carats of unpolished diamonds according to Section 59(B)(2) of the Diamonds Second Amendment Act, (Act No.30 of 2005), of which they managed to purchase 473,272.40 carats which is approximately 82% of the unpolished diamonds offered. The value of this caratage was verified by the GDV to ensure that they represent the Fair Market Value.

State Diamond Trader Purchases in US$ Value

	US$ Offered	US$ Value Purchases	% Purchased
1st Quarter	7,458,086.77	3,742,662.41	50%
2nd Quarter	18,437,557.69	14,820,849.60	80%
3rd Quarter	15,968,437.34	13,041,093.75	82%
4th Quarter	13,817,820.06	9,420,442.94	68%
Total	55,681,901.86	41,025,048.70	74%

Chart 8: Value offered vs value purchased



The 10% value of the production offered to the State Diamond Trader, which was verified by the GDV, was $55,681,901.86. The State Diamond Trader only bought 74% which amounted to $41,025,048.70 during the 2009/2010 financial year.

SDT 10% Sample Value Comparison Between GDV and Producer Apr 2009 – Mar 2010

	US$ Value Producer	US$ Value GDV	% Difference
1st Quarter	7,458,086.77	5,941,249.89	-26%
2nd Quarter	18,437,557.69	15,115,877.52	-22%
3rd Quarter	15,968,437.34	15,064,762.95	-6%
4th Quarter	13,817,820.06	12,754,783.71	-8%
Total	55,681,901.86	48,876,674.07	-14%

South African Police Services valuations for period April 2009 to March 2010

Carats Valued by the Government Diamond Valuator/s

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Carats	87.10	281.92	1106.11	429.54

During the period April 2009 to March 2010 the Government Diamond Valuator/s examined and valued a total of 1904.67 carats on behalf of the South African Police Services. The high carats for the third quarter was a result of two large parcels been confiscated during the months of October and November 2009 in KwaZulu-Natal Province. The two parcels weighed 321.39 and 674.65 carats respectively.

Percentage Contribution by Carats

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
% Contribution by carats	4.57	14.8	58.07	22.55

The carats valued during the first quarter amounted to 87.10 carats which represents 5% of the annual carats examined. The second quarter (281.92cts) represents 15% by carats, the third quarter (1106.11cts) represents 58% and the fourth quarter (429.54cts) represents 23%.

Value of Carats Confiscated by the South African Police Services

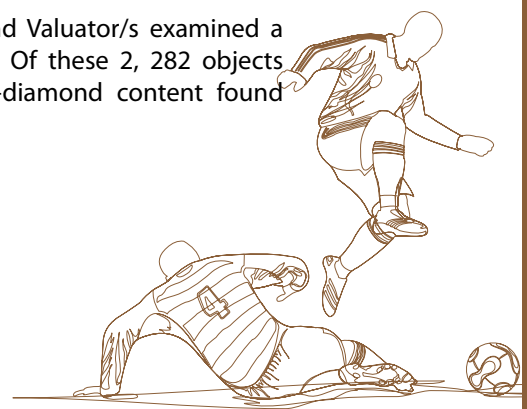
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Rand value confiscated	41,391.27	596,987.87	284,972.52	6,380,543.63

During the period April 2009 to March 2010 the Government Diamond Valuator/s valued a total of 1904.67 carats at a value of R7, 303,895.29 on behalf of the South African Police Services. In January 2010 the police confiscated 235.92 carats which the GDV valued at R5, 930,587.28. These were predominantly large stones of high value and explains the high value represented in the fourth term.

Objects Examined Versus Number of Non-Diamond Content

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Objects examined	300	370	1242	370
Non-diamond content	218	158	168	140

During the period April 2009 to March 2010 the Government Diamond Valuator/s examined a total of 2, 282 objects on behalf of the South African Police Services. Of these 2, 282 objects examined we found that 684 objects were non-diamonds. The non-diamond content found represents 30% of the total objects examined during this period.



PRECIOUS METALS

Strategic Objective	Measures	Target	Actual	Comments
Ensure that the precious metal resources of South Africa are exploited and developed in the best interest of the people of South Africa by ensuring all licence/permit holders are adhering to the provisions of the Precious Metals Act.	Improved Precious Metal register submissions: • Ensure that precious metal statistics are accurate and available to all stakeholders.	Get 85% of all licence and permit holders to submit their registers.	15%	The division has produced the new design of the jeweller's information submission forms, which is currently being distributed. The guidelines together with an example of how to complete the registers has been sent out.
	Perform follow-up Inspections on all non-compliance: • All Licence and permit holders adhering to the provisions of the Precious Metals Act and Regulations.	96 follow-up inspections.	7	Follow-up inspections were not done for the first 3 quarters of the year, due to the fact that many applications were lodged at the end of the transitional period (30 June). Most of the applications received were from the old order licence holders that were previously covered by the Mining Rights Act and a few from completely new applicants. These inspections were given first priority, in order to reduce the backlog from the Licence issuing process.
		Follow-up 90% of all non-compliance.	100%	These inspections are conducted as a result of reported non-compliance. Two inspections were requested by SAPS and Customs, for confiscated parcels that were suspected to be containing precious metals, whereas the other two inspections were requested by SAPS for suspected illegal operation: • The first inspection was on an imported parcel that contained jewellery (pendants, rings, chains, bracelets and earrings). The analysis results showed that the goods contained gold. This jewellery is classified under finished goods and a person dealing with finished goods is not required to have a permit. • The second inspection was on an export parcel belonging to one of the licence holders. The parcel consisted of gold jewellery and two bars. The analysis showed that the jewellery and the bars were made from sweeps and scraps from the manufacturing process and are classified as semi-fabricated. The licence holder did not have an export approval from the Regulator and was therefore in contravention of the Precious Metals Act.

Strategic Objective	Measures	Target	Actual	Comments
	Perform follow-up Inspections. Perform follow-ups on all non-compliances: • All Licence and permit holders adhering to the provisions of the Precious Metals Act and its Regulations.	96 follow-up inspections. Follow-up 90% of all non-compliances.	7 100%	• The third and fourth inspections were done following a tip-off received from SAPS for a business owner who was suspected to be operating without a permit. The owner was initially visited in June 2009 with the same allegation and was advised to lodge an application for a jeweller's permit, but did not do so. The owner's nature of business involves buying of semi-finished jewellery (rings) and then sets polished diamonds. There's tailings/sweeps generated from the setting process which are classified under semi-fabricated precious metals. The owner did not have a permit and was therefore in contravention of Precious Metals Act. The matter was handed over to SAPS for further investigation.
Minimise the impact of the precious metals inspectorate on the licensing application processing time.	Perform Business Premises Inspections (BPI) for new clients within 5 working days: • Minimise the impact of the Precious Metals Inspectorate on the Licensing Application Processing time.	85% of business premises inspections done within 5 days.	60%	• 60% of the premises inspections were conducted within 5 days of receiving a request from the Licensing Office and the other 40% were delayed and had to be accumulated. The inspections that have to be done in areas that are outside Gauteng are normally accumulated to save costs. The Regional offices established in Durban and Cape Town where each Inspector is based has eliminated the need to travel to those areas by the Inspectors based in Johannesburg and thereby reduced the accumulation of BPI request in those areas. However, the Regional Inspectors based in these areas currently have no pool cars and use rented cars once they have a reasonable number of premises inspections that need to be conducted.

PRECIOUS METALS INSPECTORATE

1. Inspections: A total of 555 inspections were conducted during the period under review (April 2009 - March 2010), of which 548 were done on the premises of new applicants and those of old-order licence and permit holders. Old-order licences/permits are licences/permits that were granted under the Mining Rights Act, 1967 and which were still valid in terms of section 24(3) of the Precious Metals Act, 2005 until 30 June 2009. The remainder of the inspections (7) were done on the premises of licence and permit holders who were already issued with licences and permits, i.e., these were follow-up inspections.

2. The objective of conducting premises inspections is to monitor compliance by the licence and permit holders as mandated by the Precious Metals Act and Regulations under the Act.

Chart 14: The Number of Inspections Conducted on Precious Metals Licence/Permit Holders and Applicants

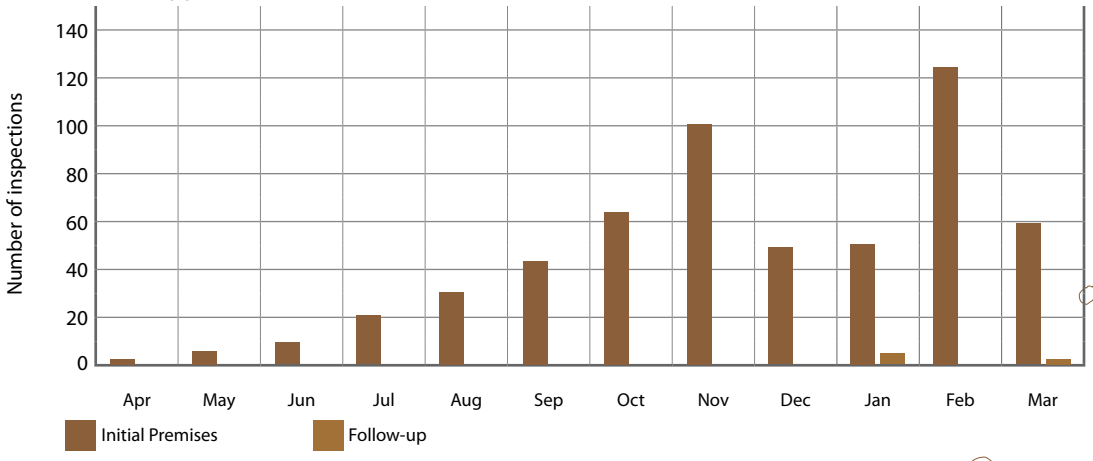


Chart 15: Breakdown of the Inspections done in 2009 by Licence and Permit Type

Licence/Permit Type	Number of Inspections
Refining	9
Beneficiation	30
Jeweller's	507
Special Permit	1
Certificate	1
Beneficiation (follow-up)	5
Jeweller's (follow-up)	2
TOTAL	555

Chart 15, which is a breakdown of the inspections conducted by licence/permit type, shows that most of the inspections were done on Jeweller's permit applicants. Few follow-up inspections were done for this period (Apr 2009 - March 2010) due to the fact that most applications were lodged at the end of the transitional period (30 June 2009). Most of the applications received were from the old order licence holders that were previously covered by the Mining Rights Act and a few from completely new applicants. These inspections were given first priority, in order to reduce the backlog from the Licence issuing process.

Quality Assurance Inspector

1. Inspection of imports: Standard operating procedures for the inspection of imports at OR Tambo International Airport were finalised and signed-off in August 2009. Risk-based inspections of precious metal imports began in the last quarter of 2009.

2. Register of transactions: Precious Metal registers and information submission forms were simplified during 2009 after feedback from licensees and permit holders. Registers and information submission forms with the new format were distributed to licensees and permit holders during the first quarter of 2010 and are effective for the 2010/2011 financial year.

3. Precious Metal Data capturing module: During 2009 the precious metal registers and information submission forms data capturing system was scoped. The data capturing module is expected to be implemented towards the end of 2010.

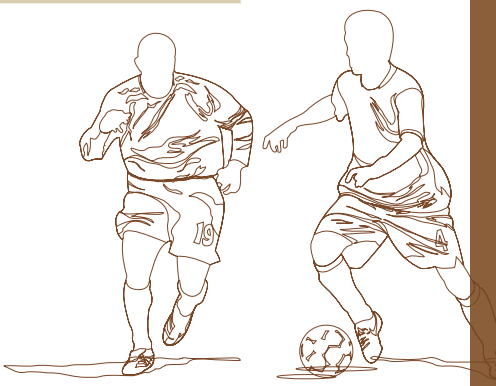
BENEFICIATION

The Beneficiation Sub-division is involved with various beneficiation promotion, research and technical advisory activities relating to precious metals and diamonds.

Some of these activities and the strategic objectives are elaborated on below:

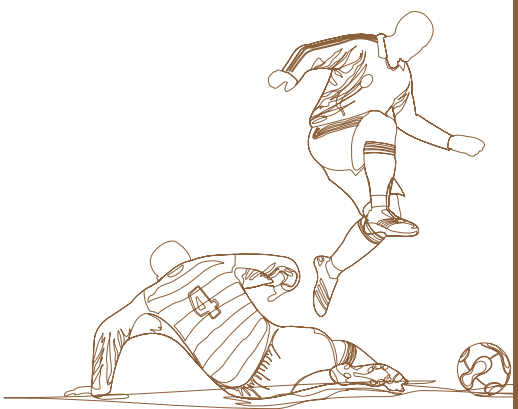
Strategic Objective 1	Measures	Target	Actual	Comments
Promotion of diamond and precious metals beneficiation.	Beneficiation strategy formulation and implementation.	A diamond and precious metals beneficiation strategy for South Africa.	The SADPMR provided a *"Beneficiation Concepts Document"* as input to the Beneficiation Strategy that was being formulated by the Department of Mineral Resources (DMR).	The Strategy is currently in progress

Strategic Objective 2	Measures	Target	Actual	Comments
Knowledgebase on Diamonds and precious metals.	Represent South Africa at Kimberley Process Working Group Diamond Experts (WGDE) meetings and conferences; provide research and analysis on technical issues; write reports.	Achieve best practice in the implementation of the Kimberley Process Certification Scheme (KPCS).	1. Kimberley Process Working Group Diamond Experts: Changes to the Terms of Reference of the Working Group Diamond Experts was adopted by the Kimberley Process Plenary meeting in November 2009. 2. A draft of alternative wording for Harmonised System (HS) tariff codes relating to diamonds was drafted and sent to the WGDE members for their comments. 3. A draft of a new definition for "diamond powder" was completed and sent to the WGDE members for their comments.	Changes to the Terms of Reference of the Working Group Diamond Experts (WGDE) incorporated the mandate received through UNSC Resolution 1893 (2009) on Cote d'Ivoire to coordinate research on improving the diamond footprint of Cote d'Ivoire. In order to accomplish this task, the Plenary adopted the creation of a scientific Sub-Group on Characterisation and Identification of Rough Diamonds operating under the WGDE.



Strategic Objective 2	Measures	Target	Actual	Comments
	Provide technical insight, advice and research with regard to issues relating to the Diamond & Precious Metals industries inter alia through the Technical Committee of the Board.	Establish the SADPMR as an authority on the SA Diamond & Precious Metals industries.	1. Technical advice was provided to the GDV and Inspectorate relating to the implementation of the Diamond Export Levy Act. 2. Technical advice was provided to the Licensing Division relating to applications for approvals as minted bar manufacturers. 3. Technical advice was provided to the Licensing Division and new applicants relating to applications for precious metal import permits and export approvals.	Minted bars: The first registration of an approved manufacturer of minted bars was completed in early 2009. Minted bars were manufactured by the approved manufacturer and made available for the local market during the year. Three additional applications for registration as approved manufacturers were received in January and February 2010.
	Compile a database of platinum and palladium jewellery fabricators in South Africa.	Gauge beneficiation trends in South Africa.	Database updated with Jewellery Permit applications that were approved in 2009.	A report on broad characteristics of the precious metal industry players was also compiled in 2009.
Strategic Objective 3	**Measures**	**Target**	**Actual**	**Comments**
Facilitate and/or develop projects that will enhance both compliance and value addition.	Facilitate and coordinate the development of a Diamond Provence Laboratory in South Africa (at MINTEK).	Support knowledge base, compliance and value-addition.	4. Semi-quantitative scans began in January 2010. All scientific parameters were defined for the trace element study. 5. A homogeneous carbon-based standard for the quantitative work has been identified (cellulose pellet) and received from GEMOC, Australia. 6. Receipt and training of Qlikview software: this software allows the integration of the morphological and chemical data to allow for discrimination of parcels. 7. Final report obtained from the Council for Geoscience: the Cullinan-Rayton area was identified as a good target to obtain diamonds to link an alluvial deposit with 2 kimberlites. Petra Diamonds loaned 20 diamonds from the Cullinan/Premier kimberlite. 8. Method for the LA-ICP-MS has been finalised and a report has been compiled.	MINTEK has established a Diamond Origin Assessment laboratory, for which the SADPMR had provided initial capital expenditure.

Strategic Objective 4	Measures	Target	Actual	Comments
Imple-mentation of the Precious Metals Act, 2005 and regulations under the Act.	Advise on the implementa-tion of the Precious Metals Act, 2005 and Regulations under the Act.	Monitoring and control of the precious metals industry in South Africa in support of local beneficiation.	The Beneficiation Strategist provided advice on the implementation of the Precious Metals Act, 2005 when requested by clients, the Licensing Division, Precious Metals Inspectorate and the Legal and Compliance Division.	A workshop was held to provide input on possible amendments. The Beneficiation Strategist provided a list of sections that will require amendments and the rationale therefore.



Human Resources Department

The Human Resources Department provides management support services to the SADPMR regarding human resource and efficiency management, human resource development and capacity building. During the year under review, the HR Department provided support services to line function divisions with a focus on all HR matters thus aligning to strategic objectives. A considerable effort was made to recruit and retain employees to deliver on the mandate of the organisation. The Regulator headcount currently stands at 80 employees and three (3) Interns as at period of reporting.

Employment Equity is one of the key focus areas for the Organisation as required in terms of the Employment Equity legislation. On page 33 is the table indicating the employment equity in terms of race and gender:

Strategic Objective	Action/ Activities	Targeted Outcome	Actual	Comments
The SADPMR meets its recruitment requirements in line with Employment Equity Act (EEA).	Advertise and select best suitable candidates for vacant positions.	Attract a pool of skilled candidates.	19 employees were appointed in 2009/10 financial year. 11 employees terminated their services. The staff compliment in 2009/10 was 54 Female (45 African, 4 Coloured, 2 Indian, 3 White) and 29 Male (22 African, 1 Coloured, 3 Indian, 3 White).	7 posts are vacant.
Ensure compliance to legislation and internal policies governing employment relations.	Draft and implement new policies and review existing new ones.	Achieve best practice in the implementation of HR Policy and related legislation and regulations.	Performance Management Development System (PMDS) policy was approved in November 2009.	Remuneration Policy, Bereavement Policy, Acting Allowance and Leave policy are under review.
Training and Development.	Facilitate and coordinate needs based training and development for employees.	Approved WSP and Financial Study Aid were implemented.	29 staff members attended training in 2009/10 financial year. The SADPMR employees performance was reviewed twice in 2009 financial year and the incentives as a result of the performance assessment was paid in April 2010.	The Study Assistance Policy is being converted into a Bursary Policy which is currently at draft stage to encourage more employees to study further.
Employee wellness.	Coordinating an effective outsourced Employee Assistance Programme for SADPMR employees.	Monitoring the utilising rate of the EAP programme and seek interventions when need arises.	33 employees' problems were managed through ICAS services.	

Strategic Objective	Action/ Activities	Targeted Outcome	Actual	Comments
Promotion of Employee Relations.	Provide Employee Relations Training to Managers and Supervisors.	Adherence to Employee Relations processes and procedures in line with internal policies and national legislation.	8 - Misconducts were addressed through disciplinary hearings, 1 x case addressed in CCMA and 1 x case withdrawn from CCMA, 2 cases addressed in grievance hearing, overall 11 grievances resolved in 2009. The employer signed the recognitions of agreement with NUM on 27 November 2009 and the union office bearers were elected on 03 March 2010. Labour-net conducted x 2 free seminar for Managers and Supervisors and x 1 paid in-house workshop for Managers and Supervisors.	
Promotion of Employee Relations.	Provide Employee Relations Training to Managers and Supervisors.	Adherence to Employee Relations processes and procedures in line with internal Policies and national legislation.	8 - Misconducts were addressed through disciplinary hearings, 1 x case addressed in CCMA and 1 x case withdrawn from CCMA, 2 cases addressed in grievance hearing, overall 11 grievances resolved in 2009. The employer signed the recognitions of agreement with NUM on 27 November 2009 and the union office bearers were elected on 03 March 2010. Service providers conducted x 2 free seminar for Managers and Supervisors and x 1 paid in-house workshop for Managers and Supervisors.	

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	0	0	0	0	0	0	0	0	0	1
Senior management	4	0	0	0	2	0	1	1	0	1	9
Professionally qualified and experienced specialists and mid-management	10	1	2	2	10	1	1	1	1	0	29
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	3	0	0	0	12	2	0	0	0	0	17
Semi-skilled and discretionary decision making	3	0	0	1	11	1	1	1	0	2	20
Unskilled and defined decision making	0	0	0	0	4	0	0	0	0	0	4
TOTAL PERMANENT	21	1	2	3	39	4	3	3	1	3	80
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Interns	1	0	0	0	2	0	0	0	0	0	3
GRAND TOTAL	22	1	2	3	41	4	3	3	1	3	83

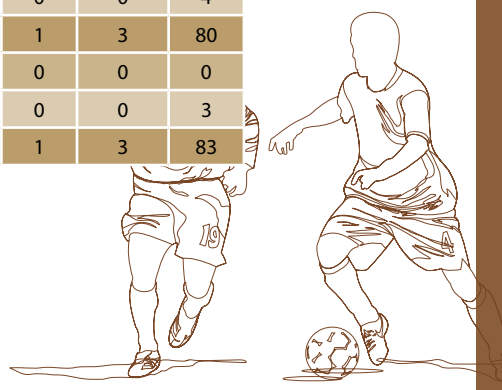
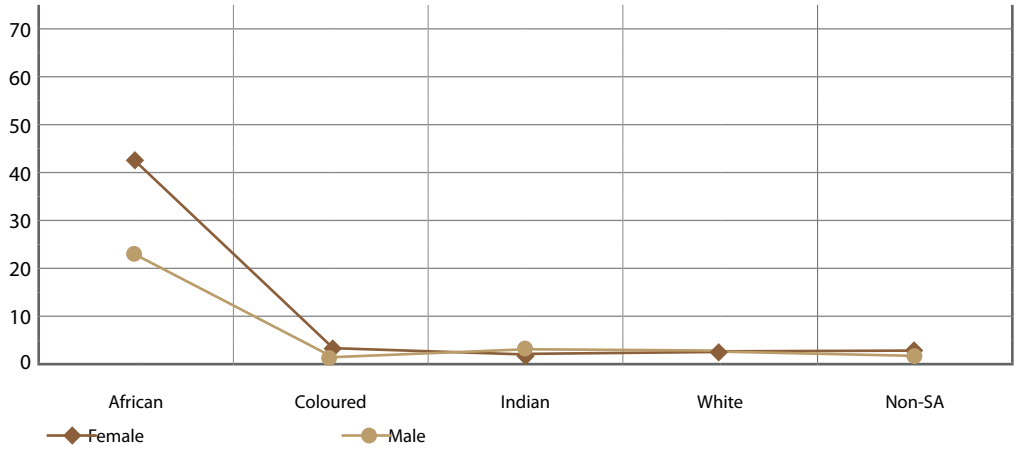


Chart 16: Employment equity

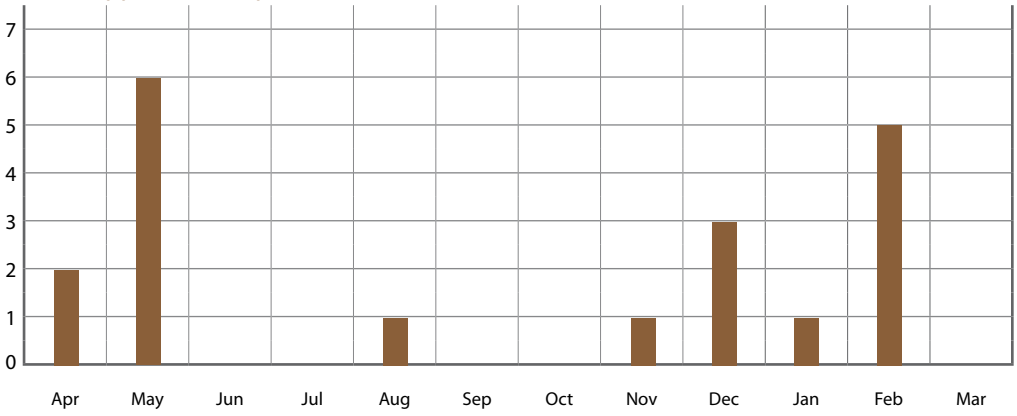


The table below indicates the workforce movement within SADPMR.

Chart 17: Recruitment and Selection

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	0	0	0	0	0	0	0	0	0	1
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	3	0	1	0	2	0	0	0	0	1	7
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	2	0	0	0	0	0	2
Semi-skilled and discretionary decision making	0	0	0	0	5	0	0	1	0	0	6
Unskilled and defined decision making	0	0	0	0	1	0	0	0	0	0	1
TOTAL PERMANENT	4	0	1	0	10	0	0	0	0	1	17
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Interns	2	0	0	0	1	0	0	0	0	0	3
GRAND TOTAL	6	0	1	0	11	0	0	1	0	1	20

Chart 18: New Appointments per Month



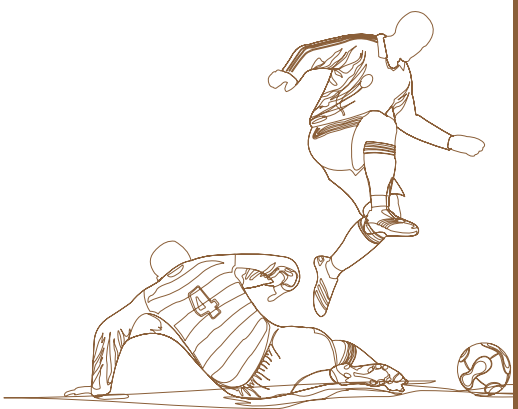
The table below indicates the transfers within SADPMR

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	0	0	0	0	0	0	0	0	0	0	0
Senior management	0	0	0	0	0	0	0	0	0	0	0
Professionally qualified and experienced specialists and mid-management	0	0	0	0	0	0	0	0	0	0	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	-1	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	1	0	0	0	0	0	0	0
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	0	0	0	1	0	0	0	0	0	0	1
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Interns	0	0	0	0	0	0	0	0	0	0	0
GRAND TOTAL	0	0	0	1	0	0	0	0	0	0	1

* The incumbent was transferred from DEEC: Registering Officer to Maintenance position.

The table below indicates the employment termination within SADPMR

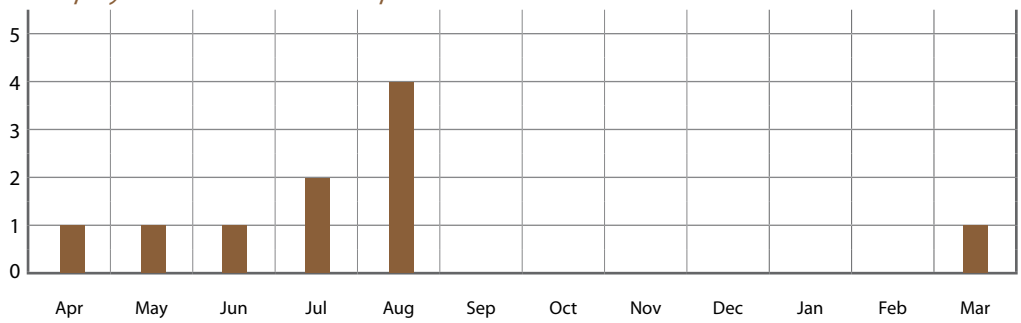
Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1	0	0	0	0	0	0	0	0	0	1
Senior management	1	0	0	0	0	0	0	0	0	0	1
Professionally qualified and experienced specialists and mid-management	1	0	0	0	0	0	0	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	0	0	0	0	0	0	0	0	0	0	0
Semi-skilled and discretionary decision making	0	0	0	0	1	0	0	1	0	0	2
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
TOTAL PERMANENT	3	0	0	0	1	0	0	0	0	0	4
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Interns	2	0	0	0	4	0	0	0	0	0	6
GRAND TOTAL	5	0	0	0	5	0	0	1	0	0	11



The table below indicates the termination categories within SADPMR

Terminations	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Resignation	3	0	0	0	0	0	0	1	0	0	4
Non-renewal of contract	1	0	0	0	5	0	0	0	0	0	6
Retrenchment – operational requirements	0	0	0	0	0	0	0	0	0	0	0
Dismissal - misconduct	0	0	0	0	0	0	0	0	0	0	0
Dismissal - incapacity	0	0	0	0	0	0	0	0	0	0	0
Retirement	0	0	0	0	0	0	0	0	0	0	0
Death	1	0	0	0	0	0	0	0	0	0	1
TOTAL	5	0	0	0	5	0	0	1	0	0	11

Chart 19: Employee Service Termination per Month



Vacancies

At the period of reporting, eight (8) positions were vacant.

The table below indicates the Skills Development within SADPMR

Occupational Levels	Male				Female				Total
	A	C	I	W	A	C	I	W	
Top management	0	0	0	0	0	0	0	0	0
Senior management	1	0	1	0	2	0	0	0	4
Professionally qualified and experienced specialists and mid-management	3	0	1	0	1	0	0	0	5
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1	0	0	0	4	0	1	1	7
Semi-skilled and discretionary decision making	1	0	0	0	7	0	0	1	9
Unskilled and defined decision making	1	0	0	0	1	0	0	0	2
TOTAL PERMANENT	7	0	2	0	15	0	1	2	27
Temporary employees	0	0	0	0	0	0	0	0	0
Interns	0	0	0	0	2	0	0	0	2
GRAND TOTAL	7	0	2	0	17	0	1	2	29

Chart 20: Skills Development Data in terms of Gender and Racial Groups

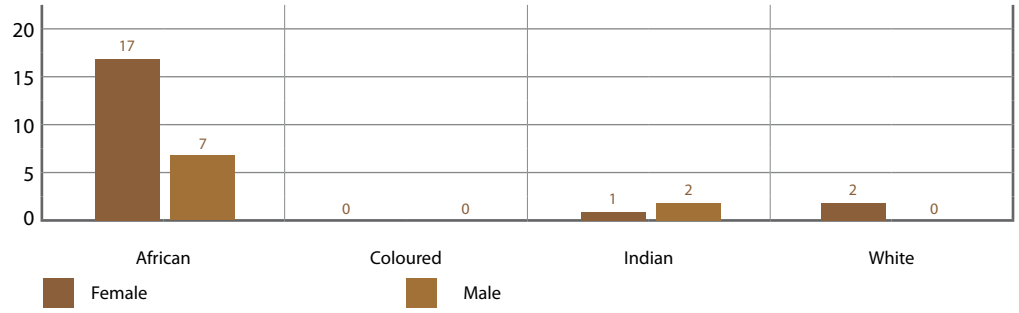
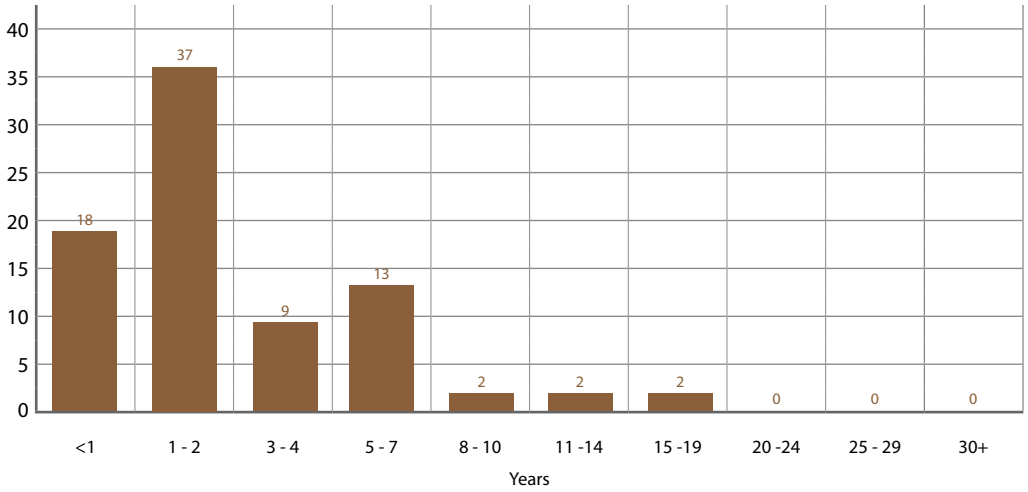


Chart 21: Length of Service in Years



Performance Management

- The performance appraisal for the period of 01 April 2009 to 31 March 2010 has been completed and the employees have been appraised accordingly.

Workshops

The following workshops took place in 2009/10 financial year:

- Employees Wellness Workshop for all staff members
- Remuneration workshop for managers and supervisors
- PMDS workshop for all staff members
- Disciplinary hearing workshop for managers and supervisors
- BCEA workshop for managers and supervisors

Labour Relations Management

1. The employer signed the recognitions of agreement with NUM on 27 November 2009 and the elections of office bearers/union representatives took place on 03 March 2010.
2. Counselling sessions and disciplinary hearings performed during 01 April 2009 to 31 April 2010.

Counselling sessions	Number	% of total
Correctional counselling	0	0
Verbal warning	3	30%
Written warning	0	0
Final written warning	6	60%
Suspended without pay	0	0
Fine	0	0
Demotion	0	0
Dismissal	0	0
Not guilty	0	0
Case withdrawn	1	10%
Total	10	100%
Total disciplinary hearings - 2009/10	7	

3. Type of misconduct addressed at disciplinary hearings.

Type of misconduct	Number	% total
Insubordination	1	14.28%
Gross negligence	5	57.14%
Breach of company rules and regulations	2	28.57%
Total	8	100%

4. Grievances lodged and hearing.

	Number	% total
Number of grievances resolved	11	100%
Number of grievances not resolved	0	0
Total number of grievances lodged	11	100%
Total number of grievance hearing	2	100%

5. Allegations not addressed.

	Number	% total
Allegation pending due to investigations	1	50%
Allegation pending due to unforeseen circumstances	1	50%
Total	2	100%

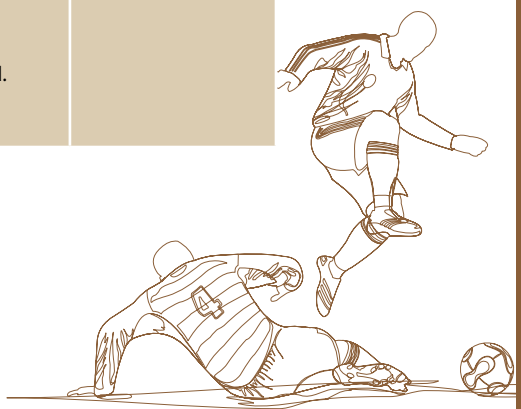
6. Withdrawal and addressed cases in CCMA.

	Number	% total
Cases addressed in CCMA	1	50%
Cases withdrawn from CCMA	1	50%
Total	2	100%

Information Communication Technology (ICT)

Strategic Objectives	Action/Activities	Target	Actual	Comments
1. Ensuring information and communication technologies are driven by business needs.	Mapped business process for Divisions: Diamond Exchange and Export Centre (DEEC) & Precious Metals; Inspectorate; Cashier Console.	SADPMR-Admin System fully implemented.	Modules Developed & Functional: DEEC; Cashier Console; Inspectorate; Licensing.	
	Mapped business process for Division: Finance.	Pastel Evolution fully implemented.	Pastel Evolution integrated with SADPMR-Admin System.	
	Development of SADPMR Admin System.	Module 1: DEEC Tender. Module 2: Licence: Diamond & Precious Metals. Module 3: Inspector: Diamond & Precious Metals. Module 4: Finance – Cashier Console. Module 5: Reporting.	Review of the 'teething' issues. Documentation/ Operational Manual compiled.	To develop & Implement Precious Metals Register Module & Diamond Register Billing.
2. Projects: Disaster Recovery Plan (DRP) & Business Continuity Plan (BCP). Centralised storage. Security. Bandwidth. Change management.	Project scope Architecture Solution.	DRP & BCP Implemented and Documented.	• Project scope documented. • The original architecture solution and its costing were submitted to relevant committees.	• Plan of action is to get the solution onto a monthly cost as per business requirements.
	Identify & compile Risk Matrix.	Risk Matrix Completed.	• Workshop held: MANCO – Align DRP & BCP - completed.	• Risk register compiled.
3. ICT Service Delivery & Support.	Provide assurance that the ICT service management practices will ensure the delivery of the level of services required to meet the organisation's objectives.	• Implementation of ICT Helpdesk System. Divisional Training.	• ICT Helpdesk (Pastel Resolve) - implementation completed. Divisional Training completed.	Ongoing training for new staff & any new implementations.

2010



Annual Financial Statements

Contents

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Accounting Authority's Responsibilities and Approval

The members of the Board are required by the Public Finance Management Act (Act 1 of 1999), 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 members of the Board to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor-General of South Africa was engaged to express an independent opinion on the annual financial statements and was 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 Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

The members of the Board have reviewed the entity's cash flow forecast for the year to 31 March 2011 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Regulator is dependent on the Government Grants, Licence, Penalties and Service Fees for continued funding of operations. The annual financial statements are prepared on the basis that the Regulator is a going concern and that it has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the members of the Board are primarily responsible for the financial affairs of the entity, they are supported by the entity's internal auditors.

The Auditor-General of South Africa is responsible for independently reviewing and reporting on the entity's annual financial statements. The annual financial statements have been examined by the Auditor-General of South Africa and his report is presented on page 44 to 47.

The annual financial statements set out on page 48 to 96, which have been prepared on the going concern basis, were approved by the accounting authority on 27 May 2010 and were signed on its behalf by:

Mr. S Phiri
Chairperson

Mr. G L Rapoo
Chief Executive Officer

2010

Report of the Audit Committee

We are pleased to present our report for the financial year ended 31 March 2010.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet twice per annum as per its approved terms of reference. During the current year four meetings were held.

The Audit Committee was reconstituted from 1 November 2007 and consists of a maximum of five independent non-executive members appointed by the Board of the Regulator. The Chief Executive Officer, Chief Financial Officer, representatives of the outsourced Internal Auditors and the Auditor-General attended meetings of the Audit Committee. The Audit Committee met four times during the year and has therefore complied with the minimum number of meetings as set out in its approved Audit Committee Charter (at least two times).

Listed hereunder are members and the number of meetings attended by each:

Name of member	Number of meetings attended
Mr. P. Bersiks (Chairperson)	4
Mr. K. Rana	3
Mr. E. Blom	2
Mr. M. Ntumba	4
Mr. B. Ngoma	1

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 51 (1) (a) (ii) of the PFMA and Treasury Regulation 27.1.6. We further report that we have conducted our affairs in compliance with this charter.

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management letter of the Auditor-General of South Africa, the matters highlighted have been noted by the committee and handed to management for action.

The system of controls is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate

and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. Areas of weakness identified for improvements that have been highlighted in the various reports of the outsourced internal auditors and the Auditor-General have been or are in the process of being resolved. The Audit Committee will monitor management's progress towards these matters on a regular basis as required in terms of the Audit Committee Charter.

Having considered the above, the Audit Committee has no reason to believe that any material breakdown in the functioning of internal controls, procedures and systems has occurred during the period under review.

Evaluation of annual financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the internal auditors;
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the appropriateness of accounting policies and practices adopted;
- Reviewed the entities compliance with legal and regulatory provisions; and.
- Reviewed significant adjustments resulting from the audit.

The Audit Committee having considered the financial position of the Regulator, the report of the directors and the audit report of the Auditor-General, concurs that the adoption of the going concern premise in the preparation of the financial statements is appropriate.

We concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

P Bersiks
Chairperson of the Audit Committee
13 August 2010

Report of the Auditor-General

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE SOUTH AFRICAN DIAMOND AND PRECIOUS METALS REGULATOR FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the accompanying financial statements of the South African Diamond and Precious Metals Regulator, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 96.

Accounting Authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 17(4) of the Diamonds Act, 1986 (Act No. 56 of 1986), my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South African Diamond and Precious Metals Regulator as at 31 March 2010 and its financial performance and its cash flows for the year then ended, in accordance with the SA Standards of GRAP as set out in note 1 to the financial statements and in the manner required by the PFMA.

Emphasis of matters

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

Restatement of corresponding figures

As disclosed in note 21 to the financial statements, the corresponding figures for 31 March 2009 were restated as a result of an error discovered during 31 March 2010 in the financial statements of the South African Diamond and Precious Metals Regulator at, and for the year ended, 31 March 2009.

Irregular expenditure

As disclosed in note 26 to the financial statements, irregular expenditure to the amount of R2 674 647 was incurred, as a proper tender process was not followed.

Additional matter

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

Unaudited supplementary schedules

The public entity provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 Presentation of Financial Statements. The supplementary budget information set out on page 97 does not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009, I include below my findings on the report on predetermined objectives, compliance with the PFMA, the Diamonds Act, 1988 (Act No. 56 of 1986) and financial management (internal control).

Findings

Predetermined objectives

Non-compliance with regulatory and reporting requirements

The South African Diamond and Precious Metals Regulator did not have documented and approved internal policies and procedures to address planning, implementation, monitoring and reporting processes and events pertaining to performance management and reporting.

Usefulness of information

The following criteria were used to assess the usefulness of the planned and reported performance:

- Consistency: Has the entity reported on its performance with regard to its objectives, indicators and targets in its approved strategic plan, i.e. are the objectives, indicators and targets consistent between planning and reporting documents?
- Relevance: Is there a clear and logical link between the objectives, outcomes, outputs, indicators and performance targets?
- Measurability: Are objectives made measurable by means of indicators and targets? Are indicators well defined and verifiable, and are targets specific, measurable, and time bound?

The following audit findings relate to the above criteria:

Reported information not consistent with planned objectives, indicators and targets

The South African Diamond and Precious Metals Regulator did not report throughout on its performance against predetermined objectives which was consistent with the approved strategic plan.

Lack of reporting on all predetermined objectives in the annual report

The South African Diamond and Precious Metals Regulator did not report on all the predetermined objectives, as required by section 55(2)(a) of the PFMA and Treasury Regulation 28.2.2.

Compliance with laws and regulations

Public Finance Management Act, 1999 (Act No. 1 of 1999) and Treasury Regulations of 2005

Non adherence to requirements

Contrary to the requirements of section 50(3) of the PFMA, ten members of the accounting authority did not declare their interests to the accounting authority.

Contrary to the requirements of Treasury Regulation 16A6.4, the accounting authority did not record and approve the reasons for deviating from inviting competitive bids to procure goods and services.

Diamonds Act, 1986 (Act No. 56 of 1986)

Non adherence to requirements

Contrary to the requirements of section 57(2) of the Diamonds Amendment Act, 2005 and Regulations 13 and 14 of the Regulation Gazette No. 10684, penalties for the late submission of J-registers were not charged for the year under review and the previous year.

Contrary to the requirements of section 11(5) of the Diamonds Amendment Act, 2005, two audit committee members were remunerated for services provided at a rate above the approved rates.

Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000)

Non adherence to requirements

Contrary to the requirements of section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), the accounting authority did not apply the preference point system for procurement transactions above R30 000.

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA and the Diamonds Act, 1986, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

- Leadership
  The accounting authority did not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control.

- Financial and performance management
  The financial statements and other information to be included in the annual report were not adequately reviewed for completeness and accuracy prior to submission for audit.

- Governance
  No matters to report.

Auditor-General

Johannesburg

28 July 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

2010

Statement of Financial Position

as at 31 March 2010

	Notes	2010 R	2009 (Restated) R
Assets			
Current Assets			
Financial assets held-for-trading	20	46,132,239	-
Trade and other receivables from exchange transactions	2	1,767,483	671,725
South African Revenue Service - Value added tax	3	-	76,678
Inventory	4	61,842	79,891
DMR Partnership bank account	5	-	412,242
Cash and cash equivalents	6	23,126,007	63,801,093
		71,087,571	65,041,629
Non-Current Assets			
Property, plant and equipment	7	7,991,593	7,349,690
Intangible assets	8	1,460,432	1,312,192
		9,452,025	8,661,882
Total Assets		80,539,596	73,703,511
Liabilities			
Current Liabilities			
Finance lease obligation	9	194,881	60,164
Trade and other payables from exchange transactions	10	4,782,151	3,412,953
Deferred income	11	1,792,575	1,123,675
DMR Partnership Programme	5	-	412,242
		6,769,607	5,009,034
Non-Current Liabilities			
Finance lease obligation	9	199,015	542,386
Total Liabilities		6,968,622	5,551,420
Net Assets		73,570,974	68,152,091
Net Assets			
Accumulated surplus		73,570,974	68,152,091

Statement of Financial Performance

for the year ended 31 March 2010

	Notes	2010 R	2009 (Restated) R
Revenue			
Levy income, licence, penalty and service fees	12	3,559,211	18,175,488
Sales of diamond books and registers		62,156	177,908
Discount received		7,494	-
Recoveries		23,113	-
Transfer from other Government Departments		39,412,388	40,000,000
Interest received - investment	13	5,099,201	6,494,011
Total Revenue		48,163,563	64,847,407
Expenditure			
Employee related cost	19	(26,093,919)	(21,370,695)
Depreciation and amortisation		(2,916,227)	(2,912,621)
Impairment of intangible asset		-	(10,242,900)
Finance costs	15	(123,865)	(139,792)
Debt impairment		(14,102)	(1,467,284)
Repairs and maintenance		(790,571)	(754,989)
Other operating expenses	16	(13,022,531)	(14,560,945)
Total Expenditure		(42,961,215)	(51,449,226)
Gains on disposal of assets		-	26,292
Fair value adjustments - held for trading		216,535	-
Surplus for the year		5,418,883	13,424,473

Statement of Changes in Net Assets

for the year ended 31 March 2010

	Accumulated surplus R	Total net assets R
Balance at 31 March 2008	54,727,618	54,727,618
Changes in net assets		
Restated surplus for the year	13,424,473	13,424,473
Balance at 31 March 2009 as restated	68,152,091	68,152,091
Changes in net assets		
Surplus for the year	5,418,883	5,418,883
Balance at 31 March 2010	73,570,974	73,570,974

Note 21 - Restated revenue

Cash Flow Statement

for the year ended 31 March 2010

	Notes	2010 R	2009 R
Cash flows from operating activities			
Cash receipts from customers, government and others		42,045,282	58,557,254
Cash paid to suppliers and employees		(37,864,975)	(37,303,218)
Cash generated from operations	17	4,180,307	21,254,036
Interest received - investment		5,099,201	6,494,011
Finance costs		(123,865)	(139,792)
Net cash from operating activities		9,155,643	27,608,255
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(2,766,842)	(2,374,373)
Proceeds on disposal of property, plant and equipment	7	-	80,814
Purchase of other intangible assets	8	(939,529)	(11,311,354)
Purchase of financial assets		(45,603,979)	-
Re-investment of interest		(311,725)	-
Net cash from investing activities		(49,622,075)	(13,604,913)
Cash flows from financing activities			
Increase/ (Decrease) in finance lease liabilities		(208,654)	27,167
Total cash movement for the year		(40,675,086)	14,030,509
Cash at the beginning of the year		63,801,093	49,770,584
Cash and cash equivalents at end of year	6	23,126,007	63,801,093

1. Basis of Preparation

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless otherwise stated.

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of:

General Notice 516 of 2008, issued in Government Gazette no. 31021 of 09 May 2008. The Standards comprise of the following:

GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GRAP 4	The Effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associate
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the reporting date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non-current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets

These standards have been adopted and implemented by the Regulator and did not result in any additional disclosures or changes in accounting policies.

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

1.1 Presentation currency

All amounts have been presented in the currency of South African Rand which is the functional currency of the Regulator.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Useful lives of property, plant and equipment and intangible assets

The entity's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and intangible assets. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

1.3 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

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

On initial recognition, an item of property, plant and equipment is measured at cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Average useful life
Furniture and fixtures	15 years
Motor vehicles	6 years
Office equipment	5 years
Computer equipment	4 years
Leasehold improvements	5 years
Switchboard	8 years
Security Systems	7 years

The residual value and the useful life of each asset are reviewed at the end of each reporting date.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

The depreciation method applied to an asset is reviewed at each reporting date.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licenced, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3 years
Computer software, other	3 years
Research and development	5 years

1.5 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables
- Financial liabilities measured at amortised cost

Financial instruments classified as fair value through profit or loss

Financial assets are classified as at fair value through surplus or deficit when the financial asset is either held for trading. A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling it in the near term; or
(ii) on initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
(iii) it is a derivative that is not designated and effective as a hedging instrument.

Initial recognition and measurement

Purchases and sales of financial assets are recognised on trade date, which is the date the entity assumes or transfers substantially all risks and rewards of ownership. Financial assets are initially recognised as follows:

- Fair value through surplus or deficit - at fair value on trade date
- Loans and receivables - at fair value on trade date plus transaction costs that are directly attributable to their acquisition - Other financial liabilities are initially measured at fair value, net of transaction costs.

Subsequent measurement

Financial instruments classified as fair value through surplus or deficit

These assets are subsequently measured at fair value and the fair value adjustments are recognised in surplus and deficit within fair value adjustments - held for trading.

The fair value of financial assets with standard terms and conditions and traded on active liquid market is based on regulated exchange quoted ruling bid prices at the close of business on the last trading day on or before the statement of financial position date. These assets are subsequently measured at fair value and the fair value adjustments are recognised in surplus and deficit within fair value adjustments - held for trading.

Loans and receivables

Loans and receivables comprise of receivables and prepayments which are non-derivative financial assets that are created by the entity for providing money, goods or services directly to a debtor, other than those that are originated with the intention of sale immediately or in the short term or designated at fair value through surplus or deficit. They have fixed or determinable payments, are unquoted and are initially recognised at fair value and subsequently carried at amortised cost.

Other financial liabilities

The accounts payable are subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits with banks..

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included 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 lease.

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.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventory

Decrease/ (Increase) in inventory are initially measured at cost except where decrease/ (increase) in inventory are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently decrease/ (increase) in inventory are measured at the lower of cost and net realisable value.

Decrease/ (Increase) in inventory are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of decrease/ (increase) in inventory comprises all costs of purchase, costs of conversion and other costs incurred in bringing the decrease/ (increase) in inventory to their present location and condition.

The cost of decrease/ (increase) in inventory of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of decrease/ (increase) in inventory is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all decrease/ (increase) in inventory having a similar nature and use to the entity.

When decrease/ (increase) in inventory are sold, the carrying amounts of those decrease/ (increase) in inventory are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of decrease/ (increase) in inventory to net realisable value and all losses of decrease/ (increase) in inventory are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of decrease/ (increase) in inventory, arising from an increase in net realisable value, are recognised as a reduction in the amount of decrease/ (increase) in inventory recognised as an expense in the period in which the reversal occurs.

1.8 Impairment of assets

The entity assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period; and
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.9 Government grants

Government grants are recognised when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or deficits already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

Where a loan is received from government at below market interest rate, the difference between the fair value of the loan and the amount received is recognised as a government grant.

1.10 Revenue from exchange transactions

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.11 Levy income, licence, penalty and service fees

Levy income, licence, penalty and service fees comprise amounts charged to licensees for issued licences, registers submitted late and service rendered.

1.12 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down and adjustments of inventories and all deficits of inventories are recognised as an expense in the period the write-down, adjustments or loss occurs. The amount of any reversal of any write-down and adjustment of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.14 Comparative figures

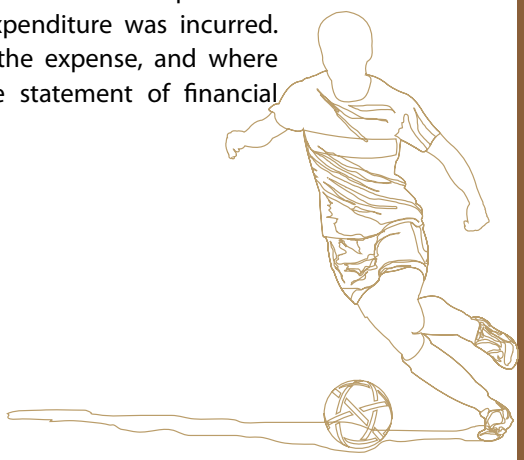
Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.15 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.



1.16 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonation is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Employee benefits Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

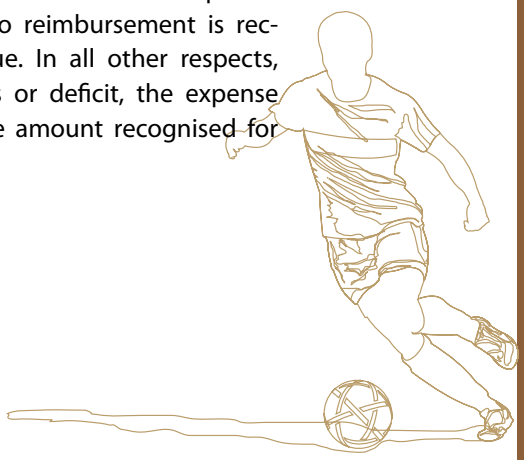
Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.



The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

2. Trade and other receivables from exchange transactions	2010 R	2009 R
Trade debtors	2,766,635	2,276,465
Provision for bad debts	(1,920,172)	(2,009,198)
Staff debtors - Study fees and Uniform	164,210	123,436
Interest receivable	387,950	217,801
	1,398,623	608,504
Prepaid expenses	368,860	63,221
	1,767,483	671,725

3. South African Revenue Service - Value added tax

Value Added Tax (VAT)	-	76,678

The Regulator has been deregistered for VAT by the South African Revenue Services, and the balance has been written off in full.

4. Inventory

Diamond books and registers	61,842	79,891

The cost of inventory recognised as an expense is included under other operating costs.

5. DMR Partnership Programme and bank account

Opening balance	412,242	-
Donations recieved	80,888	1,069,371
Expenditure	(493,130)	(657,129)
Excess of donations over expenditure	-	412,242
Cash at end of year	-	412,242

These accounts relate to donations received on behalf of Department of Mineral Resources (DMR) from its partners, expenditure related to the partnership programmes and cash in the bank.

6. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on Call	22,594,426	62,814,730
Cash on Current	519,652	956,379
Cash on hand	11,929	29,984
	23,126,007	63,801,093

7. Property, plant and equipment

	2010			2009		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	2,128,269	(608,269)	1,520,000	2,082,091	(391,861)	1,690,230
Motor vehicles	1,242,852	(334,913)	907,939	936,341	(171,549)	764,792
Office equipment	2,056,717	(1,003,451)	1,053,266	1,604,134	(730,911)	873,223
Computer equipment	1,714,868	(1,298,040)	416,828	1,530,509	(821,204)	709,305
Leasehold improvements	4,322,054	(2,349,987)	1,972,067	4,158,217	(1,649,760)	2,508,457
Leased Office Equipment	836,030	(491,941)	344,089	836,030	(302,805)	533,225
Switchboard	316,577	(141,078)	175,499	274,547	(70,701)	203,846
Leased Switchboard	138,469	(137,684)	785	138,469	(122,172)	16,297
Security Systems	1,692,474	(91,354)	1,601,120	121,132	(70,817)	50,315
Total	14,448,310	(6,456,717)	7,991,593	11,681,470	(4,331,780)	7,349,690

Reconciliation of property, plant and equipment - 2010	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	1,690,230	46,178	(216,408)	1,520,000
Motor vehicles	764,792	306,511	(163,364)	907,939
Office equipment	873,223	452,583	(272,540)	1,053,266
Computer equipment	709,305	184,359	(476,836)	416,828
Leasehold improvements	2,508,457	163,837	(700,227)	1,972,067
Leased Office Equipment	533,225	-	(189,136)	344,089
Switchboard	203,846	42,031	(70,378)	175,499
Leased Switchboard	16,297	-	(15,512)	785
Security Systems	50,315	1,571,343	(20,538)	1,601,120
Total	7,349,690	2,766,842	(2,124,939)	7,991,593

Reconciliation of property, plant and equipment - 2009	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1,861,343	45,623	-	(216,736)	1,690,230
Motor vehicles	268,939	623,512	-	(127,659)	764,792
Office equipment	807,760	449,335	-	(383,872)	873,223
IT equipment	970,426	211,374	-	(472,495)	709,305
Leasehold improvements	2,686,733	709,125	-	(887,401)	2,508,457
Leased Office Equipment	512,424	302,396	(54,522)	(227,073)	533,225
Switchboard	218,551	33,008	-	(47,713)	203,846
Leased Switchboard	25,717	-	-	(9,420)	16,297
Security Systems	96,878	-	-	(46,563)	50,315
Total	7,448,771	2,374,373	(54,522)	(2,418,932)	7,349,690

Pledged as security

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

Carrying value of assets pledged as security:

Leased switchboard	785	16,297
Leased office equipment	344,089	533,225

8. Intangible assets

	2010			2009		
	Cost	Accumulated amortisation / impairment	Carrying value	Cost	Accumulated amortisation / impairment	Carrying value
Computer software	3,204,843	(1,744,411)	1,460,432	2,265,314	(953,122)	1,312,192
Research and Development	10,242,900	(10,242,900)	-	10,242,900	(10,242,900)	-
Total	13,447,743	(11,987,311)	1,460,432	12,508,214	(11,196,022)	1,312,192

8. Intangible assets (continued)

Reconciliation of intangible assets - 2010	Opening balance	Additions	Amortisation	Total
Computer software	1,312,192	939,529	(791,289)	1,460,432
Research and Development	-	-	-	-
	1,312,192	939,529	(791,289)	1,460,432

Reconciliation of intangible assets - 2009	Opening balance	Additions	Amortisation	Impairment	Total
Computer software	737,427	1,068,454	(493,689)	-	1,312,192
Research and Development	-	10,242,900	-	(10,242,900)	-
	737,427	11,311,354	(493,689)	(10,242,900)	1,312,192

Other information

The amount for research and development relates to an investment in the diamond finger-printing project undertaken by Mintek, to determine the origin of individual rough diamond crystals.

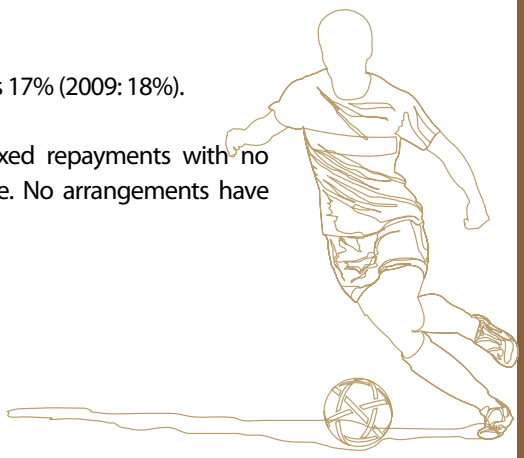
The initial cost was impaired in full in the prior year and will be reassessed when the project proves to be commercially viable. The SADPMR will earn royalties (25% proposed) from any future revenue streams that result from the project.

9. Finance lease obligation	2010 R	2009 R
Minimum lease payments due		
- within one year	268,050	306,447
- in second to fifth year inclusive	213,940	481,909
- later than five years	-	-
	481,990	788,356
less: future finance charges	(88,094)	(185,806)
Present value of minimum lease payments	393,896	602,550
Present value of minimum lease payments due		
- within one year	194,881	60,164
- in second to fifth year inclusive	199,015	542,386
- later than five years	-	-
	393,896	602,550
Non-current liabilities	199,015	542,386
Current liabilities	194,881	60,164
	393,896	602,550

It is the practice of the South African Diamond and Precious Metals Regulator to lease certain office and switchboard equipment under finance leases.

The average lease term is 3 - 5 years and the average effective borrowing rate is 17% (2009: 18%).

Interest rates are linked to prime at the contract date. All assets have fixed repayments with no annual escalation rate but varies with the change in the prime interest rate. No arrangements have been entered into for contingent rent .



10. Trade and other payables from exchange transactions	2010 R	2009 R
Trade payables	1,716,733	1,411,257
Accrued leave pay	1,085,674	1,174,552
Accrued bonus	1,979,744	326,696
Accrued expenses	-	500,448
	4,782,151	3,412,953

11. Deferred income

Deferred income arises as a result of amounts received in cash but not yet accounted for as revenue. These amounts relate to Diamond and Precious Metals licences and certificates.

Deferred income comprises		
Diamond and Precious Metals Licence Fees	1,792,575	1,050,950
Operating lease incentive	-	72,725
	1,792,575	1,123,675

12. Revenue

Levy income	-	14,368,782
Licence fees	285,430	495,936
Service fees	2,544,431	3,310,770
Penalties - Registers	729,350	-
	3,559,211	18,175,488

13. Interest received - investment

Interest revenue		
Bank	4,520,694	6,494,011
Investment held for trading	578,507	-
	5,099,201	6,494,011

14. Auditors' remuneration

Current year - External audit	690,392	751,864
Prior year underprovision	51,638	368,845
Current year - Internal audit	477,175	311,902
Other services	109,224	186,758
	1,328,429	1,619,369

15. Finance costs

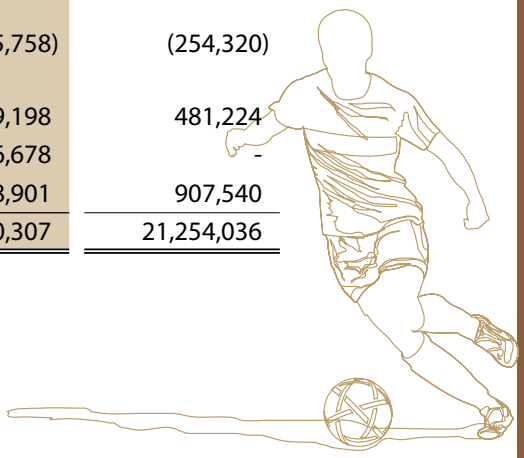
Finance leases	123,865	137,968
Other interest paid	-	1,824
	123,865	139,792

16. Other operating expenses

	2010 R	2009 R
Auditors' remuneration	1,328,429	1,619,369
Bank charges	58,191	57,202
Cleaning	69,270	53,315
Consulting and professional fees	1,033,631	1,488,548
Consumables	674,042	544,560
Entertainment	102,145	149,720
Gifts	18,383	32,288
Insurance	320,991	191,237
Lease rentals on operating lease	857,082	572,745
Promotions and sponsorships	324,532	410,417
Magazines, books and periodicals	452,493	433,906
Motor vehicle expenses	158,948	334,722
Security	50,806	58,758
Staff welfare	670,673	460,211
Telephone and fax	704,284	658,953
Training	644,650	692,429
Travel - local	1,290,470	1,151,188
Travel - overseas	278,283	563,280
Electricity	376,351	275,029
Staff Recruitment	394,569	414,404
Board & Committee Remuneration	794,671	550,102
Government Diamond Valuator	2,154,600	3,214,530
Kimberley process	126,329	222,173
Other expenses	138,708	411,859
	13,022,531	14,560,945

17. Cash generated from operations

Surplus as per Statement of Financial Performance	5,418,883	13,424,473
Adjustments for:		
Depreciation and amortisation	2,916,227	2,912,621
Profit on sale of assets	-	(26,292)
Interest received - investment	(5,099,201)	(6,494,011)
Finance costs	123,865	139,792
Fair value adjustments - held for trading	(216,535)	-
Impairment of intangible asset	-	10,242,900
Changes in working capital:		
Decrease/ (Increase) in inventory	18,049	(79,891)
Decrease/ (Increase) in Trade and other receivables from exchange transactions	(1,095,758)	(254,320)
Increase in Trade and other payables from exchange transactions	1,369,198	481,224
Decrease in Value Added Tax	76,678	-
Increase in deferred income	668,901	907,540
	4,180,307	21,254,036



18. Commitments

	2010 R	2009 R
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	514,562	751,084
- in second to fifth year inclusive	-	85,899
- later than five years	-	-
	514,562	836,983

The landlord Apexhi Properties Limited leases office space to the South African Diamond and Precious Metals Regulator, Johannesburg. The lease was renegotiated in March 2010 for a period of 04 months commencing on 01 April 2010. The new monthly lease payment is R85 140.90 with an escalation clause of 8% and the new contract is expected to be signed by 31 July 2010. There is an additional charge for parking and security.

The landlord Eskom leases the office space to the South African Diamond and Precious Metals (Kimberley office) for a period of 24 months effective from 01 September 2008 at an escalation rate of 10%. The lease payment is currently R17 179. 80 per month and is renewable at the end of the lease term.

19. Employee related costs

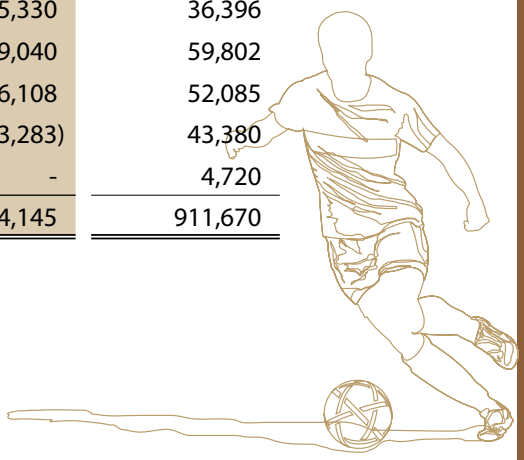
Basic	18,527,920	14,794,760
Bonus	1,634,973	922,821
Medical aid - entity contributions	906,561	762,164
UIF	105,902	91,092
SDL	187,278	177,997
Leave pay provision charge	117,487	518,954
Post-employment benefits - pension - defined contribution plan	2,026,360	1,605,284
13th cheques	1,275,874	1,040,217
Car allowance	822,203	1,091,421
Housing benefits and allowances	242,929	246,761
Staff Uniform	246,432	119,224
	26,093,919	21,370,695

Remuneration of Chief Executive Officer †		
Annual remuneration	284,888	1,036,194
Car allowance	45,000	177,000
Performance bonuses	80,762	85,842
Contributions to UIF, Medical and Pension Funds	28,783	143,300
Leave payout	186,364	-
13th cheque	43,714	22,323
Leave pay provision charge	69,433	54,565
Staff uniform	-	4,720
	738,944	1,523,944

From April 2009 to 31 May 2009

† Deceased

19. Employee related costs (continued)	2010 R	2009 R
Remuneration of Acting Chief Executive Officer		
Annual remuneration	460,307	-
Car allowance	86,400	-
Performance bonuses	57,463	-
Contributions to UIF, Medical and Pension Funds	66,573	-
Staff uniform	-	-
13th cheque	43,674	-
Leave pay provision charge	1,903	-
	716,320	-
From 01 June 2009 to 31 January 2010		
Remuneration of Chief Executive Officer		
Annual remuneration	151,545	-
Car allowance	17,829	-
Contributions to UIF, Medical and Pension Funds	7,200	-
13th cheque	10,563	-
Leave pay provision	9,213	-
Staff uniform	4,800	-
	201,150	-
Appointed 01 February 2010		
Remuneration of Chief Financial Officer		
Annual remuneration	728,218	596,053
Car allowance	72,000	94,000
Performance bonuses	57,463	36,396
Contributions to UIF, Medical and Pension Funds	91,407	98,835
13th cheque	47,659	51,144
Leave pay provision charge	23,623	20,114
Housing benefits and allowances	10,524	-
Staff uniform	-	4,720
	1,030,894	901,262
Remuneration of General Manager Legal Services		
Annual remuneration	639,050	537,387
Car allowance	177,900	177,900
Performance bonuses	55,330	36,396
Contributions to UIF, Medical and Pension Funds	69,040	59,802
13th cheque	46,108	52,085
Leave pay provision charge	(23,283)	43,380
Staff uniform	-	4,720
	964,145	911,670



19. Employee related costs (continued)	2010 R	2009 R
Remuneration of General Manager Precious Metals **		
Annual remuneration	224,835	445,937
Car allowance	43,200	125,279
Performance bonuses	-	35,396
Contributions to UIF, Medical and Pension Funds	33,262	72,751
13th cheque	-	22,167
Leave pay provision charge	-	20,908
Staff uniform	-	4,720
	301,297	727,158

** Acted as the Chief Executive Officer from 01 June 2009 to 31 January 2010

Remuneration of Manager Human Resources ***		
Annual remuneration	-	477,750
Car allowance	-	120,000
Performance bonuses	-	29,765
Contributions to UIF, Medical and Pension Funds	-	57,837
13th cheque	-	13,650
Leave pay provision charge	-	15,141
Staff uniform	-	4,720
	-	718,863

*** The position was vacant during the year under review.

Remuneration of Beneficiation Strategist		
Annual remuneration	576,731	568,626
Car allowance	9,600	9,800
Performance bonuses	50,739	30,290
Contributions to UIF, Medical and Pension Funds	67,278	63,416
13th cheque	34,283	16,246
Leave pay provision charge	13	27,246
Staff uniform	-	4,720
	738,644	720,344

Remuneration of Company Secretary		
Annual remuneration	462,285	427,331
Car allowance	133,274	137,942
Performance bonuses	41,747	20,383
Contributions to UIF, Medical and Pension Funds	67,667	60,916
13th cheque	34,789	12,209
Leave pay provision charge	40,545	(128)
	780,307	658,653

19. Employee related costs (continued)	2010 R	2009 R
Remuneration of Manager Inspection		
Annual remuneration	487,068	444,430
Car allowance	77,000	94,524
Performance bonuses	44,568	19,094
Contributions to UIF, Medical and Pension Funds	74,591	67,060
13th cheque	34,283	30,637
Leave pay provision charge	(60,039)	11,206
Housing benefits and allowances	10,524	-
Staff uniform	4,500	-
	672,495	666,951
Remuneration of Manager Licencing		
Annual remuneration	505,884	436,213
Car allowance	44,000	75,500
Performance bonuses	55,749	29,788
Contributions to UIF, Medical and Pension Funds	94,891	76,290
13th cheque	45,715	35,579
Leave pay provision charge	15,595	38,413
Staff uniform	4,500	-
	766,334	691,783
Remuneration of Government Diamond Valuator		
Annual remuneration	462,097	253,941
Car allowance	110,000	90,000
Performance bonuses	51,698	29,765
Contributions to UIF, Medical and Pension Funds	79,421	42,795
13th cheque	33,570	11,250
Leave pay provision charge	(13,263)	33,286
Staff uniform	-	4,720
	723,523	465,757

20. Risk management	2010 R	2009 R

Interest rate risk

Deposits and call accounts attract interest rates that vary with prime. The Regulator'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 year end, financial instruments exposed to interest rate risk were as follows:

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

Credit risk

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

Credit risk consists mainly of call deposits, cash equivalents and trade receivables. The South African Diamond and Precious Metals Regulator 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	1,398,623	608,504
Financial assets held-for-trading	46,132,239	-
Cash and cash equivalents	23,126,007	63,801,093
	70,656,869	64,409,597

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

	2010		2009	
	Gross R	Impairment R	Gross R	Impairment R
0 - 30 days	387,950	-	217,801	-
Past due 31 - 60 days	884	177	2,000	400
Past due 61 - 120 days	-	-	224	224
Past due > 120 days	2,929,961	1,919,995	2,397,677	2,008,574
Total	3,318,795	1,920,172	2,617,702	2,009,198

Liquidity risk

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

The following are the entity's financial assets and liabilities, including interest payments:

2010	0 - 12 months R	1 - 2 years R	3 - 5 years R	> 5 years R	Total R
Assets					
Financial assets held-for-trading	46,132,239	-	-	-	46,132,239
Cash and cash equivalents	23,126,007	-	-	-	23,126,007
Loans and receivables	1,398,623	-	-	-	1,398,623
Liabilities					
Trade payables	4,782,151	-	-	-	4,782,151
	65,874,718	-	-	-	65,874,718

2009	0 - 12 months R	1 - 2 years R	3 - 5 years R	> 5 years R	Total R
Assets					
Financial assets held-for-trading	-	-	-	-	-
Cash and cash equivalents	63,801,093	-	-	-	63,801,093
Loans and receivables	608,504	-	-	-	608,504
Liabilities					
Trade payables	3,412,953	-	-	-	3,412,953
	60,996,644	-	-	-	60,996,644

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 profit or loss by managing and controlling market risk exposures and to optimise the funding of business operations and facilitate capital expansion.

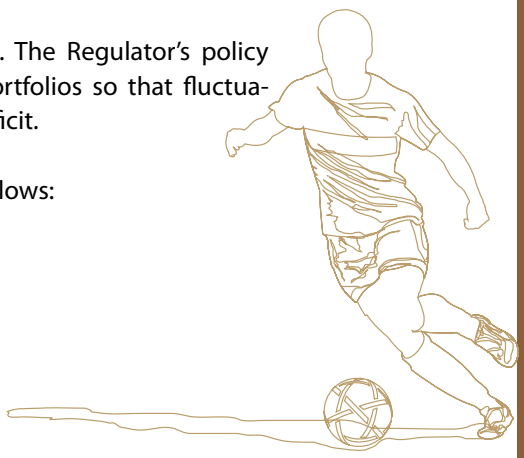
Interest rate risk

Interest rate risk is the risk that the value and cash flow of the financial instruments will fluctuate due to changes in market interest rates.

Deposits and call accounts attract interest rates that vary with prime. The Regulator'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 year end, financial instruments exposed to interest rate risk were as follows:

(i) Balances with banks and other financial institutions.



21. Restated revenue	2010 R	2009 R

During the year under review, it was discovered that the prior years' licences and certificates income were not deferred and recognised as revenue based on the amount of days they are valid for, as required by GRAP 9 - Revenue from Exchange Transactions, paragraph 20. The financial statements for 2009 have been restated to correct this error. Opening accumulated surplus for 2009 has been decreased by R458 178 which is the amount of the adjustment relating to the periods prior to 2010. The effect of the restatement on the 2009 financial statements is summarised below:

Statement of financial position		
Increase in deferred income	-	458,178
Decrease in surplus	-	(458,178)

22. Taxation

The South African Diamond and Precious Metals Regulator has applied for the Income Tax Exemption certificate in terms of section 10(1)(cA) of the Income Tax Act No.58 of 1962 as amended.

The current tax exemption number 9615/289/15/5 is still in the name of the South African Diamond Board, the functions and mandate of which have been taken over by the Regulator.

23. Long term contracts

The South African Diamond and Precious Metals Regulator had a contract with the External Technical Advisor to the Internal Government Diamond Valuator whose main function is to confirm the caratage, value and description of unpolished diamonds to be cleared for exports. The contract will expire on 30 June 2010 and will not be renewed.

24. Related parties

The South African Diamond and Precious Metals Regulator is a public entity under Section 3A of the Public Finance Management Act (Act No. 1 of 1999) with the Department of Mineral Resources as its accounting authority. The Regulator enjoys the related party status with the following national governmental institutions:

24. Related parties (continued)	2010 R	2009 R
Related party balances		
Eskom Holdings Limited	(21,090)	(2,891)
South African Post Office Limited	(15,287)	4,956
State Diamond Trader	-	23,849
South African Reserve Bank	(13,440)	-
Government Employees Pension Fund	-	3,173
South African Revenue Services (PAYE, SDL and UIF)	(392,803)	(508,708)
Mintek	(78)	-
South African Revenue Services - VAT	-	76,678
Related party transactions		
Eskom Holdings Limited	(241,082)	(185,952)
Department of Minerals and Energy	39,412,388	40,000,000
South African Post Office Limited	(195,934)	(343,392)
State Diamond Trader	-	(13,752)
South African Police Services	-	(598,242)
South African Reserve Bank	(24,750)	(77,046)
Government Employees Pension Fund	(2,026,360)	(1,605,284)
South African Revenue Services (PAYE, SDL and UIF)	(4,633,634)	(3,584,849)
Mintek	3,401	(10,232,275)
South African Bureau of Standards	(29,686)	-
Government Printing Works	-	(39,541)
Denel Dynamics (Pty) Ltd	-	100
Rheinmetall Denel Munitions (Pty) Ltd	-	1,019

Other related parties consist of remuneration to board members and key management personnel, disclosed in note 24 and 19 respectively. All related party transactions are at arm's length and on normal commercial terms, except where employees of national departments or public entities participate in the Regulator's processes and do not receive any remuneration.

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the Regulator.

25. Fees paid to Members of the Board and Other Committees

The gross fees paid to Members of the Board and Other Committees for the year under review are as follows:

Non-executive - Fees

2010	No. of meetings attended	Paid to member	Paid to employer	Total paid
Mr S Phiri	13	86,502	-	86,502
Mr R.A Manoko	17	101,280	-	101,280
Mr A Luhlabo	14	69,300	-	69,300
Mr E Majadibodu	9	44,550	-	44,550
Mr L Grobler	9	44,550	-	44,550
Mr M Lotter	-	-	-	-
Mr E Blom	7	34,650	-	34,650
Dr F.W Petersen	7	34,650	-	34,650
Mr R.A Baxter	8	40,680	-	40,680
Mr. P Bersiks	19	97,290	-	97,290
Mr K Rana	11	54,450	-	54,450
Mr R Paola	8	-	39,600	39,600
Mr L Delport	17	-	86,850	86,850
Mr B Mngoma *	1	4,480	-	4,480
Mr M.C Ntumba *	9	-	52,839	52,839
Mrs M Lincoln-Burbidge *	1	3,000	-	3,000
		615,382	179,289	794,671

2009				
Mr S Phiri	7	42,154	-	42,154
Mr R.A Manoko	13	74,325	-	74,325
Mr A Luhlabo	8	37,000	-	37,000
Mr E Majadibodu	5	22,400	-	22,400
Mr L Grobler	7	31,360	-	31,360
Mr M Lotter	1	4,480	-	4,480
Mr E Blom	10	44,800	-	44,800
Dr F.W Petersen	7	31,360	-	31,360
Mr R.A Baxter	8	35,840	-	35,840
Mr P Bersiks	15	67,200	-	67,200
Mr K Rana	12	53,760	-	53,760
Dr A.R.H Colburn	7	-	31,360	31,360
Mr L Delport	6	-	33,743	33,743
Mr B Mngoma *	3	13,440	-	13,440
Mr M.C Ntumba *	6	-	26,880	26,880
		458,119	91,983	550,102

25. Fees paid to Members of the Board and Other Committees (continued)

Executive - Remuneration

2010	No. of meetings attended	Paid to member	Paid to employer	Total paid
Mr L Selekane (CEO) †	-	745,075	-	745,075
Mr S Sikhosana (Acting CEO)	-	721,561	-	721,561
Mr L Rapoo (CEO) - February to March 2010	-	194,725	-	194,725
	-	1,661,361	-	1,661,361
2009				
Mr L Selekane (CEO) †	-	1,523,945	-	1,523,945

All fees paid were approved by the Minister of Mineral Resources and were implemented with effect from 01 April 2009. All Board members with the exception of the CEO and ACEO, are non-executive.

* Mr B. Mngoma and Mr MC. Ntumba both serve on the Audit and Risk Committee and Mrs M Lincoln-Burbidge serves on the Information Technology Steering Committee of the Regulator.
† Deceased

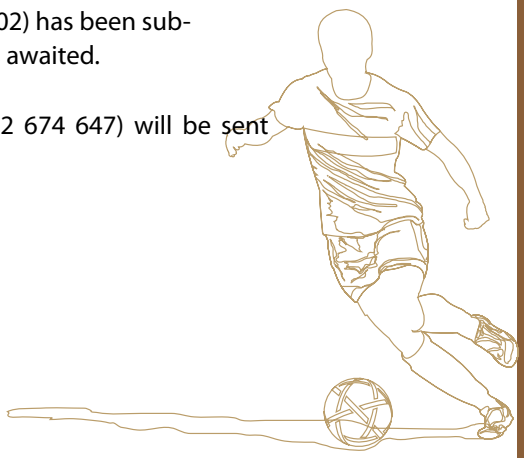
26. Irregular expenditure

	2010 R	2009 R
Opening balance	890,902	-
Add: Irregular Expenditure - current year	2,674,647	890,902
	3,565,549	890,902

Details of irregular expenditure – current year	Disciplinary steps taken/ criminal proceedings	
External Technical Advisor to the Government	None	2,154,600
Diamond Valuator		
Ford Ranger 4 X 4 - Kimberley Office	None	306,511
HP Scanjet N9120 Printer - Licencing	None	58,026
Sartorius LP3200 (FF) Carat	None	57,439
Security Declaration Labels	None	38,846
Carpet Cleaning	None	35,226
Audit Commitee Fees	None	23,999
		2,674,647

Request for condonation of the prior year's irregular expenditure (R890 902) has been submitted to the Board, as per Treasury Regulation 16 A6.4, and a response is awaited.

Request for condonation of the current year's irregular expenditure (R2 674 647) will be sent to the Board and the National Treasury.



27. Deviation from supply chain management regulations	2010 R	2009 R

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting authority and includes a note to the annual financial statements.

The services of the External Technical Advisor to the Government Diamond Valuator were procured during the financial year under review and the process followed in procuring those services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations have been documented and submitted to the Board and the National Treasury for condonation.

A total amount of R2 650 648 was incurred during the financial year under review and the Preference Point System was not followed, in terms of section 2 (a) of the Preferential Procurement Policy Framenwork Act No. 5 of 2000.

A total amount of R23 999 was incurred during the financial year under review. The Regulator engaged individuals that are not employed by the State to serve on its Audit Committee, and these members were not remunerated according to the scales authorised by the Minister of Mineral Resources, as required by section 11 (5) of the Diamonds Amendmendt Act, 2005.

28. Unauthorised expenditure

Gross Funeral costs of the late Chief Executive Officer	239,562	-

R184 132 in donations were received relating specifically to the funeral costs of the late Chief Executive Officer, and this results in R55 430 net amount of the unauthorised expenditure. The Regulator has engaged the family with the view of recovering this expenditure and a response is awaited.

No criminal or disciplinary steps were taken as a consequence of above expenditure.

29. New standards and interpretations

29.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 4: The Effects of Changes in Foreign Exchange Rates
The initial application of GRAP 4 will have no impact on the annual financial statements. The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application on the initial adoption of the Standard except for the acquisition of foreign operations.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

This standard is not expected to have an impact as the entity does not have any foreign currency denominated transactions.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

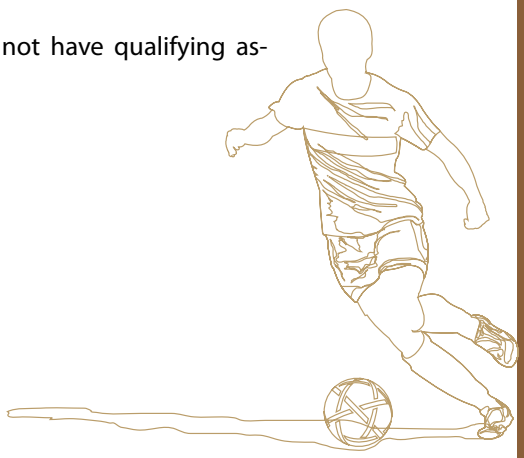
Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

This standard is not expected to have any impact as the entity does not have qualifying assets in its operations.



GRAP 6: Consolidated and Separate Financial Statements
GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements. The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

This standard is not expected to have an impact on entity as it does not have subsidiaries.

GRAP 7: Investments in Associates
An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investor must exercise judgement in the context of all available information to determine if it has significant influence over an investee.

An investor accounts for investments in associates in the consolidated annual financial statements using the equity method. The initial application of GRAP 7 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

GRAP 7: Investments in Associates (continued)
Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

This standard is not expected to have an impact on the entity as it does not have associates.

GRAP 8: Interests in Joint Ventures
GRAP 8 uses a different definition for joint venture and joint control – contractual arrangement has been replaced by binding arrangement (public sector amendment) – public entities need to review current arrangements to determine whether they fall within the scope of GRAP 8 as a result of the public sector amendment.

Applying the definition of joint control as defined in this Standard may result in the identification of other entities that are also jointly controlled ventures in addition to those identified by complying with applicable legislation.

GRAP 8 incorporates guidance adopted from SIC13 on Non-monetary Contributions by ventures issued by the IASB i.e. provisions for accounting for non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity that is accounted for using either the equity method or proportionate consolidation. (Par.57-62).

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

GRAP 8: Interests in Joint Ventures (continued)
Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

This standard is not expected to have an impact on the entity as it does not have joint venture arrangements.

GRAP 9: Revenue from Exchange Transactions
The definition of revenue in terms of GRAP 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or service potential will flow to the entity, and the entity can measure the benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions. Other than terminology difference, no affect on initial adoption of Standard on GRAP 9. The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

GRAP 10: Financial Reporting in Hyperinflationary Economies
GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

The initial application of GRAP 4 will have no impact on the annual financial statements. The effective date of the standard is for years beginning on or after 01 April 2009.

This standard will have no impact on the financial statements.

GRAP 11: Construction Contracts
The definition for "construction contract" was expanded by including a binding arrangement that do not take the form of a legal contract within the scope of the Standard.

Definition for "cost plus or cost based contract" has been expanded to include commercially-based contract. The scope has been expanded to include cost based and non-commercial contracts.

Public entities need to review contracts to determine whether they fall within the scope of the Standard based on the above changes.

GRAP 11 incorporates the concept of service potential in the condition to determine whether the outcome of a construction contract can be estimated reliably. The requirement to recognise an expected deficit on a contract immediately when it becomes probable that contract costs will exceed total contract revenue applies only to contracts in which it is intended at the inception of the contract that contract costs are to be fully recovered from the parties to that contract (par.47).

Other than the above requirements, there is no other affect on initial adoption of GRAP 11.

The following Directives also need to be considered:

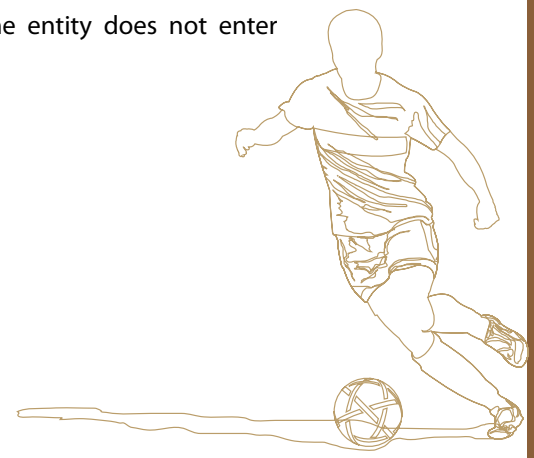
Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

This standard will have no impact on the financial statements as the entity does not enter into construction contracts.



GRAP 12: Inventories
GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge or for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- distribution at no charge or for a nominal charge, or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.
The effective date of the standard is for years beginning on or after 01 April 2009.

GRAP 13: Leases
GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between lease and other contracts and on operating lease incentives.

In certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislative requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP13. The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of the Standard.

GRAP 13: Leases
Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009.

GRAP 14: Events after the reporting date
An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

The effective date of the standard is for years beginning on or after 01 April 2009.

GRAP 16: Investment Property
Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

GRAP 16: Investment Property (continued)
The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009. This standard will have no impact on the financial statements.

GRAP 17: Property, Plant and Equipment
GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. for a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporarily idle, fully depreciated property, plant and equipment and for property, plant and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure classes of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets
GRAP 19 excludes from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirements of IFRIC5 (AC438).

It further includes the accounting for the changes in existing decommissioning, restoration and similar liabilities. This is similar to the requirements of IFRIC1 (AC434).

GRAP 19 gives specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is used to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets
Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 April 2009.

This standard will not have any impact on the entity as it does not have different segments of operations.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations
GRAP 100 includes in its scope the reference to non-cash generating assets. It further includes definitions relevant to the understanding of the Standard e.g. "Non-cash-generating assets" are assets other than cash-generating assets and "value in use of a non-cash-generating asset" is the present value of the asset's remaining service potential.

GRAP 100 excludes from the description of a discontinued operation reference to a controlled entity acquired exclusively with a view to resale.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires prospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standard of Property, Plant and Equipment until the transitional provision in that Standard expires.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires prospective application of the Standard. However, the Standard would not apply to those items that have not been recognised as a result of the transitional provisions under the Standards of GRAP on Inventories, Investment Property, Property, Plant and Equipment, Agriculture and Intangible Assets until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 April 2009. This standard will have no impact on the financial statements.

GRAP 101: Agriculture
GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

GRAP 101: Agriculture
Additional disclosure is required of biological assets for which the entity's use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard initially adopted. Comparative information is not required to be restated on initial adoption of this Standard.

Directive 4 - Transitional provisions for medium and low capacity requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard is initially adopted. Comparative information is not required to be restated. Entities are not required to recognise biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

This standard will not have any impact on the entity as it does not have any agricultural activities.

GRAP 102: Intangible Assets
GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating and non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

Additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

GRAP 102: Intangible Assets
Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets – Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state "gains shall not be classified as revenue" as GRAP term "income" has a broader meaning than the term "revenue".

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard.

Directive 4 - Transitional provisions for medium and low capacity requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 April 2009.

29.2 Standards and interpretations not yet effective

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2010 or later periods:

GRAP 23: Revenue from Non-exchange Transactions
Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

GRAP 23: Revenue from Non-exchange Transactions
An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

This standard is not expected to have any impact on the entity's financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 103: Heritage Assets
Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the entity; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

GRAP 103: Heritage Assets
Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.
In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

This standard is not expected to have any impact on the entity's financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 21: Impairment of Non-cash-generating Assets
The Standard prescribes the procedures that an entity applies to determine whether a non-cash-generating asset is impaired and to ensure that impairment losses are recognised. The Standard also specifies when an entity would reverse an impairment loss and prescribes disclosures.

The standard will have no impact on the entity's results.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 25: Employee Benefits
This Standard prescribes the accounting and disclosure for employee benefits. The Standard requires an entity to recognise:

(i) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
(ii) an expense when the entity consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The entity has adopted the standard early in prior and current annual financial statements, and will have no impact on the entity's results.

GRAP 104: Financial instruments
The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

The entity has adopted the standard for the first time in the 2010 annual financial statements, and will have no impact on the entity's results.

Annexure A

Audited Supplementary Schedule - 2010 SOCCER WORLD CUP™ EXPENDITURE

	Quantity	2010 R	2009 R
Tickets acquired			
None	-	-	-
Distribution of tickets			
None	-	-	-
Travel costs			
None	-	-	-
Purchase of other world cup apparel			
None	-	-	-
Total world cup expenditure	-	-	-
Tickets acquired after year-end (31 March 2010)			
None	-	-	-
Distribution of tickets acquired after year-end			
None	-	-	-
Travel costs after year-end (31 March 2010)			
None	-	-	-

Purchase of other world cup apparel after year-end (31 March 2010)

Decorations (Head Office) - Flags, Pictures and Drawings	350	-
Total world cup expenditure	350	-

Annexure B

Statement of Comparison of Budget and Actual Amounts

	2010 R			2009 (Restated) R
	Actual R	Budgeted R	Variance R	Actual R
Revenue				
Government Grants	39,412,388	-	39,412,388	40,000,000
Levy income, licence and service fees	3,621,367	-	3,057,897	18,353,396
Other income	247,142	-	247,142	26,292
Interest received - investment	5,099,201	-	5,099,201	6,494,011
TOTAL REVENUE	48,380,098	-	48,380,098	64,873,699
Expenditure				
Auditors' remuneration	(1,328,429)	(944,307)	384,122	(1,619,369)
Board members' fees	(791,674)	(878,422)	(83,751)	(550,102)
Communications	(704,284)	(360,323)	343,961	(658,953)
Consulting and professional fees	(1,033,631)	(3,030,515)	(1,996,884)	(1,298,166)
Depreciation and amortisation	(2,916,227)	-	2,916,227	(2,912,621)
Employee costs	(26,093,919)	(30,586,773)	(4,492,854)	(21,370,695)
Finance costs	(123,865)	-	(123,865)	(139,792)
Lease rentals on operating lease	(857,082)	(1,113,155)	(256,073)	(572,745)
Training	(644,650)	(394,330)	250,320	(797,217)
Travel - local	(1,290,470)	(2,079,729)	(789,259)	(1,151,188)
Travel - overseas	(278,283)	(818,206)	(539,923)	(563,280)
Valuation fees	(2,154,600)	(2,296,188)	(141,588)	(3,412,530)
Other operating expenses	(4,741,104)	(6,055,738)	(1,314,634)	(16,402,567)
TOTAL EXPENDITURE	(42,961,215)	(48,557,686)	(5,844,201)	(51,449,226)
Surplus/(Deficit) for the year	5,418,883	(48,557,686)	42,535,897	13,424,473

Notes

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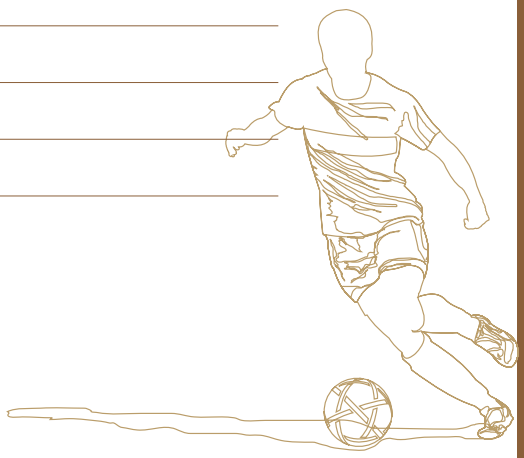

Notes

Head Office - Johannesburg

5th Floor, SA Diamond Centre, 225 Cnr Main and Phillip Street, Johannesburg, 2001
Tel: +27 11 334 8980/6, Fax: +27 11 334 8898

Kimberly Regional Office

Trust Centre, 3rd Floor, 66 Jones Street, Kimberly, 8301
PO Box 2990, Kimberly, 8301
Tel: +27 53 831 3121, Fax: +27 53 831 3184

Web: www.sadpmr.co.za

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